COVER SHEET

1 7 5 1 4

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

TERESA JILL L. MUNIZ	8 9 4 9 0 0 0
Contact Person	Company Telephone Number

1 2	3 1	1 7 A	0 6	2 9
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 6 3		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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 G.J. Puyat Ave., Makati City

(Company's Address)

894-9000

(Telephone Number)

December 31, 2014

(Fiscal Quarter Ending)

SEC FORM 17-A

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2014**
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 CORP.**
5. Philippines
   Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
   Industry Classification Code:
7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City 1200
   Address of principal office Postal Code
8. (632) 894-9000
   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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P10 par value	1,275,659,728 (as of 31 Mar 2015)

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 ( )

13. Aggregate market value of the voting stock held by non-affiliates:
P27,143,482,416.00 (as of Dec 29, 2014, P48.00 per share)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. It has total resources of P457.9 billion and total networth of P53.1 billion, including minority interest, as of end-December 2014. The Bank ranked sixth (6th) in terms of assets among private local banks. In terms of business centers, the Bank, excluding government-owned and foreign banks, ranked sixth (6th) with a consolidated network of 449 business centers inclusive of 35 extension offices and supplemented by 1,202 ATMs as of December 31, 2014.

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

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

RCBC's common shares are 45.2% directly and indirectly owned by Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions comprising the Yuchengco Group of Companies (YGC) and other investments. Other significant investors include the World Bank's International Finance Corporation and CVC Capital partners, one of the largest private equity funds in the world.

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

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

The Bank's subsidiaries are as follows:

RCBC Capital Corporation (RCBC Capital), a 99.96% owned subsidiary, was established in 1974 as the Bank's investment banking subsidiary. It offers a complete range of investment banking and financial consultancy services which include (i) the underwriting of equity, quasi-equity and debt securities on a firm or best efforts basis for private placement or public distribution; (ii) the syndication of foreign currency or peso loans; and (iii) financial advisory services. ***RCBC Securities, Inc. (RCBC Securities),*** a wholly owned subsidiary of RCBC Capital, is engaged in the electronic and traditional trading of listed securities and in providing corporate and market research. ***RCBC Bankard Services Corporation (RCBC Bankard)***, a wholly owned subsidiary of RCBC Capital is engaged in providing services to the credit card business of the Bank.

RCBC Savings Bank, Inc. (RSB), a wholly-owned subsidiary of the Bank, was established in 1996 as the Bank's consumer banking arm. RSB provides deposit products, real estate loans, auto loans and personal loans. As of end-December 2014, RSB had 149 business centers and 390 ATMs nationwide.

RCBC Forex Brokers Corporation (RCBC Forex), a wholly-owned subsidiary of the Bank, was incorporated in 1998. RCBC Forex is primarily engaged in dealing and brokering currencies in foreign exchange contracts with local and international clients.

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

RCBC North America, Inc. (formerly RCBC California International, Inc.), a wholly-owned subsidiary of the Bank (83.97% owned by RCBC; 16.03% indirectly owned through RCBC IFL), was established in 1991 as a foreign exchange remittance office in California to meet the needs of Filipinos in the United States for a faster and more reliable means of sending funds to their beneficiaries in the Philippines. The company ceased its operations in March 2014.

RCBC TeleMoney Europe S.p.a., a wholly-owned subsidiary of the Bank, was established in 1995 in Rome, Italy to engage in the remittance business.

Merchants Savings and Loan Association, Inc. (now operating under the name & style - Rizal Microbank, a thrift bank), a 97.47% owned subsidiary, was acquired on May 15, 2008 to engage in microfinancing and development of small businesses. Rizal Microbank has 18 branches and 5 microbanking offices with operations in Southern Luzon and Mindanao. Rizal Microbank moved its Head Office (HO) and branch from Makati City to Davao City in April 2011.

RCBC Leasing and Finance Corporation (formely First Malayan Leasing and Finance Corporation) (RCBC LFC), *a* 97.79% owned subsidiary of the Bank, acquired in March 2012**,** is a pioneer in the leasing and financing industry in the Philippines as the company started its operations in 1957. RCBC Leasing is a non-bank financial institution with a quasi-banking license granted by the Bangko Sentral ng Pilipinas. It serves the requirements of corporate, commercial and consumer markets through its innovative loans, leases and investment products. ***RCBC Rental Corp.*** is a wholly-owned subsidiary of RCBC LFC engaged in renting and leasing business machines, transport vehicles and heavy equipment under an operating lease arrangement.

Niyog Property Holdings, Inc. (NPHI), a wholly-owned subsidiary of the Bank, was incorporated on September 13, 2005 to purchase, subscribe for or otherwise dispose of real and personal property of every kind and description but not as an investment company. It is 48.11% owned by the Bank and 51.89% indirectly owned through RSB.

RCBC-JPL Holding Company, Inc. (formerly Pres. Jose P. Laurel Rural Bank, Inc.) (RCBC-JPL), 99.39% owned, was formed by the Bank in September 2012 out of what remained of the former JPL Rural Bank. It is primarily engaged in the disposition of the remaining assets of the former JPL Rural Bank. In April 1, 2012 JPL Rural Bank was merged with Merchants Savings Bank.

Products and Services. Through the years, RCBC has developed a wide range of financial products and services covering deposit taking, international banking services, remittance, lending, project financing and merchant banking.

In 2014, the following additional products and electronic services were introduced:

FCDU Savings Account – Enhanced Chinese Yuan SA – with tiered interest rates

US Dollar Time Deposit
- 2 Year USD TD
- 3 Year USD TD
- 4 Year USD TD
- 5 Year USD TD

Savings Account
- e.Passbook Premium Plus

Checking Account
- Checking Account with Interest

MyWallet Co-Branding Cards
- RCBC Telemoney – MyWallet Visa Cash Card
- Rizal Microbank – MyWallet Cash Card

Rizal Unit Investment Trust Funds
- Rizal Peso Cash Management Fund
- Rizal Global Equity Feeder Fund

RCBC TouchQ
- Teller Assist Lobby Management Kiosks
- Mobile Pre-staging
- Internet Pre-staging

Several products and services are pipelined for launch to the public in 2015 to offer value-added features and improve product delivery and service to enhance the Bank's competitive advantage.

Listed below are the products and services of RCBC:

A. DEPOSITS

Peso Deposits

Checking Accounts
- Regular Checking
- SuperValue Checking
- eWoman Checking
- Rizal Enterprise Checking
- eLite Checking Account
- eVIP Checking Account

Savings Accounts

Regular Savings
iSave
Dragon Savings
Super Earner Loyalty Plus
eWoman Savings
ePassbook Savings Account
ePassbook Premium Plus
SSS Pensioner
Payroll Savings Account
WISE Savings Account

Time Deposits

Regular Time Deposit
Special Time Deposit

Foreign Currency Deposits

Savings Accounts

Regular Savings
US Dollar
Japanese Yen
Euro
British Pounds
Canadian Dollar
Chinese Yuan
Australian Dollar
Swiss Franc
Singapore Dollar
Dollar Dragon Savings

Time Deposits

US Dollar
Japanese Yen
Euro Dollar
British Pounds
Canadian Dollar
Australian Dollar
Swiss Franc

B. CASH CARDS

RCBC MyWallet
RCBC Savings Bank MyWallet
RCBC WOW MyWallet
RCBC MyWallet Visa
RCBC MyWallet Co-branded Cards

RCBC MyWallet Enchanted Kingdom
Mercury Drug – MyWallet Visa
LBC Send & Swipe Visa (*RCBC as issuer)*
Super8 – MyWallet Visa
Goldilocks Gtizen – MyWallet Visa
Palawan Pawnshop - My Wallet
RCBC Telemoney – MyWallet Visa Cash Card
Rizal Microbank – MyWallet Cash Card

C. ELECTRONIC BANKING CHANNELS

Automated Teller Machines
Bills Payment Machines
RCBC AccessOne
- RCBC Access One Personal
  - Internet Banking
  - Mobile Banking
  - Phone Banking
  - E-Shop
- RCBC Access One Corporate

BancNet POS System

D. REMITTANCE SERVICES

RCBC TeleMoney Products
- Tele-Remit
- Tele-Credit
- Tele-Door2Door
- Tele-Pay

E. CREDIT CARDS

RCBC Bankard
- Black Platinum Mastercard
- Visa Infinite Card
- World Mastercard
- Fully Booked-RCBC Bankard MasterCard
- RCBC Bankard Web Shopper
- Diamond Platinum Mastercard
- UnionPay Card
- Classic and Gold Card

F. LOANS

Commercial Loans (Peso and/or Foreign Currency)
- Fleet and Floor Stock Financing
- Short-term Credit Facilities
- Term Loans
- Trade Finance
- Vendor Invoice Program

Consumer Loans
- Auto Insurance Loan
- Car Loans
- Credit Card
- Gold Cheque
- Housing Loans
- Salary Loans

Special Lending Facilities
- DBP Wholesale Lending Facilities
- Land Bank Wholesale Lending Facilities

SSS Wholesale Lending Facilities
BSP Rediscounting Facility
Guaranty Facilities
Small Business Guarantee and Finance Corporation (SBGFC)
Philippine Export-Import Credit Agency (PhilEXIM)
Home Guaranty Corporation (HGC)

F. PAYMENT AND SETTLEMENT SERVICES

Check Clearing
Domestic Letters of Credit
Fund Transfers
Collection Services
Cash Card
Checkwriting Services
Demand Drafts (Peso and Dollar)
Gift Checks
Manager's Checks
Payroll Services
Telegraphic Transfers
Traveler's Checks
International Trade Settlements
Import/Export Letters of Credit
Documents Against Payment/Acceptance
Open Account Arrangements
Overseas Workers Remittances
Securities Settlement

G. TREASURY AND GLOBAL MARKETS

Foreign Exchange
Foreign Exchange Spot
Foreign Exchange Forwards
Foreign Exchange Swaps

Fixed Income
Peso Denominated Government Securities and other Debt Instruments
Treasury Bills
Fixed Rate Treasury Notes (FXTNS)
Retail Treasury Bonds (RTB)
Local Government Units Bonds (LGUs)
Quasi-Sovereign Bonds or Government-Owned and Controlled Corporate Bonds
Short and Long Term Commercial Papers (STCPs/LTCPs)
Global Peso Notes (GPNs)
Corporate Bonds
Foreign Currency Denominated Bonds
Republic of the Philippines (RoP) Bonds
United States Treasury Bills, Notes and Bonds
Other Sovereign or Quasi-Sovereign Bonds or Government-Owned and Controlled Corporate Bonds
Corporate Bonds and other Debt Instruments

Derivatives

- Interest Rate Swaps
- Cross Currency Swaps
- Asset Swaps

Advisory Services

H. TRUST SERVICES

Trusteeship

- Retirement Fund Management
- Corporate and Institutional Trust
- Pre-Need Trust Fund Management
- Customized Employee Savings Plan
- Employee Savings Plan
- Living Trust
- Estate Planning
- Mortgage/Collateral Trust
- Bond Trusteeship

Agency

- Safekeeping
- Escrow
- Investment Management
- Loan and Paying Agency
- Bond Registry and Paying Agency
- Facility Agency
- Receiving Agency
- Sinking Fund Management
- Stock Transfer and Dividend Paying Agency

Unit Investment Trust Funds

- Rizal Peso Money Market Fund
- Rizal Peso Cash Management Fund
- Rizal Peso Bond
- Rizal Balanced Fund
- Rizal Equity Fund
- Rizal Dollar Money Market Fund
- Rizal Dollar Bond Fund
- Rizal Global Equity Feeder Fund

I. CORPORATE CASH MANAGEMENT

Collection and Receivables Services

- Bills Collection
  - Channels
    - Over the Counter (OTC)
    - Auto Debit Agreement (ADA)
    - Automated Teller Machine (ATM)
    - Internet (AccessOne)
    - Bills Payment Machine
    - Telephone
    - Mobile
    - PDC Warehousing
    - Deposit Pick-up

Disbursements

Rizal Enterprise Checking Account
Employee Payments Service (Payroll Services)
Electronic Check Payment Solution Plus (ECPS Plus)

Government Payment

Payment Gateway

Third Party Services

Collection and Receivables Services
BancNet On-Line
BancNet Direct Bills Payment
BancNet Point of Sale System
Payment Management Services
BancNet EDI-SSSNet

J. INVESTMENT BANKING

Underwriting of Debt and Equity Securities for distribution via Public Offering or Private Placement:

Common and Preferred Stock
Convertible Preferred Stock and Bonds
Long- and Short-Term Commercial Papers and Corporate Notes
Corporate and Local Government Bonds

Arranging/Packaging of:

Syndicated Loans (Peso and Dollar)
Joint Ventures
Project Finance

Financial Advisory and Consultancy
Mergers and Acquisitions

K. ANCILLARY SERVICES

Day & Night Depository Services
Deposit Pick-up and Delivery
Foreign Currency Conversions
Foreign Trade Information
Research (Economic and Investment)
Wealth Management
Safety Deposit Box

Contribution to Income. The relative contribution of principal products or services to gross revenues is as follows: *(amounts in millions)*

Product/Service	2014		2013		2012*	
	In Mn Php	%	In Mn Php	%	In Mn Php	%
Loans and receivables	15,961	58.46	14,302	49.95	13,843	46.00
Investment Securities	4,026	14.75	4,259	14.87	4,736	15.73
Trading and Securities Gains(Losses)-net	2,545	9.32	2,600	9.08	6,804	22.61
Trust Services	297	1.09	304	1.06	293	0.97
Other Treasury &/ or Ancillary Services	4,473	16.38	7,169	25.04	4,423	14.69
TOTAL	27,302	100.00	28,634	100.00	30,099	100.00

**As restated*

The three (3) foreign subsidiaries - RCBC International Finance Limited (Hong Kong), RCBC North America, Inc. (USA) and RCBC Telemoney Europe (Italy) - accounted for 0.72%, 0.65%, and 0.50%, of gross revenues for the years 2014, 2013, and 2012, respectively.

Competition. The Bank faces competition from both domestic and foreign banks as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks have been granted licenses to operate in the Philippines. These foreign banks have focused their operations on large corporations and selected consumer finance products, such as credit cards. They have increased competition in the corporate market and caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. Mergers, acquisitions, and closures reduced the number of players in the industry from a high of 50 upon the liberalization of rules on the entry of foreign banks to thirty six (36) universal and commercial banks in 2014.

Competition in corporate banking is intense especially with the larger banks. Pricing of loans and yield of deposit and investment products are factors limiting the expansion in this area. As such, the focus has been diverted to SMEs, cash management services, and micro-financing for the expansion of the Bank's client-base, loan portfolio and revenues. The Bank has also continued its emphasis on product and service improvement through investment in technology and systems.

Customers. The Bank's key market segments are consumer, top corporate and middle market to whom it offers consumer, commercial and corporate loans and asset and cash management services. These services are provided through its branch network, ATMs and electronic delivery channels (internet and mobile banking).

To better serve the needs of its clients, the Bank has segmented its market to the following:

a) *Corporate/Institutional Market*

The National Corporate Banking Group (NCBG) manages the banking requirements of top-tier corporations. Under the Group are specialized segments that implement marketing and account management strategies to the specific business sectors it serves.

The Local Corporate Banking Segment manages relationships with large domestic corporations covering industries such as power, real estate, telecommunications, mining, and transportation, among others. The group actively participates in various infrastructure developments involving project finance and loan syndication.

The Binondo-based Chinese Segment serves the banking needs of Chinese-Filipino businesses in Chinatown.

In 2014, the Emerging Corporates Segments was established to handle the banking requirements of upper middle market accounts which include family corporations that have grown over the years and are ready to move into the next stage of their business cycles. These accounts are often referred to as the “Next 500 Corporations.”

