

COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

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

MARIETA O. MIRANDA

Contact Person

8	8	9	4	9	9	3	2
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Company Telephone Number

0	3
Month	
3	1
Day	
Fiscal Year	

	1	7	Q
FORM TYPE			

Month	
Day	
Annual Meeting	

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Secondary License Type, If Applicable

S	E	C
Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number									
Document I.D.									

LCU
Cashier

STAMPS									
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SEC Number 17514
PSE Code _____
File Number _____

**RIZAL COMMERCIAL BANKING
CORPORATION AND SUBSIDIARIES**

(Company's Full Name)

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

(Company's Address)

8894-9000

(Telephone Number)

March 31, 2020

(Fiscal Quarter Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)

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

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

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

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

Are any or all of these securities listed on the Philippine Stock Exchange
Yes (x) No ()

12. Check whether the registrant:

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

Yes (x) No ()

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

Yes (x) No ()

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Item 1. Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions of Philippine Pesos)

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

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

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

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

See Notes to Interim Financial Statements

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

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

See Notes to Interim Financial Statements.

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

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

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(Amounts in Millions of Philippine Pesos)

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

See Notes to Interim Financial Statements.

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

1. CORPORATE MATTERS

1.1 Incorporation and Operations

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

(c) Functional and Presentation Currency

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

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

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

2.3 Financial Assets

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

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

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

(i) *Financial Assets at Amortized Cost*

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

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

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

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

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

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

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

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

Debt Instruments at FVOCI

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

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

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

Equity Instruments at FVOCI

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

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

(b) Impairment of Financial Assets

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

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

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

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

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

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

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

(c) *Derecognition of Financial Assets*

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

2.4 Financial Liabilities

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

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

2.5 Provisions and Contingencies

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

2.6 Revenue and Expense Recognition

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

2.7 *Impairment of Non-financial Assets*

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

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

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

2.8 *Income Taxes*

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

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

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

2.9 *Related Party Relationships and Transactions*

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

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

2.10 Events After the End of the Reporting Period

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

3. TRADING AND INVESTMENT SECURITIES

This account is composed of the following:

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

3.1 Financial Assets at FVPL

This account is composed of the following:

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

3.2 Financial Assets at FVOCI

This account is composed of the following:

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

3.3 Investments at Amortized Cost

This account is composed of the following:

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

4. LOANS AND RECEIVABLES

This account consists of the following:

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

5. OTHER RESOURCES

This account consists of the following:

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

6. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

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

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

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

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

7. BILLS PAYABLE

This account consists of borrowings from:

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

8. BONDS PAYABLE

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

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

9. OTHER LIABILITIES

Other liabilities consist of the following:

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

10. SUBORDINATED DEBT

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

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

11. EQUITY

The movements in the outstanding capital stock are as follows:

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

**Amounts in absolute number of shares*

12. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

12.1 Miscellaneous Income

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

12.2 Miscellaneous Expenses

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

13. COMMITMENTS AND CONTINGENCIES

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

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

13.1 Contingent Accounts, Guarantees and Other Commitments

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

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

13.2 Sale of National Steel Corporation (NSC) Plant Asset

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

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

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

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

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

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

13.3 Verotel Merchant Services B.V. Case

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

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

13.4 RCBC Securities Case

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

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

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

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

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

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

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

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

13.5 HHIC-Philippines, Inc. Rehabilitation Proceedings

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

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

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

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

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

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

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

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

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

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

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

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

13.6 Applicability of RR 4-2011

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

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

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

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

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

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

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

13.7 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

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

U.S. Litigation relating to the Bangladesh Bank Incident

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

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

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

On August 1, 2019 (U.S. Time), the Bank/co-defendants filed their Reply Memoranda, asserting that Bangladesh Bank's Federal RICO conspiracy claim is fatally deficient given its failure to (a) plead the time-bound existence of a pattern in defendants' racketeering activities, not to mention the lack of any ongoing criminal activity; and (b) prove that the defendants took part in the criminal enterprise's affairs beyond their respective businesses (i.e., the casinos). Also, money outflowed from New York to the Philippines, thus the more relevant witnesses/evidence are in the country, and the Bangladesh Bank's US\$30,000 reserves is more than sufficient for any litigation in the Philippines were the legal

fees are less. Moreover, Bangladesh Bank's earlier recovery of the amount of US\$15 proves the adequacy of Philippine courts, and the Philippine Blocking Statute/ non-ratification of the Hague Convention will make it burdensome/impossible for relevant documents/witnesses to be produced or appear in New York.

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

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

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

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

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

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

Bangladesh Bank, the FRBNY and the Federal Bureau of Investigation, after the former NSD served copies of his application to all counsels of record in the Injunction and Damages case.

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

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

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

Philippine Litigation relating to the Bangladesh Bank Incident

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

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

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

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

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

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

Specific Litigation involving the Bank's Officers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. EVENT AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

ADDITIONAL DISCLOSURES TO ITEM I – FINANCIAL STATEMENTS

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

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

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

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

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

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

On January 27, 2020, the Board of Directors approved the increase in the Programme Size of the Bank's Medium Term Note Programme from USD 2 Billion to USD 3 Billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Performance

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

* March 31, 2020 ratios/amounts were annualized

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

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

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

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

5/- Excluding Interbank Loans

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

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

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

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

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

* March 31, 2020 ratios/ amounts were annualized

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

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

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

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

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

*March 31, 2020 ratios/ amounts were annualized

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INCOME STATEMENT: 31 March 2020 vs. 31 March 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

Commitments and Contingent Liabilities

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

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

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

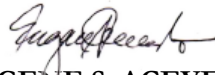
Similarly, there were no significant elements of income or loss that did not arise from the Bank's continuing operations.

SIGNATURES

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

Issuer **RIZAL COMMERCIAL BANKING CORPORATION**

Date **May 28, 2020**



EUGENE S. ACEVEDO
President & CEO



FLORENTINO M. MADONZA
FSVP, Head-Controllershship Group



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

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

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