



03 July 2026

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Subject: Clarification of News Reports Ref. No. CL-2026-074-RCBC

Dear Atty. Selleza,

This refers to the news article entitled "Moody's cuts RCBC outlook to 'negative'" posted in Business World on 03 July 2026. The article reported in part that:

*"MOODY'S RATINGS has affirmed its ratings for Rizal Commercial Banking Corp. (RCBC) but cut its outlook to "negative" from "stable" due to heightened asset quality risks stemming from its large exposure to the retail segment.*

*The debt watcher on Wednesday affirmed the bank's Baa3/P-3 long-term (LT) and short-term (ST) foreign-currency (FC) deposit ratings, Baa3 FC senior unsecured debt rating, Baa3/P-3 LT and ST local-currency (LC) and FC counterparty risk ratings, Baa3(cr)/P-3(cr) LT and ST counterparty risk assessments, as well as the ba1 baseline credit assessment (BCA) and adjusted BCA.*

*It also affirmed RCBC's (P)Baa3 FC senior unsecured medium-term note program rating and (P)P-3 other ST rating.*

*It kept the bank's deposit ratings and BCA on the back of its modest solvency and average funding and liquidity, adding that there is a moderate likelihood that the government would support the bank if needed as it has a modest share in the banking system's total deposits.*

*"We revised the outlook on RCBC's ratings where applicable to negative from stable, reflecting our expected deterioration in the bank's solvency metrics," Moody's said. A "negative" outlook means a ratings downgrade is possible within the next 12-18 months.*

*"The revision of the outlook to negative reflects increasing asset quality pressures which will weigh on profitability through higher credit costs and erode capital. Asset quality challenges are stemming from unsecured retail loans and exposures to small- and medium-sized enterprises (SME), with higher risks driven by weakening economic environment amid high inflation. The latter will further constrain borrowers' debt repayment capacity, exacerbating risks in RCBC's retail portfolio..."*

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We confirm the contents of the said article based on Moody's communications and disclosures, as evidenced by the attached press release shared by Moody's to us.

Thank you.

Very truly yours,

**MARIA CHRISTINA P. ALVAREZ**  
First Senior Vice President and Corporate Information Officer  
Corporate Planning Group Head  
Rizal Commercial Banking Corporation

# MOODY'S RATINGS

## Rating Action: Moody's Ratings affirms RCBC's Baa3 ratings; changes outlook to negative

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01 Jul 2026

Singapore, July 01, 2026 -- Moody's Ratings (Moody's) has today affirmed the Baa3/P-3 long-term (LT) and short-term (ST) foreign-currency (FC) deposit ratings, the Baa3 FC senior unsecured debt rating, the Baa3/P-3 LT and ST local-currency (LC) and FC Counterparty Risk Ratings, the Baa3(cr)/P-3(cr) LT and ST Counterparty Risk Assessments as well as the ba1 Baseline Credit Assessment (BCA) and Adjusted BCA of Rizal Commercial Banking Corporation (RCBC).

At the same time, we have affirmed RCBC's (P)Baa3 FC senior unsecured medium-term note (MTN) program rating and (P)P-3 other ST rating.

We revised the outlook on RCBC's ratings where applicable to negative from stable, reflecting our expected deterioration in the bank's solvency metrics.

### RATINGS RATIONALE

The affirmation of RCBC's Baa3 ratings and ba1 BCA reflects the bank's modest solvency and average funding and liquidity. RCBC's Baa3 ratings are one notch above its ba1 BCA, reflecting a moderate likelihood of support from the Philippine government (Baa2 stable) if needed, given the bank's modest share of total system deposits of 4.8%, as of March 2026.

The revision of the outlook to negative reflects increasing asset quality pressures which will weigh on profitability through higher credit costs and erode capital. Asset quality challenges are stemming from unsecured retail loans and exposures to small and medium sized enterprises (SME), with higher risks driven by weakening economic environment amid high inflation. The latter will further constrain borrowers' debt repayment capacity, exacerbating risks in RCBC's retail portfolio, which has expanded rapidly in recent years, with retail loans growing by 40% in 2024 and 29.4% in 2025.

As of March 2026, the bank's nonperforming loans (NPL) ratio increased to 5%, higher than 4.3% a year earlier, driven by weakening SME and credit card portfolios. Credit costs also rose to 2.4% from 1.6% over the same period. We expect asset quality to deteriorate further over the next 12 to 18 months. Meanwhile, loan loss reserves relative to NPLs stood at 57% as of March 2026, a modest level and unchanged from a year ago.

Annualized return on tangible assets (ROTA) was around 0.8% in the first quarter of 2026, increased from 0.7% a year earlier, but still modest relative to peers. Over the next 12 to 18 months, we expect profitability to come under pressure from higher credit costs.

Capital will remain a relative credit strength. As of December 2025, the bank's tangible common equity (TCE) to risk-weighted assets (RWA) ratio was stable year-on-year at 15.4%, although our expected deterioration in asset quality and profitability will put pressure on the capital ratio. Nonetheless, we expect loan growth to moderate, which will partly offset pressure on capital consumption.

RCBC's funding is modest. The bank's deposit concentration is higher than that of most rated domestic peers, and its access to funding remains comparatively weaker, as reflected in its higher cost of funds, although this has improved from a year earlier. Meanwhile, liquidity is a key strength, supported by a core

liquidity ratio of 28.6% as of December 2025 and a stable liquidity coverage ratio of around 150%.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We could downgrade the bank's deposit ratings and BCA if the bank's asset quality deteriorates further, resulting in much higher credit costs that substantially weaken the ROTA ratio to below 0.3% and TCE/RWA ratio to below 13%. A significant weakening in the bank's funding and liquidity would also be negative for its BCA and ratings.

The bank's ratings could be downgraded if the Government of Philippines' sovereign rating is downgraded, as a result of the lower capacity of the sovereign to provide support for RCBC.

An upgrade of RCBC's ratings is unlikely as they are currently on negative outlook.

We could revise RCBC's outlook to stable if the bank's solvency stabilizes, as reflected by (1) a TCE/RWA ratio maintained at around 15%, (2) easing asset quality pressure, and (3) ROTA ratio at above 0.5%.

RCBC's deposit ratings would also be downgraded if the sovereign rating is downgraded.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at <https://ratings.moodys.com/rmc-documents/454566>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

RCBC is headquartered in Manila, Philippines, and reported total assets of PHP1,387 billion as of 31 March 2026.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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