The Conglomerates & Global Corporate Banking Group (C&GCBG) manages the unique and complex requirements of Conglomerates, Multinationals and Ecozone-based companies.

The Conglomerates & Strategic Corporates Segment manages Conglomerates and corporations that are deemed to result in a mutually strategic relationship.

The Global Ecozone Segment manages all Japanese and Korean accounts within and outside the Ecozones as well as other multinationals operating within the Economic Zone Areas. In 2012, a partnership with Resona Bank of Japan, the fourth largest bank in Japan, was forged to provide assistance and support to Resona's clients planning to invest as well as those already operating in the Philippines. A Memorandum of Understanding with Philippine Economic Zone Authority was entered to further promote foreign direct investments and foster business partnerships between Filipino and Japanese companies in 2013. To strengthen and enhance the Bank's relationship with its ever-growing Korean client base, The Korean Business Relationship Office was established in 2014 to oversee over 250 Korean accounts of the Bank.

b) *SMEs/Commercial Middle Market*

In 2008, the Bank strengthened its marketing strategy in both the SME segment and the commercial middle market. These sectors, which have long been recognized as growth engines for the country’s economy, have provided much needed employment in various sectors of the economy i.e. wholesale and retail trade, manufacturing, construction, agriculture, storage and communications. It has been a steady source of business innovations and where entrepreneurial skills of a number of business leaders in the country were developed. Over the years, the Bank improved its market reach by establishing 24 lending offices in Metro Manila, Cebu, Davao, General Santos, Cagayan de Oro, Iloilo and all major cities in Luzon.

c) *Consumer/Retail Market*

RCBC offers a suite of products and services to the Consumer / Retail Market across its distribution network. Aside from a range of deposit variants that best suit the client’s profile and needs, products from Treasury, UITF, Bancassurance (both life and non-life) and consumer loans are made available and easily accessible. Retail lending facilities geared towards sole proprietors and small businesses have been recently added as well. The Bank continues to broaden its reach by increasing its branch & ATM networks in strategic growth areas plus the strong thrust to promote usage of its alternative channels in Access One (retail internet and mobile banking facilities).

RCBC Savings Bank

RSB, a wholly-owned subsidiary, was established as the consumer banking arm of RCBC to cater to retail clients. RSB offers its customers a wide range of deposit, loan, treasury and trust products, and auxiliary services (deposit pick-up, bills payment and others). RSB's primary mandate is the generation of consumer loans such as auto, housing, personal and salary loans for the Group.

RCBC Bankard

RCBC Bankard is one of the premiere credit card brands in the country. The wide array of RCBC Bankard credit card products are being managed by RBSC for RCBC. RCBC Bankard has franchises with MasterCard, VISA, JCB and UnionPay.

There are a total of seventeen (17) RCBC Bankard credit card variants, which are being issued to cater to the specific needs of the customers from the consumer/retail to the corporate segments.

Rizal Microbank

Rizal Microbank is the thrift banking arm of RCBC that is focused on providing a suite of financial products and services to the "bottom of the pyramid – microenterprise sector." Over 90% of households still remain unbanked/under-banked, thus, providing Rizal Microbank with a huge potential market for its microfinance services. In addition to its focus on the microenterprise segment, since 2013, Rizal Microbank has been providing a business loan product intended for the "missing middle" – entrepreneurs whose loan requirements put them above microfinance and yet whose financing requirements are still below the lending floor of small & medium enterprise loans. In 2014, Rizal Microbank started initial groundwork to introduce a value chain agri-finance product in cooperation with the International Finance Corp. (IFC); this new initiative will provide the bank insights into the agriculture sector and allow it to make in-roads to support the said industry.

d) *Overseas Filipino Workers*

The steady number of Filipinos working and/or living abroad is a big market. The Bank provides remittance services to the wide network of OFWs and their beneficiaries in the Philippines who receive the remittances. TeleMoney, the Bank's core remittance business, had expanded to more than 21 countries through its numerous centers, tie-ups and agents.

e) *High Net Worth Individuals Market*

This is a fast growing market of the Bank solely focused on catering to the financial investment needs of the affluent sector of society. With a menu of investments from different asset classes through an open product architecture concept, high net worth individuals work with dedicated relationship managers who assist them in making informed decisions on what investments to make and take care of their portfolios. The relationship managers deliver high levels of service while ensuring privacy and confidentiality at all times. The Bank formally set up the Wealth Management Group in mid-2006 and has offices in Binondo, Makati, Ortigas, Kalookan, Quezon Ave, Cebu and Davao.

Transactions and/or Dependence on Related Parties. The information required is contained in item 12 on page 85.

Principal Terms and Expiration Dates of All Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held. The Bank has obtained the registration of the marks "RCBC", "Merchant's Bank" and Device, "RCBC a YGC Member" and Logo, "RCBC Capital Corporation a YGC Member" and Logo, and "Rizal Microbank a Thrift Bank of RCBC" and Design with the Intellectual Property Office (IPO) at the Department of Trade and Industry of the Philippines. The Bank believes that this is a common practice in the banking industry in the Philippines. The Bank has not been the subject of any disputes relating to its intellectual property rights.

Effect of Existing or Probable Governmental Regulations on the Business. The normal operations of the Bank is not adversely affected by any existing governmental regulation nor is it expected that any probable governmental regulation would have a material adverse effect on the operations of the Bank.

Amount Spent on Research and Development Activities. The Group's total investment in IT Software is P147 million in 2014, P304 million in 2013 and P217 million in 2012. Percent (%) to total revenue is 0.67% in 2014, 1.31% in 2013 and 0.95% in 2012. This is also disclosed in Note 15 of the AFS as part of the movement of the Group's software.

Employees. The Bank, excluding subsidiaries, has 1,600 non-officers and 2,213 officers or a total manpower of 3,813 as of December 31, 2014. The increase in the number of employees was mostly a result of the expansion in the Bank's branch network. Although not all non-officer employees are members of the RCBC Employees Association, all are covered by the Collective Bargaining Agreement (CBA). CBA covered period is from 2011 – 2014. Projected full year 2015 headcount is 4,060. All of the Bank's non-managerial employees, other than those expressly excluded under the collective bargaining agreement, are represented by an independent union, the RCBC Employees Association. In November 2011, the Bank (not including its subsidiaries) and the RCBC Employees Association agreed on the terms of economic and non-economic collective bargaining agreements for the period from 1 October 2011 to 30 September 2016. In 2014, economic provisions of the collective bargaining agreement were negotiated between the Management and the RCBC Employees Association, covering the period 1 October 2014 to 30 September 2016.

The parent bank has not suffered any strikes nor was there any threat of a strike as a result of a dispute in the past five years, and the management believes that its relationship with its employees and the union is good.

The supplemental benefits that the Bank has for its associates include hospitalization, medical and dental benefits, group insurance and bereavement assistance. Associates are also entitled to vacation and sick leaves.

The Bank continues to invest in its employees through various training programs strategically focused on customer service, sales planning and management, product knowledge, leadership, risk management, and technical skills.

Risk Management. The Bank is exposed to risks that are inherent to its lending and trading businesses and the environment in which it operates. The Bank's goal in risk management is to ensure that it understands, measures and monitors the various risks that arise from its business activities, and that it adheres strictly to the policies and procedures which are established to address these risks.

The Bank's Board of Directors (BOD) ultimately takes accountability for all the risks taken, the tolerance for these risks, and the manner by which these same risks are managed. In the interest of promoting efficient corporate governance, however, the BOD has created committees to perform oversight responsibilities. Four committees of the BOD are relevant in this context:

- The **Executive Committee**, which meets weekly, approves credit policies and decides on large counter-party credit facilities and limits. Next to the BOD, it is the highest approving body in the Bank and has authority to pass judgement upon such matters as the BOD may entrust to it for action in between meetings.

- The **Risk Oversight Committee (ROC)**, which meets monthly, carries out the BOD's specific oversight responsibility for risk management on a consolidated level, covering credit, market and operational risks under Pillar 1 of the Basel II framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP). Risk limits are reviewed and approved by the ROC.

- The **Audit Committee**, which meets monthly, reviews the results of Internal Audit examinations and recommends remedial actions to the BOD as appropriate.

- The **Related Party Transactions (RPT) Committee**, which meets monthly and as necessary, reviews RPT's to determine whether or not the transaction is on terms no less favourable to the Parent Company than terms available to any unconnected third party under the same or similar circumstances. On favourable review, the RPT Committee endorses transactions to the Board for approval.

Two senior management committees also provide a regular forum, at a lower-level, to take up risk issues:

- The **Credit and Collection Committee (CRECOL)**, chaired by the Chief Executive Officer (CEO) and composed of the heads of credit risk-taking business units and the head of credit management segment, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts.

- The **Asset/Liability Committee (ALCO)**, chaired by the Treasurer of the Parent Bank and with the participation of the CEO and key business and support unit heads including the President of RSB, meets weekly to appraise market trends and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk and trading and investment portfolio decisions. It sets prices/rates for various asset and liability and trading products in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, provides guidance on the handling of the relevant risk exposure in between ROC meetings.

The Bank established a Corporate Risk Management Services (CRISMS) Group, headed by a Chief Risk Officer, to ensure the consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued, via practices commensurate with the risk profile group-wide. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's ROC. It participates in the CRECOL and ALCO meetings.

Capital Adequacy Management. In addition to the risk management systems and controls, the Group holds capital commensurate with the level of risks it undertakes in accordance with minimum regulatory capital requirements. This interaction of risk and capital management is best expressed in the Bank's framework for its ICAAP, which is a continuous evaluation of capital adequacy versus the current and prospective risk profile of the Group.

Major Risks Involved.

a) **Credit Risk** – risk that the borrower, issuer or counterparty in a transaction may default and cause a potential loss to the Bank. The Bank is exposed to credit risk as trading counterparty to dealers and customers, as direct lender and as a holder of securities. Categories of credit risk include contingent credit risk (risk that potential counterparty or customer obligations become actual and will not be repaid on time), country risk (risk that actions of sovereign governments or other uncontrollable events will adversely affect the ability of counterparties or customers to fulfill obligations to the Bank), underwriting risk (risk that an issue will lose value after launching but before trading in the secondary markets), and custody risk (risk that arises when the Bank has assets in the form of securities entrusted to a third party as a custodian).

   The Bank's overall goal of credit risk management is to maximize its rate of return by maintaining credit risk exposure within approved parameters. The Bank's credit policies are established by the Executive Committee and/or the Board of Directors and are set out in the Bank's Credit Policy Manual.

b) **Market Risk** – risk resulting from adverse movements in the level of or volatility of market rates or prices or commodity/equity prices which will affect the Bank's financial condition. The primary determinant of market risk is the volatility of the relevant market for a business line. The market risks of the Bank are: (a) foreign exchange rates, (b) interest rates, (c) equity prices and (d) commodity prices.

   To manage market risks inherent in the Bank's portfolio, three related measures of risk values are estimated or established:

   - the sensitivity of the position or portfolio to a movement in the market risk factor to which it is exposed;
   - the volatility of the position (the maximum expected movement in the market risk factor for a given time horizon at a specified level of confidence); and
   - the value-at-risk (the likely impact on earnings for a given time horizon due to expected movements in the market factors).

c) **Foreign Currency Risk** – The BSP has numerous regulations related to foreign currency management. The Bank complies with all of these, including limits on foreign currency exposures, liquidity reserves and types of currencies allowed for trading.

The Bank's risk measurement system incorporates risk factors for each different foreign currency. Foreign exchange positions are generally classified as trading positions and are marked-to-market at least daily. Foreign exchange forwards are classified at inception as either "trading" (outright open positions without an offsetting foreign exchange contract) or "hedging" (positions with an offsetting foreign exchange contract, generally part of a foreign exchange swap transaction).

d) **Interest Rate Risk** – The Bank follows a policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. The Bank's risk measurement system addresses different risk factors of different categories of instruments within each currency where the Bank holds interest rate sensitive positions.

ALCO meets at least weekly to set rates for various asset and liability and trading products. In pricing interest rates, foreign exchange and fee-based products, ALCO considers funding costs, market conditions, transaction volumes, and competitors' rates, among others.

The interest rate sensitive instruments of the Bank's trading and investment portfolio are covered by a system of loss limit and Management Action Trigger ("MAT") controls which quantify management's tolerance for losses on year to date and month to date cumulative loss. In addition, value at risk ("VaR") is computed per product group to determine potential loss.

The Bank employs "gap analysis" to measure the interest rate sensitivity of its assets and liabilities. The asset/liability gap analysis measures, for any given period, any mismatch between the amounts of interest-earning assets and interest-bearing liabilities which would mature, or would be subject to re-pricing, during that period.

e) **Liquidity Risk** – risk that there are insufficient funds available to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments, due to: (a) inability to liquidate assets or obtain adequate funding and (b) the inability to easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions.

The Bank's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on demand or upon maturity. The main sources of the Bank's funding are capital, core deposits from retail and commercial clients and wholesale deposits. The Bank also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. The Bank's liquidity policies and procedures are set out in its Funding and Liquidity Plan. At least once annually, the Bank's Treasurer presents a business plan containing a request for liquidity limits to ALCO for final approval and ratification by the Board of Directors. The funding plan effectively serves as a projected funding requirement based on assumptions from the forecasted balance sheet.

To ensure that the Bank has sufficient liquidity at all times, the Bank's Treasury formulates a contingency plan using extreme scenarios of adverse liquidity and evaluates the Bank's ability to withstand these prolonged scenarios. The contingency plan focuses on the Bank's strategy for coordinating managerial action during a crisis and includes procedures for making up cash-flow shortfalls in adverse situations. The plan details the amounts of funds available and the scenarios under which it could use them.

f) **Operational Risk** – risk arising from the potential that inadequate information systems, operations or transactional problems (related to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected loss. Operational risk includes the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risk issues and systems not performing adequately.

The Bank maintains departmental operations manuals that are periodically updated. The Bank has also developed a Business Contingency Plan, based on several crisis severity levels, which is tested at least annually and updated for any major changes in systems procedures. A complaints log, which is reviewed by management, exists for each business area for logging, monitoring and follow-up on customer complaints.

To ensure that critical transactions are properly handled, the work of one person is verified by another. Items of value are under dual custody.

The Bank places emphasis on the security of its computer system and has a comprehensive IT security policy. The Bank designates a security administrator independent of the front office who is responsible for maintaining strict control over user access privileges to the Bank's information systems. The Bank's Information Technology Group has a Disaster Recovery Plan to ensure business continuity, recovery of critical data and uninterrupted processing of transactions in the event of a disaster.

g) **Legal and Regulatory Risk** – refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the implementation of which is overseen and coordinated by the Compliance Office, is the primary control process for regulatory risk issues. The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on business centers and Head Office units and reporting compliance findings to the Audit Committee and the Board of Directors. On a case by case basis, when the Audit Committee is not immediately available, the Compliance Officer may initially report urgent matters to the President and Chief Executive Officer, and thereafter to the Audit Committee.

h) **Reputation Risk** – refers to potential adverse impact to earnings arising from negative public opinion. While the Bank holds that everyone plays a part in the management of its good name, it has nevertheless tasked a specific body – the Public Relations Committee (PR Comm) – to execute strategies towards the management of its reputation. The PR Comm has the following for its major objectives:

- To serve as venue for surfacing and managing issues that affect, or tend to affect the public's perception principally of the Bank, and by extension, the members of the Yuchengco Group of Companies (YGC);

- To design, recommend and, once approved, implement public relation strategies and/or campaigns that are designed to enhance the Bank's positive public image, avert any potential negative perception arising from looming reputation issues, and contain or minimize any incurred or continuing damage to the Bank's image arising from subsisting negative public information.

(See accompanying Notes to FS for a detailed discussion of Risk Management.)

