



17 December, 2014

**MS. JANET A. ENCARNACION**

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Please be advised that the following information would be made available to the major newspapers. It concerns the signing of an agreement between RCBC ("the Bank") and Cathay Life Insurance, with regard to the latter's acquisition of a 20% stake in the Bank.

Thank you.

Sincerely yours,

*Ma. Christina P. Alvarez*

**MA. CHRISTINA P. ALVAREZ**  
First Vice President and  
Corporate Information Officer



## **CATHAY LIFE INSURANCE SIGNS AGREEMENTS TO ACQUIRE A 20% STAKE IN RCBC**

**17 December 2014, Manila** –Rizal Commercial Banking Corporation (“RCBC” or “The Bank”) announced today that Cathay Life Insurance Co., Ltd. (“Cathay Life”), a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. (“Cathay Financial” and together with Cathay Life, “Cathay”) will sign definitive agreements today to acquire an approximately 20% stake in RCBC on a pro-forma, post-transaction basis (the “Transaction”), comprising 124,242,272 newly subscribed shares, 119,033,590 existing shares being sold by Hexagon Investments B.V., an entity controlled by funds advised by CVC Asia Pacific Limited (“CVC”), and 36,724,138 existing shares being sold by International Finance Corporation (“IFC”).

The strategic investment by Cathay Life, which raises PHP 7.95 billion (approximately USD 179 million) of new Core Equity Tier 1 (“CET1”) capital for The Bank, is part of RCBC’s current capital raising strategy in order to comply with the more stringent capital adequacy rules under the new Basel III framework and is expected to enable RCBC to be comfortably above the minimum CET1 requirements of the BSP. In addition, the proceeds from the investment will continue to support the continued growth of RCBC’s loan book and increased expansion into the SME and Consumer segments to improve margins and risk diversification / actuarialization. The Transaction is also in-line with Cathay’s strategy to expand its businesses in ASEAN.

The introduction of Cathay as a strategic partner with Pan Malayan Management and Investment Corp (“PMMIC”) and RCBC marks a landmark milestone in the history of RCBC and the new strategic partnership positions both RCBC and Cathay well for future growth opportunities.

### **Key transaction terms**

The key terms of the Transaction involves Cathay Life acquiring 280,000,000 common shares in RCBC for PHP 17.92 billion (approximately USD 402 million) through:

- (1) Subscribing to 124,242,272 primary common shares of RCBC at PHP 64.00 per share to raise new CET1 capital for the bank of PHP 7.95 billion (approximately USD 179 million), pursuant to a Share Subscription Agreement;
- (2) Acquiring from CVC 119,033,590 existing shares also at PHP64.00 per share, or PHP 7.62 billion (approximately USD 171 million), pursuant to a Sale and Purchase Agreement; and

- (3) Acquiring from the IFC 36,724,138 existing shares also at PHP 64.00 per share, or PHP 2.35 billion (approximately USD 53 million), pursuant to a Sale and Purchase Agreement.

### **Pro-forma capital impact**

The subscription to the primary shares and the raising of new CET1 capital of PHP 7.95 billion will increase RCBC's CET1 capital ratio from 11.5% to 13.9% as of September 30, 2014 on a pro-forma basis. A CET1 ratio of 13.9% will make RCBC one of the best-capitalized universal banks in the Philippines, comfortably above the minimum regulatory requirement and well-positioned for future growth.

### **Key areas of synergy and collaboration**

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

#### **1) Capital Injection**

Cathay's investment in new primary shares issued by RCBC will enable RCBC to raise PHP 7.95 billion of new CET1 capital that will aid the next phase of RCBC's growth path, particularly in preparation for the upcoming ASEAN financial integration. The investment into new primary shares demonstrates Cathay's commitment to the RCBC franchise and growth story.

#### **2) Consumer Banking**

The partnership with Cathay allows RCBC to tap into Cathay's significant expertise in retail and consumer banking as Cathay United Bank ("CUB"), a wholly owned subsidiary of Cathay Financial, has one of the leading retail and consumer banking franchises in Taiwan. CUB is also a leading mortgage lender to high net-worth customers in Taiwan and the 2<sup>nd</sup> largest issuer of credit cards. The partnership with Cathay is expected to be significantly beneficial to RCBC's strategy of expanding its lending in the Consumer banking segment.

