

SMBC TO ACQUIRE A 4.99% STAKE IN RCBC

JUNE 28 2021, Manila—Rizal Commercial Banking Corporation (“RCBC” or the “Bank”) announced that Sumitomo Mitsui Banking Corporation (“SMBC”) will sign definitive agreements with the Bank today to acquire 101,850,000 common shares of RCBC held in treasury, representing an approximately 4.99% stake in RCBC on a pro-forma, post-transaction basis (the “Transaction”).

SMBC’s strategic investment which raises PHP4.48 billion (approximately USD93.9 million) of new Core Equity Tier 1 (“CET1”) capital for the Bank is part of the Bank’s capital raising plan to support long-term asset growth and digital investments. The proceeds from the investment will allow the Bank to finance the different requirements of key customers in the Corporate, SME and Consumer segments and expand the reach of its Sustainable Finance Framework.

SMBC is one of the largest banks in Japan and is the commercial banking arm of Sumitomo Mitsui Financial Group (SMFG), with USD2,215 billion in total assets and strong Capital Adequacy Ratio of 18.61% as of March 2021 on a group basis. The investment in RCBC is in line with SMFG’s strategy to expand its business in the Asian region in general and the Philippines in particular.

The Transaction will be subject to the terms of the definitive transaction documents.

Key Transaction Terms and Impact on Capital Ratios

The key terms of the Transaction involve SMBC acquiring 101,850,000 common shares held in treasury at PHP44.00 per share for a total consideration of PHP4.48 billion (approximately USD93.9 million). RCBC Parent Bank’s CET1 Ratio will improve from 11.01% to 11.75% as of 30 June 2021 on a pro-forma basis.

Key Areas of Partnership and Collaboration

As part of the Transaction and resulting partnership, RCBC and SMBC see significant opportunities for synergies and collaboration between both parties. RCBC will seek to derive significant value-add and expertise from the SMBC relationship in, but not limited to:

(1) Consumer Banking

By leveraging the know-how and expertise SMBC has accumulated in serving consumer banking segments not just in Japan but also in other developing countries including Indonesia, RCBC aims to expand its consumer banking franchise. In 2019, SMBC’s local subsidiary in Indonesia merged with BTPN which has a robust presence in the mass market segment in Indonesia. In April 2021, SMFG, through its consumer finance arm, agreed to acquire a 49% stake in FE Credit, the number 1 consumer finance company in Vietnam, with a 50% share of the market for cash loans and credit card services to retail customers.



(2) Digital Banking

RCBC and SMBC share the same vision of accelerating digital transformation in order to deliver customer-centric banking products and services with superior customer experience. The partnership with SMBC will further enhance RCBC's digital efforts in creating innovative, inclusive, and interoperable digital solutions, aligned with BSP's ambition in promoting financial inclusion among the underserved and unbanked segments.

(3) Corporate Banking

Post-transaction, RCBC and SMBC intend to collaborate in the Corporate Banking segment by leveraging RCBC's local expertise in the Philippines and SMBC's extensive institutional resources and broad global network. The RCBC-SMBC partnership will be well-positioned to take advantage of the significant opportunities in corporate banking, trade finance, and foreign exchange.

RCBC and SMBC will discuss and jointly explore materializing the collaboration post-transaction.

Advisers

Credit Suisse acted as sole Financial Advisor to RCBC, while Clifford Chance and Romulo Mabanta Buenaventura Sayoc & de los Angeles provided legal advice to RCBC.

About RCBC

RCBC is a leading financial services provider in the Philippines, offering a wide range of banking and financial products and services. RCBC is engaged in all aspects of traditional banking, investment banking, microfinance, retail financing (auto, mortgage and housing loans, and credit cards), remittance, leasing, foreign exchange, and stock brokering. RCBC is a member of the Yuchengco Group of Companies (YGC), one of the oldest and largest conglomerates in South East Asia. For more information, please visit <https://www.rcbc.com>.

About SMBC

SMBC is a leading financial institution in Japan as well as a globally-renowned provider of financial services. SMBC operates globally in retail banking, corporate banking, and investment banking, with a presence in more than 40 countries. SMBC as a group, together with its group companies, is also engaged in the leasing, securities, credit card, investment, mortgage securitization, venture capital and other credit-related businesses. For more information, please visit <https://www.smbc.co.jp>.