Item 2. Properties

RCBC's headquarters is located on an island site at the corner of Ayala Avenue and Sen. Gil Puyat Avenue Ext. called the RCBC Plaza Building. The RCBC Plaza Building is one of the largest sites in the Makati Central Business District. The Bank and some of its subsidiaries lease and occupy about ten and a half (10.5) floors of the twin tower complex. The Bank's lease, covering an area of 20,672.42 square meters, will expire on December 31, 2015 and is subject to renewal upon agreement of the parties. Annual rent of Bank's principal offices, exclusive of VAT, amounts to P170.6 million.

RSB Corporate Center, a property owned by the Bank, serves as the main headquarters of RSB which is the largest subsidiary of the Bank. It is located at the 25th and 26th Streets, Bonifacio Global City, Taguig City. The Bank and RSB occupy about fourteen and a half (14.5) floors or 17,403.45 square meters of the 33-storey building.

The Group's rental expense based on the lease contracts amounted to P752.4 million in 2014. The lease periods are from 1 to 25 years. Most of the lease contracts contain renewal options, which give the Parent Company and its subsidiaries the right to extend the lease on terms mutually agreed upon by both parties.

The Bank owns and/or leases sites as listed below and on the following pages:

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
A. RCBC OWNED PREMISES		
METRO MANILA AREA		
Alabang	Alabang-Zapote Road, Alabang, Muntinlupa City	1,955.00
Angono	Quezon Avenue, Angono, Rizal	1,074.00
Baclaran	No.21 Taft Avenue Extension, Baclaran, Parañaque	219.00
BF Homes	Ground Floor, Centermall Building (Matrix Center), Presidents Avenue, BF Homes, Parañaque City	299.00
Binondo	Yuchengco Tower, Q. Paredes Street, Binondo, Manila	2,149.66
Caloocan	No.259 Rizal Avenue, Caloocan City	1,300.00
Carlos Palanca	Ground Floor, BSA Suites, C. Palanca Street, Legaspi Village, Makati City	142.80
Commonwealth	Commonwealth Avenue, Old Balara, Quezon City	470.00
Connecticut	No. 51 Connecticut Street, Northeast Greenhills, San Juan City	1,003.00
Divisoria	Mezzanine, New Divisoria Condominium Center, Sta. Elena, Divisoria, Manila	449.60

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Greenbelt	Ground Floor, BSA Tower, Legaspi Street, Legaspi Village, Makati City	173.80
Greenhills	Grace Building, Ortigas Ave., Greenhills, San Juan, MM	108.69
J. P. Rizal	J. P. Rizal Street, Makati City	198.75
Kapitolyo	Shaw Boulevard, Kapitolyo, Pasig City	311.00
Katipunan	Torres Building, Katipunan, Loyola Heights, Quezon City	234.00
Legaspi Village	Cristina Condominium, Legaspi corner Rufino (Herrera), Legaspi Village, Makati City	522.00
Ortigas Center	Malayan Tower, ADB Avenue, Ortigas Center, Pasig City	244.95
Pacific Place	Ground Floor, Pacific Place Building, Pearl Drive, Ortigas Center, Pasig City	476.77
Quezon Avenue	No.1405 Quezon Avenue, Nayong Kanluran, Quezon City	1,427.70
Rockwell	Phinma Plaza, Hidalgo Street, Rockwell Center, Makati City	259.92
RSBCC (BGC - The Fort)	Bonifacio South Big Delta, Fort Bonifacio, Taguig City	68,540.00
Salcedo	Le' Metropole Building, Sen. Gil Puyat Avenue corner Tordesillas and H.V. Dela Costa Streets, Salcedo Village, Makati City	192.04
Salcedo Village	Ground Floor, Y Tower II Building, Leviste (Alfaro) corner Gallardo Streets, Salcedo Village, Makati City	230.09
San Mateo	Gen. Luna Street, Gitnang Bayan, San Mateo, Rizal	307.00
Sangandaan	Sangandaan, A. Mabini cor. Plaridel, Caloocan City	323.00
Taft-Remedios	Taft Avenue, Manila	295.10
Taytay	Rizal avenue, Cuatro Cantos, Taytay, Rizal	211.00
Tektite	No.181, 19th floor, East Tower, PSE Center, Exchange Road, Pasig City	311.00
Timog	No.36 Timog Avenue, Barangay Laging Handa, Quezon City	690.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
LUZON AREA		
Angeles	Sto. Rosario Street corner Theresa Avenue, Barangay Sto. Rosario, Angeles City	600.00
Apalit	National Road, San Vicente, Apalit, Pampanga	1,250.00
Bacoor	Lot 1, Pcs-042103-007035, Aguinaldo Hi-way cor. Road Lot 3, Brgy. Habay, Bacoor, Cavite	268.00
Bacoor	Unit 101 & 102, Aguinaldo Hi-way, Bacoor, Cavite	270.00
Baguio	No.20 Session Road and Diego Silang Street, Barangay Session Road, Baguio City	474.54
Balibago	McArthur Highway and Doña Carmen Street, Barangay Balibago, Angeles City, Pampanga	331.00
Batac	Marcos Highway, Batac, Ilocos Norte	378.08
Cabanatuan	National Highway corner Paco Roman Street, Cabanatuan City	1,203.00
Calamba	Provincial Road corner Cadena De Amor Street, Dolor Subdivision, Barangay 1, Poblacion, Calamba City, Laguna	815.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Carmen	McArthur Highway corner Unnamed Road, Barangay Carmen West, Rosales, Pangasinan	720.00
Dasmarinas (FCIE-Cavite)	FCIE Compound, National Highway, Barangay Langkaan, Dasmariñas, Cavite	265.00
Gateway	Linares Extension, Gateway Industrial Park, Barangay Javalera, General Trias, Cavite	787.00
La Union	Quezon Avenue and P. Burgos Street, Barangay 1, San Fernando City, La Union	442.00
Lima	Hotel Drive corner Business Loop, Lima Technology (Business) Center, (Lima Square), Barangay Santiago, Malvar, Batangas	1,524.00
Lipa	Morada Avenue, Lipa City	242.00
Palawan	Rizal Street, Barangay San Miguel, Puerto Princesa, Palawan	1,442.00
Sta. Cruz	A. Regidor corner P. Burgos, Sta. Cruz, Laguna	131.00

VISAYAS AREA		
Bacolod-Main	Rizal corner Locsin Streets, Bacolod City	440.00
Bacolod-Shopping	Hilado Extension Street, Capitol Shopping District, Bacolod City	1,057.00
Bayawan	National Highway, Bayawan, Negros Oriental	568.00
Cadiz	Abelarde corner Mabini Streets, Cadiz City	741.00
Cebu Business Park (Ayala-Cebu)	Mindanao Avenue corner Siquijor Street, Cebu Businesss Park, Cebu City	1,814.00
Escario	N. Escario Street, Cebu City	437.00
Fuente Osmena	Ground Floor, GPL Tower, Fuente Osmena, Rotonda, Cebu City	484.56
Iloilo	J. M. Basa corner Arsenal Streets, Barangay Arsenal/Aduana, Iloilo City	2,647.00
Kabankalan	Guanzon Street, Barangay (1) Poblacion, Kabankalan City, Negros Occidental	1,000.00
Lapasan	C. M. Recto, Lapasan, Cagayan de Oro City	456.00
Mandaue	A. Cortez Avenue, Barangay Ibabao, Mandaue City	1,664.00
Ozamis	Don Anselmo Bernad corner A. Mabini Street, Ozamis City	202.00
P. del Rosario	P. del Rosario st., Bo. Sambag, Cebu City	298.00
Roxas City	Plaridel Street, Banquerojan, Roxas City	624.00
Sara	Don Victorino Salcedo Street, Sara, Iloilo	450.00
Silay	Rizal corner Burgos Streets, Zone1, Silay City	799.70
Tabaco	No.232 Ziga Avenue, Tabaco, Albay	316.00
Tagbilaran	C.P.G. (J. P Garcia) Avenue, Tagbilaran City	633.00
Talisay	National Hi-way, Tabunok, Talisay, Cebu	679.00
Velez	Velez Street, Cagayan de Oro City	382.00

MINDANAO AREA		
Dadiangas	Pioneer Avenue, General Santos City	930.00
Davao-Recto	C. M. Recto and Palma Gil, Davao City	1,085.00
Digos	J.P. Rizal Avenue and M.L. Roxas Street, Barangay Poblacion, Digos City, Davao del Sur	300.00
Gen. Santos	Pioneer Avenue, General Santos City	443.00
Ipil	National Highway, Barangay Luiz Ruiz Sr., Poblacion, Ipil, Zamboanga del Sur	1,000.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Isulan	National Highway and Lepbak Road, Kalawag III, Isulan, Sultan Kudarat	372.00
Pagadian	Rizal Avenue, Pagadian City	301.00
Polomolok	Dhalia Street, Polomolok, South Cotabato	511.00
Surallah	National Highway, Surallah, South Cotabato	496.00
Tagum	Pioneer Avenue and Quirante II Street, Tagum, Davao del Norte	1,200.00

B. RCBC OWNED PREMISES OCCUPIED BY RCBC SAVINGS BANK BUSINESS CENTERS

RSB Corporate Center, 26th Street, near corner 5th Avenue, Bonifacio South, Bonifacio Global City, Taguig City

Floor/Unit No. - Bldg. Name	Lease Area (sq.m.)
Basement 1 – Cash Center - RSB Corporate Center	625.19
Unit G01 – RSB Corporate Center	365.63
Unit G03- ATM Vestibule – RSB Corporate Center	10.21
Unit M01 - Mezzanine – RSB Corporate Center	108.28
Second Floor – Unit 207	195.61
Unit 207 – RSB Corporate Center	195.61
28th Floor – RSB Corporate Center	1,382.74
29th Floor – RSB Corporate Center	1,382.74
30th Floor – RSB Corporate Center	1,382.74
31st Floor – RSB Corporate Center	1,382.74
33rd Floor – RSB Corporate Center	888.39
92 Parking Slots	

LOCATION/BC NAME	BUSINESS ADDRESS	LEASEAREA (in sqm)
Angono	RCBC Savings Bank Angono Business Center, Quezon Avenue, Brgy. San Pedro, Angono, Rizal	139.15
Apalit	RCBC Savings Bank Apalit Business Center, National Rd. San Vicente, Apalit, Pampanga	200.00
Bacoor	RCBC Savings Bank Bacoor Business Center, Aguinaldo Hi-way, Bacoor, Cavite City	198.22
Bacoor	Units 101 & 102 RCBC Bacoor Business Center Condominium, Brgy. Salinas & Habay, Bacoor, Cavite	142.92
Cabanatuan	RCBC Savings Bank Cabanatuan Business Center, Maharlika Highway corner Paco St., Cabanatuan City	326.00 803.00
Commonwealth	RCBC Savings Bank Commonwealt Business Center, Lot 43 B3, Toyota Bldg., Commonwealth Ave., Old Balara, Quezon City	150.15
Escario	RCBC Savings Bank Escario Business Center, N. Escario St., Capitol Site, Cebu City	571.83
General Santos	RCBC Savings Bank General Santos Business Center, Pioneer Avenue, General Santos City	258.69
Iloilo Main (Parking)	RCBC Iloilo-Main Business Center, J.M. Basa St., Iloilo City	298.00

LOCATION/BC NAME	BUSINESS ADDRESS	LEASEAREA (in sqm)
J. P. Rizal	RCBC Savings Bank J.P. Rizal Business Center, J.P. Rizal St. cor. Makati Ave., Poblacion, Makati City	208.02
Kapitolyo	RCBC Savings Bank Kapitolyo Business Center, 615 Shaw Blvd., Kapitolyo, Pasig City	189.80
Katipunan	RCBC Savings Bank Katipunan Business Center, Torres Bldg., Katipunan Ave., Loyola Heights, Quezon City	234.00
Lipa	RCBC Savings Bank Lipa Business Center, 11-B Morada Ave., Brgy 1, Lipa City	182.00
Pacific Place	RCBC Savings Bank, Pacific Place Bldg., Pearl Drive, Ortigas Center, Pasig City	GF 476.77 sqm 2F 162.67 sqm
P. del Rosario	RCBC Savings Bank P. Del Rosario Business Center, P. Del Rosario St., Sambag, Cebu City	651.32
San Mateo	RCBC Savings Bank San Mateo Business Center, General Luna St., Gitnang Bayan, Ampid 1, San Mateo, Rizal	307.00
Sangandaan	RCBC Savings Bank Sangandaan Business Center, A. Mabini cor Plaridel St., Poblacion, Caloocan City	200.00
Taft-Remedios	RCBC Savings Bank Taft-Remedios Business Center, No. 1932 Taft Avenue, Malate, Manila	207.00
Talisay	RCBC Savings Bank Talisay Business Center, South Road, Bulacao, Talisay City, Cebu	180.67
Velez	RCBC Savings Bank Velez Business Center, Velez St., Cagayan de Oro City, Misamis Oriental	164.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
C. RCBC SAVINGS BANK OWNED PREMISES		
Anonas	69 Anonas cor Chico St. Project 2, Quezon City	187.50
Antipolo-Taytay Junction	Palmera Hills 300, Ortigas Ext. Dolores, Antipolo Rizal	650.00
Betterliving	Dona Soledad St. Betterliving Bicutan, Paranaque	479.00
Binakayan	Aguinaldo H-way, Binakayan Kawit, Cavite	197.00
Binan	126 A. Bonifacio St. Poblacion Binan Laguna	286.00
Binangonan	M.L. Quezon St. cor Zamora St. Binangonan Rizal	200.00
Blumentritt	Blumentritt cor. Andrade St. Sta Cruz Manila	210.00
Bocaue	249 Binang 2 Mc Arthur H-way Bocaue, Bulacan	250.00
Bolton	Bolton St. Davao City	300.00
Cabuyao	J.P. Rizal cor. Del Pilar St. Cabuyao, Laguna	224.00
Calamba	National Road, Calamba Laguna	300.00
Camarin	Susano Road, Camarin novaliches Quezon City	559.00
Carmona	J. Loyola St., Poblacion, Carmona, Cavite	231.00
Dasmarinas	Aguinaldo H-way, Dasmarinas Cavite	264.00
Dumaguete	Real St. cor. San Juan St. Dumaguete City	211.00
E. Rodriguez	444 E. Rodriguez Sr. Blvd. Cor. Jacinto St. Quezon City	279.00
Felix Avenue	Karangalan Village, Phase II, Felix Avenue, Cainta Rizal	221.19
GMA	Block 2, lot 10 GMA, Cavite	204.00
Imus	Nuevo Tansang Luma, Imus Cavite	400.00
Jalandoni	Jalandoni St. San Agustin Iloilo City	256.00
La Paz	Luna st., la Paz, Iloilo City	339.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Lacson	Lacson St., Mandalagan, Bacolod City	628.00
Lagro	Km 22 Quirino H-way Lagro, Novaliches Quezon City	280.00
Lucena	Lot 2983 Quezon Ave. Lucena City	214.00
Malolos	Paseo del Congreso, Malolos Bulacan	304.00
Mandaue	Mandaue Cebu City	254.00
Marulas	Mc Arthur H-way , Marulas Valenzuela Metro Manila	200.00
Masinag	Sumulong H-way, Masinag Antipolo Rizal	238.00
Meycauayan	831 Mc Arthur H-way, Meycauayan, Bulacan	215.00
Montalban	Jose Rizal cor. Linco St. Montalban Rizal	447.00
Muntinlupa	National H-way, Muntinlupa City	227.00
Naic	Capt. Nazareno St. Naic, Cavite	337.00
Navotas	Estrella cor. Yangco St. Navotas East, Metro Manila	220.00
Novaliches	917 Bo. Gulod.,Quirino Highway	263.00
Noveleta	Poblacion Noveleta, Cavite	300.00
Ortigas Ext.	Ortigas Avenue, Ext. Pasig City	241.00
P. Tuazon	P. Tuazon cor. 12th Ave. Cubao Quezon City	355.00
Padre Rada	649 Pade Rada St. Tondo, Manila	400
Pateros	M. Almeda St. Bo. San Roque, Pateros Metro Manila	300.00
Plaridel	Cagayan Valley Road, Banga 1, Plaridel Bulacan	670.00
San Joaquin	Concepcion St. San Joaquin, Pasig City	159.00
San Roque	J.P. Rizal St. San Roque Marikina City	400.00
Sta. Mesa	4463 Old Sta. Mesa Manila	214.00
Sta. Rosa	J. Rizal Blvd. Cor. Perlas Village, Brgy. Tagapo Sta. Rosa,Laguna	480.00
T. Morato	169 Tomas Morato cor. Sct. Castor, Quezon City	175.00
Tagbilaran	C.P. Garcia cor. H. Grupo Sts., Tagbilaran Bohol	300.00
Tacloban	Zamora St., cor Sto. Niño, Tacloban City	362.00
Tarlac	Mc Arthur Highway, Blossomville Subd., Brgy. Sto Cristo, Tarlac City	554.00
Urdaneta	McArthur Highway, Urdaneta City Pangasinan	59.00
Visayas Ave.	6 Visayas Ave. Tandang Sora, Quezon City	300.00