#### **3) Asset Management**

Both RCBC and Cathay see a sizeable cooperation opportunity in the asset management space in the Philippines. Cathay is the largest asset manager in Taiwan by assets under management and will bring significant expertise to RCBC in this regard as RCBC look's to increase its product offering to its customers.

#### 4) Digital Banking

RCBC and Cathay share the same vision on the significant impact that the role of technology will play in the future of banking and that it will be a key driver of success and competitive positioning. Both RCBC and Cathay continue to invest for the future and have developed advanced and market leading digital, online and mobile banking platforms in The Philippines and Taiwan, respectively. Cathay Life also has the most advanced mobile insurance platform amongst its domestic peers. RCBC and Cathay expect to leverage each other's expertise to give RCBC a market leading digital banking franchise and enable it to achieve its target of 50% of transactions via e-channels and an ATM-to-branch ratio of 6:1.

#### 5) Corporate Banking

Post-transaction RCBC and Cathay intend to collaborate in the Corporate Banking segment by leveraging RCBC's local expertise in the Philippines and Cathay's existing corporate relationships in Taiwan, Greater China and ASEAN. The RCBC and Cathay partnership will be well positioned to take advantage of the significant opportunities in corporate banking, trade finance and FX as a result of the increasing trade flows between Taiwan, Greater China and ASEAN.

#### 6) Cross-selling initiatives

One of RCBC's core strategies in its Five Year Program is to maximize cross selling via its "Five in Five" initiative, with the target of having 5 products per customer, within 5 years, from 1.8 in 2013. The partnership with Cathay is expected to be beneficial to RCBC in achieving this strategic goal as it should benefit from Cathay's experience in highly successful execution of cross-selling initiatives which have led to Cathay's current product penetration of more than 3 products per customer.

#### **Approvals and Timing**

The closing of the Transaction remains subject to relevant approvals from the regulatory authorities in the Philippines and Taiwan, and completion is expected by the end of the first quarter of 2015.

#### **Advisers**

Credit Suisse AG acted as RCBC's exclusive financial advisor, whilst Skadden, Arps, Slate, Meagher & Flom and Angara Abello Concepcion Regala & Cruz acted as RCBC's legal advisors on the Transaction.

## **About RCBC**

Incorporated in August 4, 1960 as the Rizal Development Bank, RCBC received approval to operate as a commercial bank in December 1962. RCBC is one of the largest universal banks in the Philippines and is among the top five largest private domestic commercial banks, with total consolidated assets of PHP 433 billion as of 30 September 2014. As a diversified financial services institution, RCBC serves corporate and individual banking needs through the most appropriate vehicles to serve its chosen markets with innovative products and services.

RCBC and its various subsidiaries and associates collectively provide essential banking services needed by its diverse and rapidly expanding customers and markets which include large corporations, small and medium sized enterprises, high net worth individuals, the growing middle income consumer market, OFWs, and the C market segment. RCBC is a key player in investment banking, trust services, wealth management, foreign exchange, remittance and payment services (with both foreign and domestic outlets), credit card, micro-finance/SME lending, electronic banking and cash management and retail depository services among others.

RCBC is among the most distinguished financial institutions in the Philippines and has won numerous awards from a variety of institutions including "Best Banking Group in the Philippines", "SME Bank of the Year", "Overall Best Private Bank in the Philippines" and "Domestic Retail Bank of the Year".

## **About Cathay Life and Cathay Financial**

Cathay Life is a wholly owned subsidiary of Cathay Financial, which is the largest publicly-listed financial holding company in Taiwan, and a leading provider of financial products and services with over 50 years of history. As of September 30, 2014, Cathay Financial had total consolidated assets of USD 219 billion and a market capitalization of USD 21 billion. Cathay Financial's customer base totals over 11 million, representing nearly half of Taiwan's population.

- Cathay Financial owns Cathay Life Insurance Company, Ltd. Taiwan's largest life insurer in terms of total assets and total premiums.
- Cathay Financial owns Cathay United Bank Company, Ltd. The 2<sup>nd</sup> largest privately-owned bank with 165 branches.
- Cathay Financial owns Cathay Century Insurance Company, Ltd. Taiwan's 2<sup>nd</sup> largest property and casualty insurance company.
- Cathay Financial owns Cathay Securities Investment Trust Company, Ltd., the largest mutual fund asset management company in Taiwan.
- Cathay Financial owns Cathay Securities Corporation, a full-service institutional and retail securities firm.