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
D. RCBC LEASED PREMISES				
METRO MANILA AREA				
168 Mall	Unit 4H-01 4th Floor, 168 Shopping Mall, Sta. Elena St., Binondo, Manila	127,631.40	1-Jan-11	31-Dec-15
Acropolis	191 Triquetra Bldg., E. Rodriguez Jr. ave., Bagumbayan, Quezon City	232,509.48	1-Jun-10	31-May-15
Alabang West Service Road	West Service Road, Cor Montillano St., South Superhighway, Alabang Muntinlupa City	86,164.20	1-May-08	30-Apr-15
Ayala	Unit 709 & 710 Tower I Ayala Triangle Ayala, Makati City	165,169.84	1-Oct-08	30-Sep-15

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
A. Mabini	1353 Tesoro Bldg. A. Mabini St. Ermita Manila	215,914.28	15-Oct-14	14-Oct-19
Araneta Center	G/F Unit 111 Sampaguita Theatre Bldg., Gen. Araneta & Gen.Roxas Sts., Cubao, Quezon City	345,885.32	1-Mar-09	28-Feb-19
Arnaiz	843 G/F B & P Realty Inc. Building, Arnaiz Ave., Legaspi Village, Makati City	118,328.73	1-Dec-11	30-Nov-19
Arranque	1001 Orient Star Bldg. cor. Masangkay and Soler Sts., Sta. Cruz, Manila	263,225.22	15-May-07	14-May-17
Banawe	Unit I-K, CTK Bldg. 385 Banawe cor. N.Roxas Sts. Quezon City	212,153.92	** Contract renewal in process and/or subject of re-negotiation	
Bayani Road	#37 Bayani Road, AFPOVAI Subd., Fort Bonifacio, Taguig City	129,824.19	1-Sep-12	31-Aug-22
Better Living	#14 Doña Soledad Ave., Better living Subd., Brgy. Don Bosco Parañaque City	91,020.61	15-Sep-13	14-Sep-18
Boni	617 Boni Ave. Mandaluyong City	194,943.00	1-May-14	30-Apr-16
Buendia	Grepalife Bldg. #219 Sen. Gil Puyat Ave., Makati City	307,608.00	1-Jan-15	31-Dec-15
Cainta	Multicon Bldg., F.P. Felix Ave., Cainta	133,136.46	16-Nov-07	15-Nov-17
Concepcion, Marikina	# 17 Bayan-Bayanan Ave., Concepcion 1 Marikina City	117,967.50	31-Aug-12	31-Jul-17
Commonwealth	Verde Oro Bldg., 535 Commonwealth Ave.,Diliman Quezon City	235,400.00	15-Jan-13	30-Dec-17
Cubao	Space 37/38 Shopwise Arcade Times Square Ave., Araneta Center, Cubao, Quezon City	406,721.59	16-Mar-11	15-Mar-16
Dela Rosa	G/F Sterling Center Ormaza Coner Dela Rosa St. Legaspi Village Makati City	604,306.59	1-May-14	30-Apr-19
Delta	G/F Unit 101-A DMSC Bldg., West Ave., Quezon City	78,035.50	1-Sep-10	31-Aug-15
Del Monte	180 Del Monte Avenue, Quezon City	189,557.03	1-May-07	30-Apr-17
Diliman	Kalayaan Ave., corner Matalino St., Diliman, Quezon City	206,504.65	15-Nov-11	15-Nov-21
D. Tuazon	19 cor. D. Tuazon and Quezon Avenue, Quezon City	206,427.60	16-Apr-05	15-Apr-15
Eastwood Mall	G/F Unit A – 102B, Eastwood Mall, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Ave. Bagumbayan, Quezon City	241,197.56	** Contract renewal in process and/or subject of re-negotiation	
Edsa Kalookan	520 E. Delos Santos Ave., Kalookan city	105,254.21	1-Oct-11	30-Sep-21
Edsa Taft	G-Floor Giselle Park Plaza Edsa cor. Taft Ave. Pasay City	205,087.52	1-Sep-12	31-Aug-17
Elcano	676 Elcano cor Lavezares St., Binondo, Manila	165,154.50	1-May-12	30-Apr-17

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Ermita	550 UN Ave., Ermita Manila	235,200.00	** Contract renewal in process and/or subject of re-negotiation	
Fairview	Medical Arts Bldg., Dahlia St. North Fairview, Quezon City	155,840.77	30-Apr-12	30-Apr-15
Frontera Verde	G/F Transcom Bldg., Frontera Verde Compd. Bgy. Ugong, Pasig City	291,838.66	** Contract renewal in process and/or subject of re-negotiation	
Garnet	Unit No. 106 Parc Chateau Condominium, Garnet cor. Onyx St., Ortigas Center, Pasig City	120,663.90	15-Apr-10	14-Apr-15
Gilmore	100 Granada St. Brgy. Valencia, Quezon City	194,205.00	1-Jan-12	31-Dec-16
Jupiter	Unit 101 Dona Consolacion Bldg., 122 Jupiter St., Bel-Air, Makati City	84,753.58	1-Oct-11	30-Sep-16
Las Pinas	G/F Veraville Bldg., Alabang-Zapote Road, Las Pinas City	306,020.00	16-May-13	15-May-23
Linden Suites	G/F Linden Suites Tower II, #37 San Miguel Ave., Ortigas Center, Pasig City	112,798.81	1-Oct-10	30-Sep-15
Loyola Heights	42 MQI Bldg. Rosa Alberto St. Cor. Esteban Abada St. Loyola Heights Quezon City	118,914.26	31-Jan-12	31-Jan-22
Makati Avenue	Executive Building Center, 369 Sen Gil Puyat Ave., Makati City	343,943.88	2-Nov-13	2-Nov-18
Makati Rada	One Legaspi Park, 121 Rada St. Legaspi Village Makati City	129,472.53	22-Mar-12	22-Mar-17
Malabon	J.P. Rizal Ext. cor Pascual St. Brgy. San Agustin, Malabon City	101,115.00	1-Jun-14	31-May-24
Malate	470 Maria Daniel Bldg., San Andres St., cor. M.H. del Pilar, Malate, Manila	91,041.42	1-May-10	1-May-15
Mandaluyong	Unit 102 G/F, EDSA Central Square, Greenfield District, Mandaluyong City	171,900.00	1-Apr-14	31-Dec-15
Marikina	No.36 Gil Fernando Ave., cor. Sta. Ana Ext. San Roque, Marikina City	171,609.83	1-Jan-15	31-Dec-24
Mckinley Hills	G/F Two World Hill Building, Upper McKinley Road, McKinley Town Center Fort Bonifacio, Taguig City	445,367.82	1-Jun-13	30-Apr-16
Meralco	G/F Regency Bldg., Meralco Ave., cor. Exchange Road Ortigas, Pasig City	141,243.44	22-Feb-12	21-Feb-22
Morayta	828 Nicanor Reyes St., Sampaloc, Manila City	96,790.38	1-Aug-12	31-Jul-17
Newport City	Plaza 66 Newport City, Villamor Airbase, Pasay City	113,103.70	9-Jun-12	8-Jun-17
Navotas	551 M. Naval St. Brgy. Bangkulasi Navotas City	61,792.50	15-Jan-13	14-Jan-23
New Manila	Hemady Square, E. rodriguez Sr. Ave. cor. Hemady St., Quezon City	225,109.52	1-May-13	20-Apr-23

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Novaliches	882 Quirino Highway, Novaliches, Quezon City	187,690.49	1-Jul-14	30-Jun-19
Otis	Isuzu Manila 1502 Paz M. Guazon St. Paco Manila	100,373.16	1-May-08	30-Apr-16
Pasay	2015 San Bell Bldg., Gil Puyat Ext. cor. Leveriza St., Pasay City	61,935.11	15-May-10	15-May-15
Paseo de Roxas	8747 G/F Lepanto Bldg., Paseo De Roxas, Makati City	326,604.58	16-Nov-09	15-Nov-19
Pasig	#92 Dr. Sixto Ave. Cor. Raymundo St. Pasig City	192,600.00	1-Aug-14	31-Jul-19
Pasig Kapitolyo	G/F D'Ace Water Spa Plaza, United St., cor. Brixton St., Brgy. Kapitolyo, Pasig City	65,446.12	15-Feb-12	14-Feb-22
Pasig-Toby's C. Raymundo	Lot 1 & 2A Good Harvest Complex, C. Raymundo Ave., Caniogan, Pasig City	65,446.12	1-Mar-12	28-Feb-17
Pasong Tamo	2283 Pasong Tamo Ext. cor. Lumbang St., Makati City	349,788.87	16-Mar-01	15-Mar-16
Quirino Ave.	411 Anflocor Bldg. Quirino Ave. cor NAIA Rd. Tambo Paranaque City	168,209.86	1-Nov-11	2-Nov-16
Raon, Sales	653 Gonzalo Puyat cor Sales St., Sta. Cruz, Manila	100,800.00	1-Jun-13	31-May-18
Roosevelt	302 Roosevelt Avenue, SFDM, Quezon City	102,000.00	1-Jun-15	31-May-16
Roxas Blvd.	Unit 1 Russel Mall, Russel St. cor. Roxas Blvd. Pasay City	145,271.26	** Contract renewal in process and/or subject of re-negotiation	
San Lorenzo	1018 L & R Bldg. Pasay Road, Makati City.	163,100.20	17-Aug-14	16-Aug-19
Shangri-la Extn Ofc	5th Level, Shangri-la Plaza Mall, EDSA cor Shaw Blvd. Mandaluyong City	223,884.07	1-Dec-10	30-Nov-15
Shaw Blvd. Lawson	G/F SCT Bldg., 143 Shaw Blvd. Mandaluyong City	106,170.75	1-Oct-11	30-Sep-16
South Harbor	23rd Sts. Cor. Delgado St. South Harbor Manila	160,957.10	1-Jan-12	31-Dec-17
South Mall	CillBen Commercial Bldg., 467 Real St., Alabang-Zapote Rd., Almanza, Las Pinas	142,943.53	** Contract renewal in process and/or subject of re-negotiation	
Sta. Lucia East	Ground Level Bldg. 2, Sta. Lucia Mall, Marcos Hi-way cor. Felix Ave., Cainta Rizal 1900	42,480.00	29-May-14	30-Jun-19
Sta. Lucia East	Ground Level Bldg. 2, Sta. Lucia Mall, Marcos Hi-way cor. Felix Ave., Cainta Rizal 1900	42,480.00	29-May-14	30-Jun-19
Sta. Mesa	1-B G. Araneta Ave. Brgy. Dona Imelda Quezon City	212,152.28	1-Jul-11	30-Jun-21
Sucat	2F Santana Grove, Dr. A. Santos Ave. cor. Soreena St., Sucat, Paranaque City	67,515.17	15-Apr-13	14-Apr-18
Taytay	Manila East Road, Taytay, Rizal	91,592.00	1-Jan-13	31-Dec-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
T. Alonzo	1461-1463 Soler St., Sta. Cruz, Manila	200,000.00	30-Jul-14	30-Jun-24
The Firm	CVC Law Center 11th Ave. cor 39th St., Fort Bonifacio, Taguig	427,572.12	1-May-10	30-Apr-20
The Fort – JY Campos	JY Campos Center, 9th Avenue cor. 39th St., Fort Bonifacio, Taguig	277,130.00	20-May-13	19-May-23
The Fort – Sapphire Residences	G/F Sapphire Residences, 31st St., cor. 2nd Avenue, The Fort, Taguig City	115,249.11	1-Mar-10	14-Apr-15
The Fort Sunlife	Ground Floor, Sunlife Building, 5th Avenue corner Rizal Drive, BGC, Taguig City	167,073.44	15-Feb-12	14-Feb-22
T. Mapua	Park Tower Condominium, 630 Tomas Mapua, Sta. Cruz, Manila	142,895.10	1-May-13	30-Apr-18
Tordesillas	117 Tordesillasst., Salcedo Village, Makati City	260,118.34	** Contract renewal in process and/or subject of re-negotiation	
Trinoma	Space P015B Level 1, Trinoma EDSA cor. North Avenue, Quezon City	260,360.90	1-Sep-14	31-Aug-15
Tutuban	G/F Center Mall I, Tutuban Center corner C.M. Recto Ave., Tondo, Manila	44,444.44	16-Apr-13	15-Apr-28
Unimart	Greenhills Shopping Center, Ortigas Ave., Greenhills San Juan Metro Manila	463,828.69	** Contract renewal in process and/or subject of re-negotiation	
Valenzuela	231 Mac Arthur Highway, Karuhatan, Valenzuela City	114,570.81	1-Sep-08	31-Aug-23
Wack Wack	Unit K Facilities Center Bldg., 548 Shaw Blvd, Mandaluyong City	85,500.00	1-Feb-15	31-Jan-20
West Ave	135 West Insula Bldg., Brgy. Bungad, West Ave., Quezon City	105,681.26	1-Sep-13	31-Aug-23
LUZON AREA				
Aparri	108 J.P. Rizal St., Brgy. Centro 14, Aparri, Cagayan	49,546.35	15-Feb-11	15-Feb-21
Angeles-Sto. Cristo	243 Sto. Entierro St., Brgy. Sto. Cristo, Angeles City	89,142.67	18-Feb-07	17-Feb-17
Bacao Extension Office	Yokota Commercial Bldg., Bacar Road, Gen. Trias, Cavite	53,982.00	17-Mar-12	16-Mar-17
Bacoor	Maraudi Bldg., Aguinaldo Highway, Brgy. Niog Bacoor City Cavite	62,661.53	1-May-08	1-May-18
Balagtas	McArthur Highway, Borol 1st, Balagtas, Bulacan	77,898.94	16-Nov-07	15-Nov-17
Balanga	Don M. Banzon Ave cor. Cuaderno St., Balanga City, Bataan	78,864.63	1-Oct-07	30-Sep-17
Baliuag	01 J. P. Rizal cor. Tagle Sts., Baliuag, Bulacan	125,861.79	15-Aug-07	15-Aug-17
Bataan	RCBC Bldg. AFAB Mariveles, Bataan	37,758.10	1-Apr-14	31-Mar-19
Batangas	No. 17 Rizal Avenue cor. P. Gomez, Batangas City	85,600.00	1-Apr-12	31-Mar-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Bauan Extension Ofc.	J.P. Rizal St., Poblacion, Bauan, Batangas	39,017.75	15-Sep-11	14-Sep-16
Binan	G/F Admin Bldg Laguna International Industrial Park., Mamplasan, Biñan, Laguna	50,785.01	1-Oct-11	30-Sep-16
Boac Extension Office	D. Reyes St., Brgy. San Miguel, Boac Marinduque	21,400.00	1-Jun-13	1-Jun-23
Cabanatuan	1051 Burgos Ave, Cabanatuan City, Nueva Ecija	74,319.53	1-Oct-11	30-Sep-21
Carmelray 1	Adm. Bldg., Carmelray Industrial Park 1, Canlubang, Calamba, Laguna	115,684.56	1-Nov-14	31-Oct-19
Carmelray 2	Adm. Bldg., Carmelray Industrial Park 2, Bgy. Tulo, Calamba, Laguna	139,139.18	1-Jul-11	1-Jul-16
Carmona	People’s Technology Complex, SEZ, Governor’s Drive, Carmona, Cavite	94,338.74	16-Jul-02	15-Jul-27
Cauayan	Central Store Bldg., Roxas St., Cauayan, Isabela	55,879.34	29-Feb-12	28-Feb-22
Cavite City	P. Burgos Avenue, Caridad, Cavite City	85,874.46	1-Dec-06	30-Nov-16
Clark	C.M. Recto Highway, Clark Special Economic Zone, Clark, Pampanga	214,000.00	8-Oct-96	31-Jul-20
Clark II	Bertaphil III Clark Center, Jose Abad Santos Avenue, Clark Freeport Zone	$1,736.00	15-Nov-08	14-Nov-18
CPIP-Batino	Citigold Bldg., Calamba Premiere Industrial Park, Batino, Calamba, Laguna	85,821.31	1-Jun-05	31-May-15
Dagupan	RCBC Bldg AB Fernandez Avenue, Dagupan City	146,203.69	1-Jul-99	30-Jun-19
DMIA Extension Office	DMIA Bldg. 7549 Clark Freeport Zone	17,417.40	** Contract renewal in process and/or subject of re-negotiation	
Dasmarinas Mangubat Drive	Heritage Bldg., Mangubat Drive, Dasmarinas,Cavite	60,873.36	15-Jan-15	14-Jan-20
Dasmarinas Pala-Pala	Dasmarinas Commercial Complex, Pala-Pala Governor's Drive, Dasmarinas Cavite	51,360.00	3-Oct-12	2-Oct-17
Gapan	Tinio St., San Vicente, Gapan City, Nueva Ecija	64,882.13	1-Dec-12	30-Nov-22
Gateway Extension Office	G/F Samantha’s Place Commercial Bldg., Governors Drive, Manggahan, Gen. Trias Cavite	61,929.84	1-Aug-11	31-Jul-16
GMA, Cavite	Citi Appliance Bldg., Brgy. San Gabriel,Governor’s Drive, GMA, Cavite	74,900.00	1-Aug-14	31-Jul-19
Guimba	Afan Salvador St., Guimba, Nueva Ecija	57,355.80	30-Sep-12	30-Sep-22
Hacienda Luisita	Robinson's Plaza, San Miguel, Tarlac City	154,000.00	** Contract renewal in process and/or subject of re-negotiation	
Ilagan, Isabela	RCK Building, Calamagui 2nd, Maharlika Rd., Ilagan, Isabela	43,361.21	1-Dec-07	30-Nov-17

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Imus	Esguerra Bldg., Palico IV, Aguinaldo Hi-way, Imus, Cavite	53,764.32	1-Oct-07	30-Sep-17
Laguna Technopark	LTI Administration Building II Laguna Technopark, Binan, Laguna	159,602.03	16-Mar-13	15-Mar-18
Laoag	Jackie's Commercial Building II, J. Rizal St., Laoag City	100,000.00	1-Feb-15	31-Jan-18
La Trinidad	Peliz Loy Centrum Bldg., Km 5, La Trinidad, Benguet	81,937.28	1-Sep-09	31-Aug-19
Legaspi City	M. Dy Building, Rizal St., Legaspi City	80,217.90	1-Dec-11	30-Nov-21
Lipa	C M Recto Ave. cor. E. Mayo St., Lipa City	104,500	1-Feb-15	31-Jan-25
LISP III Extension Office	LISP III Admin Bldg., Millenium Drive, Brgy. San Rafael Sto. Tomas Batangas	53,445.86	1-Apr-13	31-Mar-18
Lucena	Quezon Ave. cor. Tagarao St., Lucena City	139,100.00	1-Jul-13	1-Jul-2018
Lucena-Evangelista	Quezon Ave., cor. Evangelista st., Lucena City	54,129.81	22-Dec-08	21-Dec-18
Malolos	FC Building, McArthur Highway, Bo. Sumapang Matanda, Malolos, Bulacan	67,410.00	1-Dec-13	1-Dec-18
Marinduque	EDG Building, Bgy. Lapu-lapu, Sta. Cruz, Marinduque	72,657.47	1-Dec-01	30-Nov-16
Meycauayan	VD&S Bldg., Mac Arthur Highway, Calvario, Meycauayan City, Bulacan	64,525.61	16-Oct-08	15-Oct-18
Naga	Peñafrancia Ave., Naga City	79,274.16	1-Jul-11	1-Jul-21
Olongapo	1055 Rizal Ave., Extn West Tapinac Olongapo City	80,873.51	1-Sep-08	31-Aug-18
Palawan National Highway	Lustre Arcade National Highway, Brgy. Tiniguiban, Puerto Princesa City	73,701.60	1-Aug-12	31-Jul-17
Rosario	Cavite Export Processing Zone Authority, Rosario, Cavite	27,768.28	8-Jan-07	7-Jan-17
San Fernando	G/F Hiz-San Bldg., McArthur Highway, Brgy. Dolores, San Fernando, Pampanga	76,046.06	1-Feb-11	31-Jan-21
San Fernando – JASA	Unit 3 & 4, GF Kingsborough Commercial Center, Jose Abad Santos Avenue, San Fernando, Pampanga	90,950.00	1-May-14	30-Apr-19
San Fernando-Sindalan	SBC Bldg. McArthur Highway, Sindalan, City of San Fernando, Pampanga	85,300.66	9-Nov-07	9-Nov-17
San Jose City	Mokara Bldg., Maharlika H-way, Abar 1st San Jose City, Nueva Ecija	74,045.60	1-Sep-08	31-Aug-18
San Pablo	Ultimart Shopping Plaza, M. Paulino St., San Pablo City	108,754.80	1-Jan-12	31-Dec-16
San Pedro	EM Arcade Bldg., National Highway, San Pedro Laguna	76,678.88	3-Feb-12	2-Feb-22
Santiago	#26 Maharlika Highway, Victory Norte, Santiago City, Isabela	85,600.00	1-Jan-14	2-Jan-23

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Science Park	Admin Bldg., LISP1, Pulo Road, Brgy Diezmo, Cabuyao, Laguna	60,104.00	1-Jun-14	31-May-19
Solano	211 JP Rizal Ave., National Highway, Solano, Nueva Vizcaya	50,527.99	1-Jun-12	31-May-22
Sta. Cruz Extension Office	Teoxon Bldg., Sitio Narra Brgy. Labuin, Sta. Cruz Laguna	27,477.60	1-Jan-13	31-Dec-17
Sta. Maria, Bulacan	#39 J.P. Rizal St., Pob., Sta. Maria Bulacan	71,695.12	1-Jan-08	31-Dec-17
Sta. Rosa	Paseo 5, Paseo de Sta. Rosa, Greenfield City, Don Jose, Sta. Rosa, Laguna	218,112.20	1-Jun-10	31-May-15
Sta. Rosa Balibago	Carvajal Building, Old National Highway, Balibago, Sta. Rosa, Laguna	71,208.50	1-May-07	30-Apr-17
Sta. Rosa-Balibago Waltermart Ext. Ofc.	Upper Ground Floor, Waltermart Center, Sta. Rosa, Laguna	49,074.48	16-Dec-12	15-Dec-17
Sta. Rosa-Solenad 2 Ext. Ofc.	Unit M 20, Bldg 2 Nuvali Solenad 2, National Road, Brgy. Sto. Domingo, Sta. Rosa, Laguna	44,982.00	1-Dec-12	31-Oct-17
Subic	Royal Subic Duty Free Complex, Rizal cor. Argonaut Highway, Subic Free Port Zone, Olongapo, Zambales	$2,979.31	1-Feb-09	31-Jan-19
Tagaytay	Unit A Olivarez Plaza, Tagaytay City	85,745.72	1-Jul-10	30-Jun-15
Tarlac	F. Tanedo St., Tarlac City	112,350.00	1-Oct-11	30-Sep-21
Tayug	A. Bonifacio St., Brgy. A, Tayug, Pangasinan	47,577.24	1-Apr-97	31-Mar-17
Tuguegarao	Bonifacio cor. Gomez St., Centro 7 Tuguegarao City	107,000.00	1-Mar-15	28-Feb-25
Urdaneta	E.F. Square Bldg. McArthur Highway, Urdaneta City, Pangasinan	91,907.31	16-Jun-13	15-Jun-23
VISAYAS AREA				
Antique	Solana St. cor. T. Fornier St., San Jose, Antique	78,645.00	1-Apr-09	31-Mar-19
Bacolod – Lacson	Lourdes C. Building II, 14th Lacson St., Bacolod City	75,332.63	1-Nov-11	31-Oct-16
Bacolod – Libertad	Libertad Extension, Bacolod City	42,800.00	1-Jun-11	30-Apr-16
Bacolod – Shopping	Hilado Extension, Bacolod City	91,585.03	1-Jun-06	31-May-16
Balamban Ext. Office	D.C. Sanchez St., Balamban, Cebu	46,084.90	15-Aug-11	14-Aug-16
Banilad	A.S Fortuna St., Banilad, Cebu City	141,240.00	16-Feb-12	15-Feb-22
Boracay	Station 1, Brgy Balabag Boracay, Malay, Aklan	68,955.31	1-Nov-09	31-Oct-19
Calbayog	cor. Magsaysay Ave & Gomez Sts., Calbayog City, Northern Samar	104,666.18	1-May-14	30-May-15
Catarman	Ang Ley Building, JP Rizal St., Catarman, North Samar	70,957.89	1-Jan-12	31-Dec-21
Catbalogan	del Rosario St., Catbalogan , Western Samar	76,678.88	1-Nov-12	31-Oct-22

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			START	END
Caticlan Ext Ofc	Jerry Port, Caticlan, Malay Aklan	13,520.93	1-Nov-13	31-Oct-18
Cebu IT Park	S-04 G/F Skyrise 4 Bldg., Cebu IT Park Lahug, Cebu City	105,285.99	1-Jul-12	30-Jun-17
Cebu Paseo Arcenas	Don Ramon Arcenas St., R. Duterte St., Banawa, Cebu City	94,374.00	27-Feb-09	26-Feb-14
Cebu – Sto. Nino	Belmont Hardware Depot Building cor. P. Burgos and Legaspi sts. Bgy. San Roque, Cebu City	77,575.00	1-Nov-13	1-Nov-18
Consolacion	ADM Building, Cansaga, Consolacion, Cebu	93,986.62	5-May-03	4-May-18
Dumaguete	Dr. V. Locsin St., Dumaguete City	61,792.50	1-Jan-13	31-Dec-17
Guadalupe	63 M.Velez St., Guadalupe Cebu City	44,139.11	1-Jan-12	31-Dec-37
Hinigaran	Rizal St. (National Road), Hinigaran, Negros Occidental	37,348.23	5-May-05	30-Apr-20
Iloilo-Ledesma	Cor. Ledesma & Quezon St., Iloilo City	107,000.00	2-May-08	30-Apr-18
Iloilo-Mabini	Gopun Building, Mabini cor. Delgado Sts., Iloilo City	52,072.74	1-Apr-09	1-Apr-19
Jaro	Cor. Seminario & E. Lopez STS. Jaro. Iloilo City	107,000.00	1-Dec-14	30-Nov-24
J. Centre	G/F A.S. Fortuna St., Bakilid Mandaue City	158,602.59	16-Oct-11	15-Oct-16
Kalibo	Roxas Ave., Kalibo Aklan	63,442.53	1-Apr-08	31-Mar-18
Mactan	Mepz Bldg., Mepz 1, Lapu-Lapu City, Cebu	15,872.00	9-Jan-07	9-Jan-17
MEPZ (Mactan 2)	Pueblo Verde Mactan Export Processing Zone II Basak, Lapu-Lapu City	65,807.37	13-Oct-01	12-Oct-16
Manalili	Tan Sucheng Bldg., V. Gullas St., Cebu City	235,979.36	31-Jan-10	31-Jan-17
North Reclamation	G/F CIFC Tower, Humabon St., cor Juan Luna Ave., North Reclamation Area, Cebu City	206,871.43	1-Aug-11	31-Jul-16
Ormoc	GF MFT Bldg., Real cor Carlos Tans Sts., Ormoc City	132,689.92	16-May-07	15-May-17
San Carlos	Locsin St., San Carlos City, Negros Occ.	33,789.47	1-Aug-11	31-Jul-15
Taboan	Cor. Lakandula & C Padilla Sts., Cebu City	64,401.27	1-Feb-08	31-Jan-18
Talisay Ext Ofc	South Central Square, Lawaan 111, Talisay City	35,766.27	16-Sep-10	15-Sep-15
Toledo	Rafols St., Toledo Commercial Village, Brgy. Poblacion, Toledo City	61,452.96	5-Jan-09	31-Dec-18
MINDANAO AREA				
Ateneo De Davao Ext. Office	G/F Finster Bldg., Ateneo de Davao University cor. CM Recto & Roxas Ave., Davao City	59,162.60	15-Sep-11	15-Sep-21
Butuan	Dy Teban Building II, Ester Luna St., Butuan City	84,790.32	28-Jun-12	28-Jun-20

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			START	END
Butuan Ext. Office	Brgy. Tandang Sora, J.C. Aquino Ave., Butuan City	49,001.72	1-Jun-11	31-May-21
Cagayan de Oro-Velez	A. Velez corner Cruz Taal St., Cagayan de Oro City	167,218.93	1-Oct-11	30-Sep-18
Calinan Ext. Office	National Highway, Poblacion Calinan, Davao City	14,745.94	1-Apr-11	31-Mar-16
Carrascal Extension Office	National Highway, Brgy. Gamuton, Carrascal, Surigao del Sur	32,100.00	1-Apr-14	1-Mar-24
Cotabato	M. Bldg Quezon Ave., Cotabato City	55,752.63	1-Jun-10	31-May-20
Damosa Gateway	Corner Mamay Road and JP Laurel Avenue, Lanang, Davao City	41,430.22	1-Aug-12	31-Jul-17
Davao - Bajada	JP Laurel Ave., corner Villa Abrille st., Davao City	151,449.13	16-Aug-09	15-Aug-19
Davao - NCCC Mall	NCCC Mall Davao Crossing Mc Arthur Highway and Maa Road Matina Davao City	82,800	14-Jul-13	13-Jul-18
Dipolog	cor General Luna & Lacaya Sts., Dipolog City	44,940.00	1-Oct-11	30-Sep-21
Dole Ext. Office	Dole Phils Pavillion, Polomolok, South Cotabato	18,987.23	1-Jan-15	31-Dec-15
Gensan	RGH Bldg., J. Catolico Ave., Lagao, General Santos City	57,245.00	1-Mar-12	28-Feb-17
Iligan	Lanao Fil-Chinese Chamber of Commerce Inc. Bldg. Quezon Ave. cor. B. Labao St. Iligan City	74,900.00	1-Feb-14	30-Jan-20
Quirino	E. Quirino Ave., Brgy.3-A Poblacion, Davao City	66,533.67	1-Oct-11	30-Sep-16
Kabacan	Poblacio, National Highway, Kabacan, Cotabato Province	43,461.71	1-Jan-12	31-Jan-22
Kidapawan	KMCC Bldg. Dayao St., Kidapawan City, North Cotabato	77,546.06	16-Jul-08	15-Jul-18
Limketkai	Gateway Tower 1, Limketkai Center, Cagayan de Oro City	208,546.76	5-Sep-09	31-Oct-19
Malaybalay	Don Carlos St., Poblacion, Malaybalay City	61,271.58	1-Aug-10	31-Jul-20
Maramag Ext. Office	FIBECO Compound, Sayre Highway, Brgy. Anahawon, Maramag, Buikidnon	35,310.00	1-Sep-11	31-Aug-21
Maranding Extension Office	National Highway, Maranding, Lala, Lanao del Norte	30,626.08	1-Oct-12	30-Sept-19
Marbel	Gen San Drive cor Roxas St., Koranadal City, South Cotabato	156,658.70	1-Nov-07	1-Nov-19
Marbel Extension Ofc.	Kobe Building, NDMU Compound, Alunan Avenue, Koronadal City, South Cotabato 9506	16,050.00	1-Nov-12	30-Nov-17
Nabunturan	SMPTC Bldg., Lauro Arabejo St., Brgy. Poblacion, Nabunturan Compostela Valley	47,397.69	1-Jul-12	30-Jun-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Osmena	Simplex Building, Osmena St., Cagayan De Oro City	150,180.86	1-Sep-08	31-Aug-18
Panabo	Greatsun Ventures Bldg., National Highway, Purok Atis, Sto. Nino, Panabo City	59,920.00	1-Jul-14	30-Jun-19
R. Castillo Extension Office	Techno Trade Corp. Bldg., 164 R. Castillo St., Davao City	22,964.94	31-Oct-12	30-Oct-17
Roadway Inn Ext. Ofc.	Roadway Inn, J.P. Laurel Avenue, Bajada, Davao City	54,602.10	31-Oct-12	31-Oct-17
Sta. Ana	Cor. Monteverde & Sales Sts., Davao City	253,590.00	7-Jun-10	6-Jun-15
Surigao	Cor. San Nicolas & Burgos Sts., Surigao City	52,453.25	1-Feb-08	31-Jan-18
Tacurong	G/F Hilario Bldg., cor Bonifacio St., National Highway, Tacurong City	70,875.18	15-Nov-06	15-Nov-16
Tandag	Pimentel Bldg., Donasco St., Tandag, Surigao del Sur	90,418.70	1-Jul-06	30-Jun-16
Toril	McArthur Highway, Toril Proper, Toril, Davao City	43,681.68	1-Aug-10	31-Jul-15
Valencia	Sayre National Highway cor Lavinia Ave, Valencia Bukidnon	75,900	1-Sep-14	31-Aug-15
Victoria Plaza	Victoria Plaza Mall, J.P. Laurel Ave., Davao City	179,094.50	12-Jul-13	11-Jul-15
Zamboanga	SIA Bldg., Tomas Claudio St. Zone III Zamboanga City	160,500.00	1-May-13	30-Apr-23
Zamboanga Veterans	YPC Bldg., Veterans Ave., Zamboanga City	68,068.35	** Contract renewal in process and/or subject of re-negotiation	

All the facilities and properties of the Bank are in good condition. Likewise, there are no liens and encumbrances on said properties of the Bank.

Item 3. Legal Proceedings

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

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

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased the Iligan Plant assets of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Bank and RCBC Capital, to deliver the Plant assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80,000,000.00, as and by way of lost opportunity to make profits and (b) P1,403,000,000.00, representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI filed an appeal on 1 September 2014. In the meantime, the secured creditors' application for the issuance of consequential orders relating to the discharge of the injunction, costs and other matters, the purpose of which is to allow the secured creditors to obtain complete relief from the SIAC Partial Award, was heard and granted by the Singapore High Court on 17 November 2014. In particular, the Singapore High Court confirmed that the injunctions issued in 2008 and that embodied in the Partial Award have been discharged, so that the secured creditors may now compel GSPI and GIHI to comply with their obligations under the Omnibus Agreement/Asset Purchase Agreement and take legal action upon GSPI's and GIHI's failure to do so. The Singapore High Court likewise granted the secured creditors' claim for the payment of legal costs, the amount of which shall be subject to further submissions. As a result of the ruling of the Singapore High Court that the injunctions previously issued have been discharged, the secured creditors, applying the principle of legal set-off, directed the release of GSPI and GIHI's installment payment by the Facility Agent. Accordingly, the Bank and RCBC Capital received their respective share in the funds previously held in escrow.

The Singapore Court of Appeals heard GSPI and GIHI's appeal on January 26, 2015. On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court insofar as it set aside (a) the monetary award of US$80 million and P1,403 million representing lost opportunity to make profit and the value of the Lost Land Claim in favor of GSPI and GIHI, and (b) the deferment of GSPI and GIHI's obligation to pay the purchase price of the Plant Assets. The Singapore Court of Appeals ruled that (a) the issue of lost opportunity to make profit was not properly brought before the SIAC Arbitral Tribunal, and the award in issue is unsupported by evidence; (b) the SIAC Arbitral Tribunal erred in putting a value on the Lost Land, since the secured creditors did not, at any point, concede that they will be unable to deliver the same to GSPI and GIHI by 15 October 2012; and (c) the dispute relating to GSPI and GIHI's payment obligation is an obligation under the Omnibus Agreement, which is beyond the ambit of arbitration, so that the SIAC Arbitral Tribunal could not properly order the Bank, RCBC Capital and the other secured creditors to defer holding GSPI and GIHI in default. The Singapore Court of Appeals further held that it is prepared to hear the parties on costs and on any consequential orders that may be needed.

The Bank's exposure is approximately P245.8 million in terms of estimated property taxes and transfer costs due on the Iligan Plant assets, while it has a receivable from Global Steel of P534.8 million. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as UDSCL with zero net book value. In February 2015, the Bank received the amount of P49.3 million as installment payment recently released from escrow. The Bank's exposure, however, may be varied depending on should Iligan City agree to enter into another tax agreement with NSC on its outstanding tax obligation.

In 2011, Verotel Merchant Services B.V. ("VMS"), a Netherlands corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation civilly sued the Bank, Bankard, Grupo Mercarse Corp., CNP Worldwide, Inc. ("CNP") and several individuals before the Los Angeles Superior Court for various causes of action including fraud, breach of contract and accounting, claiming that VII and its alleged parent company, VMS, failed to receive the total amount of US$1.5 million, which the defendants allegedly misappropriated. VMS is an Internet merchant providing on-line adult entertainment and on-line gambling, in addition to the sale of pharmaceuticals over the Internet.

While the court ruled that jurisdiction was obtained over the Bank and Bankard despite the fact that none of the Bank, Bankard or any of the plaintiffs do business in California, the Bank and Bankard believe that the case is without merit and will be ruled in their favor since:

1. Plaintiffs have no legal standing to sue. VII ended its corporate existence in 2008 and had no capacity to sue in 2011 when the case was filed. There is also no evidence that VMS is the parent company of VII, neither does VMS have any contract with Bankard.

2. All the monies due to VII have been remitted by Bankard to Mercarse PA, the agent designated by VII to receive its monies. VII never gave notice to Bankard that it was not receiving payments from their agent.

3. There is no accounting of the claim of US$1.5 million, and no basis for the same. Based on Bankard's records of this claim (which was remitted to Mercarse), only US$ 500 thousand belonged to VII and US $1 million belonged to another merchant.

4. Even under the worst possible scenario, the Bank/Bankard's US counsel opined that the ruling against the Bank/Bankard would not be material since there is no basis to find the Bank/Bankard liable for fraud.

On 4 December 2014, Judge Bruguera of the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive/clearance from her court. The aforementioned plaintiffs' counsel likewise did not confer with the Bank's US counsel for the said setting. Consequently, the court issued an Order to Show Cause upon the plaintiffs' counsel as to why the matter should not be referred to the California State Bar for misconduct, especially after the counsel issued a declaration casting aspersions on the court and her staff and the veracity of the Minute Order denying that the court ordered the parties to proceed to mandatory settlement conference. The matter was heard on March 30, 2015, at which occasion Judge Bruguera immediately discharged the Order to Show Cause after the plaintiff’s counsel admitted to using inappropriate language in his explanation.

The case has been ordered to be brought back to Department 1 for re-assignment to another judge. Per the latest update of the US counsel, the case was raffled to Judge Mitchell Beckloff, who set the Motion to vacate the orders denying the Bank and Bankard’s motions for summary judgment for hearing on 12 May 2015. In the meantime, the trial in the main case is tentatively scheduled for January 2016.

In December 2011, RCBC Securities initiated the filing of a criminal case for falsification against a former agent who carried out certain questionable transactions with her own personal clients. Since then, RCBC Securities has filed additional criminal and civil cases, including charges of BP 22, against the aforesaid former agent. These cases are now pending with the Regional Trial Court and Metropolitan Trial Court of Makati City. There is also an investigation before the Capital Markets Integrity Corporation (“CMIC”) of the Philippine Stock Exchange initiated in May 2012 requesting for an investigation on the operations of RSEC in relation to the accounts handled by the former agent and requesting the CMIC to take appropriate action. The CMIC, in its letter dated 4 December 2014, dismissed the complaint on the ground of prescription and res judicata. The complainants may seek reconsideration of the CMIC decision or action to the CMIC Board within 10 business days from receipt of such decision or action. There is also a complaint filed in December 2013 before the Securities and Exchange Commission ("SEC") for alleged violations by RSEC of the Securities Regulation Code for improperly accounting for shares handled by the former agent. The complaints sought for penalties against RSEC, including the suspension or revocation of RSEC's license. The complaint is still pending before the SEC.

In October 2011, the Bank filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Bank subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 million in October 2011 from the Bank on the interest on its PEACe bonds holdings. The amount was recognized as part of Loans and Receivables account in the statements of financial position (see Note 11). The Government has requested additional time within which to file its comment on the petition. Management believes that the petitioning banks have a strong case, and that there is a high probablility of recovery of such withheld taxes.

On 13 January 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return the 20% final withholding tax it withheld on the PEACe Bonds on 18 October 2011. On 16 March 2015, RCBC filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition "deposit substitutes" the PEACe Bonds since there was only one lender at the primary market, and subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax. RCBC also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital / Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed. RCBC also reiterated its arguments that the tax constitutes double taxation, violates the non-impairment clause of the Constitution, and is a breach of the obligations by the Bureau of Treasury when it issued the PEACe Bonds. The Office of the Solicitor General also filed a Motion for Reconsideration and Clarification, reiterating the BIR's right to withhold 20% as Final Withholding Tax and asking for clarification on the effect of the ruling on other government securities.

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.

Item 4. Submission of Matters to a Vote of Security Holders

In the Bank's annual meeting of stockholders held last June 30, 2014, the stockholders present or representing 73.76% of the outstanding capital stock unanimously elected the following directors to serve as such for a term of one year:

As Regular Directors:

1. Amb. Alfonso T. Yuchengco
2. Ms. Helen Y. Dee
3. Mr. Lorenzo V. Tan
4. Mr. Cesar E.A. Virata
5. Mr. Medel T. Nera
6. Atty. Teodoro D. Regala
7. Atty. Wilfrido E. Sanchez
8. Atty. Ma. Celia H. Fernandez-Estavillo
9. Mr. Tze Ching Chan
10. Mr. Minki Brian Hong
11. Ms. Yvonne S. Yuchengco
12. Mr. Francis G. Estrada

As Independent Directors:

1. Mr. Armando M. Medina
2. Mr. Francisco C. Eizmendi, Jr.
3. Mr. Antonio L. Alindogan, Jr.

At the said annual meeting, the stockholders also approved the following:

1. Annual Report and Audited Financial Statements for 2013
2. Ratification of actions of the Board of Directors, different Committees and Management
3. Confirmation of Significant Transactions with DOSRI and Related Parties
4. Appointment of External Auditor
5. Amendment of Article Third of the Amended Articles of Incorporation on Principal Office Address

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The common shares of the Bank are listed in the Philippine Stock Exchange. As of April 13, 2015 the market price of RCBC's common shares closed at 45.00 per share. The trading prices of said shares for the different quarters of the years 2014, 2013, 2012 and 2011 are as follows:

		Q1		Q2		Q3		Q4	
			Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date
2015	High	48.50	01.19.15						
	Low	45.15	03.31.15						
2014	High	50.00	03.12.14	57.70	05.19.14	56.00	07.30.14	54.60	10.07.14
	Low	42.25	01.15.14	46.70	04.04.14	51.80	08.18.14	46.00	12.15.14
2013	High	70.00	03.27.13	74.00	05.15.13	59.10	07.02.13	47.00	10.31.13
	Low	58.00	01.07.13	52.00	06.25.13	41.00	08.28.13	41.50	12.16.13
2012	High	42.25	03.16.12	45.50	05.09.12	45.55	09.28.12	60.00	12.28.12
	Low	29.75	01.17.12	40.70	04.11.12	43.00	08.29.12	45.45	10.05.12

Source: Philippine Stock Exchange

There were 81 preferred shareholders and 782 common shareholders of record as of December 31, 2014. Likewise, preferred shares and common shares outstanding as of December 31, 2014 were 338,291 and 1,275,659,728, respectively.

As of December 31, 2014, total equity ownership of foreigners on the Bank's common shares was at 30.08% or 383,766,438 shares.

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

The top 20 common stockholders as of Dec 31, 2014

	Name	No. of Shares	% to Total
1	PAN MALAYAN MANAGEMENT	473,963,632	37.15%
2	PCD NOMINEE CORP.(NON-FILIPINO)	383,551,994	30.07%
3	PCD NOMINEE CORPORATION	381,478,168	29.90%
4	SYBASE EQUITY INVESTMENTS CORPORATION	23,528,800	1.84%
5	A. T. YUCHENGCO, INC.	3,243,871	0.25%
6	ABOITIZ & COMPANY, INC.	3,103,530	0.24%
7	HYDEE MANAGEMENT & RESOURCE CORPORATION	2,044,349	0.16%
8	LON, FRANCISCO GENARO OZAMIZ	580,500	0.05%
9	ROSARIO, RODOLFO P. DEL	574,724	0.05%
10	Estate of NAVARRO, RIZALINO S.	260,866	0.02%
11	CONCEPCION, CARMENCITA DE LAS ALAS	224,490	0.02%
12	VERANO, MARIA LUISA L.	207,069	0.02%
13	ALAS, CARLOS DE LAS	114,298	0.01%
14	ALAS, CORNELIO DE LAS	114,195	0.01%
15	CHAN, FREDERICK	107,959	0.01%
16	YANG JIN LIANG	100,000	0.01%
17	F. YAP SECURITIES, INC.	100,000	0.01%
18	RUFINO, JOSIE PADILLA	92,865	0.01%
19	LOMBOS, MANUEL C. &/OR MEYRICK J.	68,574	0.01%
20	ERESE, HENRY	61,969	0.00%

The top 20 preferred stockholders as of Dec 31, 2014

	Name	No. of Shares	% to Total
1	ROSARIO, RODOLFO P. DEL	81,521	24.10%
2	GO, HOMER	46,355	13.70%
3	CAMPOS LANUZA & CO. INC.	44,179	13.06%
4	CONCEPCION, CARMENCITA	31,842	9.41%
5	OPTIMUM SECURITIES CORP.	16,666	4.93%
6	CHAN, FREDERICK	16,158	4.78%
7	BDO SECURITIES CORP.	9,304	2.75%
8	ERESE, HENRY	8,790	2.60%
9	NGO, LORETA	8,600	2.54%
10	MANDARIN SECURITIES CORPORATION	7,583	2.24%
11	TAN, LUCIANO H.	7,309	2.16%
12	ABACUS SECURITIES CORP.	6,021	1.78%
13	HWANG, HANS YAP	5,558	1.64%
14	ANG, TONY ANG &/OR ROSEMARIE	5,372	1.59%
15	SIA, JOHNSON CHUA	5,000	1.48%
16	ACERO, NICASIO MARIN JR., &/OR ARNOLFO O.	3,371	1.00%
17	CO, JUSTINA DY	3,258	0.96%
18	CHENG, SUSAN	2,665	0.79%
19	GLOBALINKS SEC. & STOCKS	2,454	0.73%
20	BEDAN CORPORATION	2,100	0.62%

The details of the 2012, 2013 and 2014 cash dividend distributions follow:

Date Declared	Dividend		Date Approved	Date Paid / Payable	Nature of Securities
	Per Share	Total Amount Php (in Thousand Php)			
January 30, 2012	P 0.0649	P 26	February 24, 2012	March 27, 2012	Preferred stock
March 26, 2012	P 0.9000	P 1,026,771	April 19, 2012	June 4, 2012	Common stock
March 26, 2012	P 0.9000	P 308	April 19, 2012	June 4, 2012	Preferred stock
May 28, 2012	P 0.0632	P 22	June 26, 2012	July 3, 2012	Preferred stock
July 30, 2012	P 0.0624	P21	September 6, 2012	September 28, 2012	Preferred stock
November 26, 2012	P0.0593	P20	December 18, 2012	January 2, 2013	Preferred stock
November 26, 2012	*	P203,524	March 4, 2013	April 27, 2013	Hybrid Tier 1
November 26, 2012	*	P212,559	September 6, 2013	October 25, 2013	Hybrid Tier 1
January 28, 2013	P0.0578	P20	March 4, 2013	March 26, 2013	Preferred stock
March 25, 2013	P1.00	P 1,275,659	April 29, 2013	May 27, 2013	Common stock
March 25, 2013	P1.00	P 342	April 29, 2013	May 27, 2013	Preferred stock
April 29, 2013	P 0.05774	P 20	June 10, 2013	June 27, 2013	Preferred stock
July 29, 2013	P 0.05745	P 20	September 6, 2013	September 26, 2013	Preferred stock
October 29, 2013	P 0.05686	P 19	January 13, 2014	January 15, 2014	Preferred stock
October 29, 2013	*	P 224,014	February 25, 2014	April 27, 2014	Hybrid Tier 1
October 29, 2013	*	P 215,000	pending	October 27, 2014	Hybrid Tier 1
January 27, 2014	P 0.05615	P 19	February 25, 2014	March 27, 2014	Preferred Stock
March 31, 2014	P 1.00	1,275,659	May 23, 2014	June 16, 2014	Common Stock
March 31, 2014	P 1.00	342	May 23, 2014	June 16, 2014	Preferred Stock
April 28, 2014	P 0.05700	19	July 25, 2014	July 30, 2014	Preferred Stock
July 28, 2014	P 0.05364	19	September 15, 2014	October 10, 2014	Preferred Stock
October 27, 2014	P 0.05640	19	December 19, 2014	January 28, 2015	Preferred Stock
October 27, 2014	*	221,570	March 20, 2015	April 27, 2015	Hybrid Tier 1
October 27, 2014	*	221,570	Pending	October 2015	Hybrid Tier 1

In its meeting held on March 30, 2015, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.60 per share, or a total of approximately P765.4 million payable to holders of Common Class shares, and a total of approximately P203 thousand payable to holders of Preferred Class shares, subject to the final approval of the Bangko Sentral ng Pilipinas.

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

Item 6. Management's Discussion and Analysis or Plan of Operation

2012

Philippine GDP in 2012 grew 6.6%, the highest in two years, vs. 3.9% in 2011 and above the average of 4.6% posted from 1999 to 2011. The global economic growth remained relatively slow in 2012, but on a recovery mode, amid some pick up in the US economy (jobs, housing, manufacturing), the lingering Euro zone debt crisis, slower economic growth in China (the world's second biggest economy; posted the slowest growth rate since 1999), recessionary and deflationary economic conditions in Japan (the world's third biggest economy).

Major factors that contributed to the faster Philippine economic growth in 2012 are the sustained above-average growth in consumer spending (70.5% of GDP) and services (56.9% of GDP), faster government spending growth (+12.2% growth in 2012 vs. +1.7% in 2011, when there was underspending), recovery in exports (+8.8% in 2012 after -4% in 2011), faster growth in construction (+14.2% in 2012 vs. -5.2% in 2011), some pick up in manufacturing (5.4% in 2012 vs. +4.8% in 2011).

The strong growth in the Philippine economy for 2012 was supported by the continued growth in OFW remittances, sustained strong growth in business process outsourcing (BPO) industry, new record lows in interest rates that reduced borrowing/financing costs, continued growth in tourism, increased infrastructure spending.

GNP growth for 2012 was at 5.8%, from 3.2% in 2011.

Inflation averaged 3.2% in 2012, vs. 4.6% in 2011, considered relatively low/benign and at the lower range of the 3%-5% target of the Bangko Sentral ng Pilipinas (BSP). Stronger peso exchange rate vs. the US dollar, with an appreciation of 6.4% in 2012, partly supported relatively lower importation costs and overall inflation..

The 91-Day Treasury Bill Rate ended 2012 at 0.198%, after reaching a record low of 0.15% on Nov. 12, 2012, vs. 1.56% in end-2011. Philippine interest rates mostly reached new record lows in 2012 amid huge amounts of excess peso liquidity in the financial system partly driven by increased foreign portfolio investments/hot money, relatively benign/low inflation, and relatively slower global economic growth. Key Philippine interest rates in the secondary market, as measured by the PDST yields, also reached new record lows, with short-term tenors below 1% (near zero), with the 3-month tenor at 0.49% in end-2012, vs. 1.66% in end-2011. The BSP reduced its key overnight interest rate in 2012, by a total of -1.00 to a record low of 3.50%, partly due to the stronger peso exchange rate that helped keep inflation relatively low/benign. The low interest rate environment was also supported by relatively narrow Budget Deficit, which stood at –PHP127.3bn from Jan.-Nov. 2012, after –PHP197.8bn (or -2% of GDP) in 2011 due to higher government revenues despite some pick up in government spending compared to 2011.

The Peso Exchange Rate appreciated by 2.79 pesos or 6.4% to close at 41.05 in end-2012, vs. 43.84 in the previous year, the strongest in nearly five years and among the best performing currencies in Asia for the year. Philippine Gross International Reserves (GIR) reached US$83.8 billion or equivalent to 12 months worth of imports (+US$8.5 billion or +11% from US$75.3 billion in end-2011), partly brought about by the following: +6% growth in OFW remittances (Jan.-Nov. 2012) to US$19.4 billion; +21% growth in BPO revenues to US$13 billion; net foreign portfolio investments of +US$3.9 billion after +US$4.1 billion in 2011 (though temporary/shorter-term in nature). Balance of payments surplus for 2012 stood at +US$9.2 billion, after +US$10.2 billion in 2011.

OFW remittances, BPO revenues, foreign tourist revenues continued to support consumer spending, which accounted for about 70.5% of the Philippine economy in 2012. Additional OFW, BPO, and tourism jobs partly caused unemployment rate in 2012 to improve to 6.8% from 7.0% in 2011.

Exports from Jan.-Nov. 2012 grew by an average of +7% to US$48 billion, a turnaround vs. the decline of -6.2% in 2011, despite the stronger peso exchange rate. Imports from Jan.-Nov. 2012 grew by an average of +1% to US$56.4 billion, slower vs. +10.1% in 2011. Consequently, Trade Deficit from Jan.-Nov. 2012 narrowed to -US$8.4 billion, vs. –US$12.2 billion for 2010.

Foreign tourist arrivals in 2012 grew by +9.1% to 4.273 million, after +11.3% growth in 2011.

Universal/Commercial bank loans as of Nov. 2012 grew by +14% year-on-year to PHP3.135 trillion, after +19.3% as of end-2011.

Non-performing loan (NPL) ratio of universal/commercial banks as of Oct. 2012 stood at 2.0%, the best since revised records started in 2003, vs. 2.2% as of end-2011.

On Dec. 20, 2012, S&P raised the credit rating outlook for the Philippines to positive from stable and reportedly hinted possible credit rating upgrade for the country to investment grade as early as within a year, from the current credit rating of one notch below investment grade.

Financial and Operating Highlights

RCBC followed up its remarkable financial results in 2011 with another solid performance in 2012. RCBC's Total Assets modestly expanded by 5.45% or P18.828 billion to P364.095 billion while Total Capital Funds went up by 13.55% or P5.127 billion to P42.973 billion. Net Income grew by 23.18% or P1.172 billion from P5.055 billion in 2011 to P6.227 billion in 2012. Gross Operating Income improved by 8.88% or P1.862 billion from P20.962 billion to P22.824 billion. Non-Interest Income increased by 12.78% or P1.295 billion from P10.130 billion to P11.425 billion mainly driven by trading and securities gains, equity in net earnings of associates, trust fees, and service fees and commissions. Foreign exchange gains and miscellaneous income which totaled P1.891 billion, contributed 16.55% of total Non-Interest Income. Despite pressures on margins due to low interest rates and the non-remuneration of reserve-eligible funds, Net Interest Income rose by 5.23% or P567 million to P11.399 billion resulting to a NIM of 3.93%, one of the highest in the sector.

BALANCE SHEET			
In Million Pesos	2012	2011*	2010*
Total Assets	364,095	345,267	315,673
Investment Securities	95,179	87,728	88,099
Loans and Receivables (Net)	190,808	186,192	165,425
Capital Funds	42,973	37,846	26,161

*As Restated

The P18.828 billion increase in total assets was mainly driven by the growth in investment securities, loans and receivables, due from other banks, and due from Bangko Sentral ng Pilipinas.

Cash and other cash items increased by 14.91% or P1.217 billion from P8.163 billion to P9.380 billion. Due from Bangko Sentral ng Pilipinas, representing 10.06% of total resources, went up by 6.82% or P2.337 billion from P34.283 billion to P36.620 billion. Due from other banks likewise increased by 55.98% or P2.110 billion from P3.769 billion to P5.879 billion. Total investment securities, which represent 26.14% of total resources, reached P95.179 billion, higher by 8.49% or P7.451 billion mainly due to the growth in the Available for Sale Securities by 10.25% or P7.777 billion from P75.910 billion to P83.687 billion.

Total net loans and other receivables stood at P190.808 billion and represented 52.41% of total resources.

Investments in subsidiaries and associates, net went up by 9.22% or P333 million from P3.613 billion to P3.946 billion mainly due to equity earnings recognized for the period.

Bank premises, furniture, fixtures and equipment posted a 16.17% increase or P1.045 billion from P6.462 billion to P7.507 billion due to investments in computer equipment and in the core banking technology, construction cost of RSB Corporate Center building, and branch expansion. In 2012, the Bank opened thirty-three (33) new business centers and extension offices and deployed two hundred forty-nine (249) new ATMs.

Investment property, net decreased by 11.18% or P855 million from P7.651 billion to P6.796 billion. Other resources, net increased by 10.05% or P597 million from P5.938 billion to P6.535 billion due to margin deposits on derivative transactions and acquisition of software.

Deposit liabilities stood at P246.757 billion and accounted for 67.77% of total resources. Demand deposits rose by 5.67% or P567 million from P10.001 billion to P10.568 billion while savings deposits reached P130.302 and accounted for 35.75% of total resources. Time deposits, on the other hand, stood at P105.887 billion and represented 29.08% of total resources.

The Bank listed on May 8, 2012 its three (3) tranches of Long Term Negotiable Certificates of Time Deposit (LTNCDs) maturing in 2017 worth P5.0 billion. The three tranches were issued in two (2) fixed rate series and one (1) zero coupon series. The P2.033 billion fixed rate and PhP 1.15 billion Series 2 fixed rate LTNCDs both have a coupon rate of 5.25% per annum, and are maturing on June 29, 2017 and November 7, 2017 respectively. The zero coupon series due June 29, 2017, in the amount of P1.817 billion, was issued at an offer price of 74.0493% of face value and a yield-to-maturity of 5.5% p.a. on December 29, 2011.

Bills payable, representing 7.25% of total resources, increased by 46.29% or P8.350 billion from P18.037 billion to P26.387 billion as the Bank resorted to cheaper alternative source of funding, especially foreign currency denominated borrowings, to support asset growth.

Accounting for 5.92% of total resources, bonds payable went up by 97.64% or P 10.648 billion from P10.905 billion to P21.553 billion due to the issuance of 5-year senior unsecured fixed-rate notes in January and April 2012 totaling $275 million. On January 30, 2012, the Bank successfully raised $200 million worth of 5-year senior unsecured fixed-rate notes off its $1.0 billion EMTN Programme. The notes carried a coupon and yield of 5.25% and maturity of January 31, 2017. On April 3, 2012, the Bank issued another $75 million with a coupon and yield of 4.779% under the same EMTN Programme.

Accrued taxes, interest, and other expenses payable went up by 13.15% or P523 million from P3.978 billion to P4.501 billion. Other liabilities increased by 32.54% or P2.685 billion from P8.252 billion to P10.937 billion on account of increases in accounts payable, bills purchase-contra account, and import bills under usance.

Total liabilities amounted to P321.122 billion and accounted for 88.20% of total resources.

Preferred stock declined by 88.46% or P23 million from P26 million to P3 million due to conversion to common shares. Revaluation reserves on AFS securities rose by 37.82% or P863 million from P2.282 billion to P3.145 billion primarily due to the declining interest rates leading to the appreciation of AFS securities. Other reserves went up by 223.53% or P228 million from P102 million to P330 million mainly due to the acquisition of RCBC Leasing and Finance Corp. Retained earnings grew by 49.44% or P4.643 billion from P9.392 billion to P14.035 billion driven by the P6.220 billion net profits generated for the year partially offset by dividends paid. Non-controlling interest declined by 84.62% or P165 million from P195 million to P30 million also due to the acquisition of FMLFC. The Bank's capital, excluding non-controlling interest, grew to P42.943 billion, 14.06% or P5.292 billion higher from P37.651 billion in 2011 and accounted for 11.79% of total resources.

INCOME STATEMENT			
In Million Pesos	**2012**	**2011***	**2010***
Interest Income	18,755	17,037	17,018
Interest Expense	7,356	6,205	6,022
Net Interest Income	11,399	10,832	10,996
Other Operating Income	11,425	10,130	8,602
Impairment Losses	2,486	2,538	3,186
Operating Expenses	13,366	12,454	11,085
Net Income attributable to Parent Company Shareholders	6,220	5,029	4,280

*As restated

Total interest income went up by 10.08% or P1.718 billion from P17.037 billion to P18.755 billion. Interest income from loans and receivables increased by 16.92% or P2.003 billion from P11.840 billion to P13.843 billion and accounted for 60.65% of total operating income. Other interest income declined significantly by 70.42% or P419 million from P595 million to P176 million primarily due to the non-remuneration of reserve-eligible funds. Interest income from investment securities reached P4.736 billion and accounted for 20.75% of total operating income.

Total interest expense increased by 18.55% or P1.151 billion from P6.205 billion to P7.356 billion. Interest expense from deposit liabilities increased by 12.88% or P490 million from P3.804 billion to P4.294 billion mainly due to the higher cost of time deposits. Interest expense from bills payable and other borrowings increased by 27.53% or P661 million from P2.401 billion to P3.062 billion. Nevertheless, net interest income grew by 5.23% or P567 million from P10.832 billion to P11.399 billion and accounted for 49.94% of total operating income.

Impairment losses stood at P2.486 billion and represented 10.89% of total operating income.

Other operating income of P11.425 billion accounted for 50.06% of total operating income and is broken down as follows:

- Trading and securities gain-net is higher by 37.45% or P1.854 billion from P4.950 billion to P6.804 billion
- Trust fees went up by 17.20% or P43 million from P250 million to P293 million
- Service fees and commissions increased by 8.90% or P170 million from P1.910 billion to P2.080 billion

- Foreign exchange gains (losses)-net decreased by 33.33% or P98 million from P294 million to P196 million
- Equity in net earnings of associates went up by 78.50% or P157 million from P200 million to P357 million
- Miscellaneous income decreased by 32.90% or P831 million from P2.526 billion to P1.695 billion mainly due to the extra-ordinary income in 2011 coming from the amount collected from BDO in connection with the purchase of Bankard by RCBC Capital in May 2000 and from the sale of Manchesterland shares

Operating expenses increased by 7.32% or P912 million from P12.454 billion to P13.366 billion and represented 58.56% of total operating income.

- Taxes and licenses went up by 20.68% or P279 million from P1.349 billion to P1.628 billion primarily due to higher gross receipts tax on account of higher operating income
- Occupancy and equipment-related costs rose by 16.72% or P325 million from P1.944 billion to P2.269 billion
- Depreciation and amortization increased by 5.69% or P60 million from P1.054 billion to P1.114 billion as a result of the Bank's investments in core banking technology and the setting up of additional and the renovation of existing banking channels
- Manpower costs increased by 4.93% or P172 million from P3.488 billion to P3.660 billion due to the additional workforce as a result of branch expansion
- Miscellaneous expenses reached P4.695 billion

Provision for tax expense declined by 18.58% or P170 million from P915 million to P745 million.

Net profit to non-controlling interest declined by 73.08% or P19 million from P26 million to P7 million.

RCBC's solid performance in 2012 reflects management's firm commitment to its strategic objectives and business direction. Riding on this momentum, the Bank aims to continue growing its client base by a million a year through expansion in the Bank's distribution and electronic banking channels, brand-building, and introduction of innovative products and services especially now with the full-scale operation of the new core banking platform. The Bank will still keep on catering to the country's middle class and overseas Filipino workers in the remittance business and give special focus on the growing micro, small, and medium enterprises (MSMEs) and consumer segment. It will continue to hire more young, dedicated, and competent people and train its existing personnel.

RCBC continues to be in the market for well-managed mid-sized commercial banks and thrift banks which will enable it to increase its asset base, distribution network, and customer reach in a cost-efficient manner.

For 2012, there were no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having within the next twelve (12) months any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES	Audited			
	Consolidated		Parent	
	2012	2011*	2012	2011*
Return on Average Assets (ROA)	1.78%	1.62%	1.70%	1.60%
Return on Average Equity (ROE)	16.31%	16.56%	15.35%	17.15%
BIS Capital Adequacy Ratio (CAR)	17.61%	18.52%	15.99%	17.12%
Non-Performing Loans (NPL) Ratio	1.88%	1.62%	0.98%	0.87%
Non-Performing Assets (NPA) Ratio	3.49%	3.98%	2.03%	2.15%
Net Interest Margin (NIM)	3.93%	4.12%	3.44%	3.54%
Cost-to-Income Ratio	58.56%	59.41%	56.76%	57.70%
Loans-to-Deposit Ratio	77.19%	67.45%	75.39%	67.04%
Current Ratio	0.45	0.69	0.46	0.58
Liquid Assets-to-Total Assets Ratio	0.42	0.44	0.43	0.43
Debt-to-Equity Ratio	7.47	8.12	7.25	7.82
Asset-to- Equity Ratio	8.47	9.12	8.25	8.82
Asset -to- Liability Ratio	1.13	1.12	1.14	1.13
Interest Rate Coverage Ratio	1.95	1.96	1.89	1.93
Earnings per Share (EPS)				
Basic	Php 5.09	Php 4.46	Php 4.01	Php 3.57
Diluted	Php 5.09	Php 4.46	Php 4.01	Php 3.57

**As restated*

Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK In Php 000s	Audited	
	2012	2011
Net Income	Php 1,137,192	Php 1,389,096
Return on Average Assets (ROA)	1.92%	2.49%
Return on Average Equity (ROE)	15.10%	19.30%
BIS Capital Adequacy Ratio (CAR)	14.94%	14.95%
Non-Performing Loans (NPL) Ratio	3.97%	3.95%
Non-Performing Assets (NPA) Ratio	9.64%	9.28%
Earnings per Share (EPS)	Php 36.84	Php 45.00

RIZAL MICROBANK In Php 000s	Audited	
	2012	2011
Net Loss	Php (125,004)	Php (52,095)
Return on Average Assets (ROA)	(13.51%)	(15.38%)
Return on Average Equity (ROE)	(19.85%)	(15.88%)
BIS Capital Adequacy Ratio (CAR)	98.57%	298.60%
Non-Performing Loans (NPL) Ratio	0.22%	0.56%
Non-Performing Assets (NPA) Ratio	3.62%	0.06%
Loss per Share	Php (14.26)	Php (5.94)

RCBC CAPITAL CORPORATION and Subsidiary In Php 000s	Audited	
	2012	2011
Net Income	Php 432,942	Php 446,909
Return on Average Assets (ROA)	9.14%	12.10%
Return on Average Equity (ROE)	12.10%	14.41%
BIS Capital Adequacy Ratio (CAR)	50.79%	59.47%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.18%	0.02%
Earnings per Share (EPS)	Php 3.66	Php 3.78

RCBC FOREX BROKERS CORPORATION In Php 000s	Audited	
	2012	2011
Net Income	Php 98,020	Php 74,801
Return on Average Assets (ROA)	20.75%	17.14%
Return on Average Equity (ROE)	39.45%	32.82%
Capital to Total Assets	72.58%	81.38%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 196.04	Php 149.60

RCBC INTERNATIONAL FINANCE, LTD. And Subsidiary In Php 000s	Audited	
	2012	2011
Net Loss	Php (10,634)	Php (8,850)
Return on Average Assets (ROA)	(7.09%)	(5.13%)
Return on Average Equity (ROE)	(7.82%)	(5.74%)
Capital to Total Assets	91.37%	78.87%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php (4.25)	Php (3.54)

RCBC NORTH AMERICA, INC. In Php 000s	Audited	
	2012	2011
Net Income (Loss)	Php 12,086	Php (51,253)
Return on Average Assets (ROA)	7.70%	(30.15%)
Return on Average Equity (ROE)	35.31%	(133.10%)
Capital to Total Assets	27.96%	15.69%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share	Php 276.40	Php (1,172.11)

RCBC TELEMONEY EUROPE S.P.A In Php 000s	Audited	
	2012	2011
Net Income (Loss)	Php (61,592)	Php 6,929
Return on Average Assets (ROA)	(27.36%)	2.15%
Return on Average Equity (ROE)	(530.67%)	14.35%
Capital to Total Assets	(15.60%)	23.58%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share (EPS)	Php (102.65)	Php 11.55

BANKARD, INC. In Php 000s	Audited	
	2012	2011
Net Income	Php 114,125	Php 118,435
Return on Average Assets (ROA)	10.68%	12.96%
Return on Average Equity (ROE)	11.70%	14.16%
Capital to Total Assets	91.35%	91.97%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.06%	0.13%
Earnings per Share (EPS)	Php 0.07	Php 0.08

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	Audited	
	2012	2011
Net Loss	Php (92,540)	Php (43,004)
Return on Average Assets (ROA)	(25.88%)	(6.91%)
Return on Average Equity (ROE)	(160.13%)	(139.61%)
Capital to Total Assets	(44.49%)	(4.12%)
Non-Performing Loans (NPL) Ratio	99.49%	81.91%
Non-Performing Assets (NPA) Ratio	113.31%	61.78%
Loss per Share (EPS)	Php (83.40)	Php (38.76)

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Audited	
	2012	2011
Net Income	Php 29,154	Php 132,793
Return on Average Assets (ROA)	8.60%	39.21%
Return on Average Equity (ROE)	8.92%	46.35%
Capital to Total Assets	98.11%	97.21%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 20.96	Php 95.47

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Audited	
	2012	2011
Net Income (Loss)	Php (92,279)	Php 39,452
Return on Average Assets (ROA)	(0.11%)	1.33%
Return on Average Equity (ROE)	(0.91%)	8.72%
Capital to Total Assets	16.48%	15.24%
Non-Performing Loans (NPL) Ratio	25.56%	16.60%
Non-Performing Assets (NPA) Ratio	19.46%	15.60%
Earnings (Loss) per Share (EPS)	Php (0.32)	Php 0.14

Notes to the Computations:

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

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

3. *NPL ratio is determined by using the following formula: (Total NPLs net of NPLs fully covered by allowance for losses) / (Total loan portfolio net of NPLs fully covered by allowance for losses).*

4. *NPA ratio is determined by using the following formula: (Net NPLs + Net ROPA) / Total Assets.*

5. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

2013

Philippine GDP growth in 2013:+7.2%, the highest in three years and among the fastest in Asia, after +6.8% in 2012. It is slightly above the government's target of 6%-7% for the year and already way above the average of +4.7% posted from 1999 to 2012.

In terms of industrial origin, major factors that contributed to the faster Philippine economic growth in 2013 are: Industry (32.7% of GDP) at +9.5%, after +6.8% in 2012 due to stronger growth in manufacturing; services (56.8% of GDP) at 7.1%, slower against +7.6% in 2012.

In terms of expenditure shares, the major Philippine economic growth contributors in 2013 are: Investments (20.4% of GDP) at +18.2%, after -3.2% in 2012; gov't. spending (10.5% of GDP) +8.6%, vs. +12.2% in 2012; consumer spending (69.4% of GDP) at +5.6%, vs. +6.6% in 2012.

Philippine GNP growth (2013): +7.5%, after +6.5% in 2012.

Despite huge natural calamities in 2013 (earthquake and Super Typhoon Yolanda that both hit Central Philippines), Philippine economic growth remained resilient, partly supported by the continued growth in OFW remittances, sustained strong growth in business process outsourcing (BPO) industry, interest rates that posted new record lows for the year and reduced borrowing/financing costs, continued growth in tourism, increased infrastructure spending.

The global economic growth remained on a recovery mode. The recent pick up in the US economy, the world's largest, warranted the reduction of the Federal Reserve's asset purchases/economic stimulus. The Euro zone already exited from recession. China, the world's second biggest economy, posted a GDP growth of 7.7% in 2013, the slowest since 1999, but remained relatively higher compared to other major global economies. Japan, the world's third largest economy, picked up after coming up with a record economic stimulus package.

Inflation averaged 3.0% in 2013, slightly slower vs. 3.2% in 2012, considered relatively low/benign and at the lower range of the 3%-5% target of the Bangko Sentral ng Pilipinas (BSP).

The 91-Day Treasury Bill Rate ended 2013 at a record low of 0.001%, vs. 0.198% in end-2012. Philippine interest rates mostly reached new record lows again in 2013 amid huge amounts of excess peso liquidity in the financial system partly driven by increased foreign portfolio investments/hot money, stronger economic growth, and relatively benign inflation.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, also reached new record lows in 2013, with short-term tenors ending the year below 1% (near zero) for the second straight year. The 3-month PDST-F yield was steady at 0.49% as of end-2013.

The BSP kept its key overnight interest rate at record low in 2013: 3.50% for its key overnight borrowing rate. The BSP cut its SDA rate in 2013 by a total of -1.50 percentage points to 2.00%.

The low interest rate environment was also supported by relatively narrow Budget Deficit, which stood at –PHP111.5 billion from Jan.-Nov. 2013, after –PHP242.8 billion (or -2.3% of GDP) in 2012 due to higher government revenues despite some pick up in government spending compared to 2012.

National government debt (as of end-2013): +4.5% to PHP5.681 trillion (49.2% of GDP, better vs. 51.5% in 2012), reflecting the country's improved fiscal performance and credit ratings.

The Peso Exchange Rate depreciated vs. the US dollar in 2013, by 3.345 pesos or 8.1% to close at 44.395 in end-2013, among the weakest in more than three years, vs. 41.05 in end-2012.

Gross International Reserves (GIR) as of end-2013: -US$0.6bn or -0.8% to US$83.2 billion or equivalent to 11.9 months worth of imports or nearly three times the international standard of four months.

OFW remittances (2013): +6.4% to US$22.8 billion (8.4% of GDP), after +6.3% growth in 2012.

BPO revenues (2013): +15% to US$13.3 billion (4.9% of GDP).

Net foreign portfolio investments (2013): +US$4.2 billion, after +US$4.7 billion in 2012.

Balance of payments surplus (2013): +US$5.1 billion (+1.9% of GDP), lowest since 2009, narrower vs. +US$9.2 billion in 2012.

OFW remittances, BPO revenues and foreign tourist revenues continued to support consumer spending, which accounted for about 69.4% of the Philippine economy in 2013. Additional OFW, BPO, and tourism jobs partly caused unemployment rate in 2013 to improve to 6.5% from 7.0% in 2012.

Exports (2013): +3.6% to US$54 billion, slower vs. +7.9% in 2012. Imports (2013): -0.7% to US$61.7 billion, vs. +2.7% in 2012. Consequently, Trade Deficit in 2013 narrowed to –US$7.7 billion, vs. –US$10 billion for 2012.

Foreign tourist arrivals in 2013: +9.6% to 4.680 million, after +9.1% growth in 2012. Foreign tourist revenues (2013): +15.1% to US$4.4 billion, after +27.5% growth in 2012.

Net foreign direct investments (Jan.-Nov. 2013): +36.6% year-on-year to US$3.6bn.

Universal/Commercial bank loans (as of end-2013): +16.4% year-on-year to PHP3.777 trillion, slightly faster vs. +16.2% as of end-2012.

Gross non-performing loan (NPL) ratio of universal/commercial banks (as of end-2013): 2.1%.

Domestic liquidity/M3 growth (as of end-2013): +32.7% to PHP6.9tn, more than three times compared to +8.9% in 2012, after the BSP required Investment Management Accounts (IMAs) to exit from its SDA facility by end-Nov. 2013.

The Philippine Stock Exchange Composite Index (PSEi) went up by +1.3% in 2013, to close at 5,889.83, after +33% in 2012.

The major global credit rating agencies have given the Philippines investment grade rating for the first time ever in 2013: Moody's Investors Service on Oct. 3 (with positive outlook, which indicates possible credit rating upgrade for the country), S&P on May 2 (with stable outlook), and Fitch on Mar. 27 (with stable outlook). Consequently, this reflects strong vote of confidence on the Philippines, as a testament to the country's improved economic fundamentals.

Financial and Operating Highlights

RCBC's Total Assets expanded by 16.11% or P58.530 billion to P421.869 billion while Total Capital Funds went up by 6.28% or P2.646 billion to P44.808 billion. Loans and Receivables, net grew robustly by 24.65% or P47.057 billion from P190.903 billion to P237.960 billion. Net Income reached P5.321 billion while Gross Operating Income reached P23.121 billion. Non-Interest Income declined by 13.51% or P1.532 billion from P11.342 billion to P9.810 billion mainly due to lower trading and securities gains. Operating expenses growth was controlled at 6.76% or P917 million from P13.557 billion to P14.474 billion. Despite pressures on margins due to intense pricing competition and low interest rate environment, Net Interest Income rose by 16.74% or P1.909 billion to P13.311 billion resulting to a NIM of 4.22%, one of the highest in the sector.

BALANCE SHEET			
In Million Pesos	2013	2012*	2011*
Total Assets	421,869	363,339	343,786
Investment Securities	92,700	95,179	87,728
Loans and Receivables (Net)	237,960	190,903	186,192
Capital Funds	44,808	42,162	36,146

*As Restated

Aside from loans and receivables, the increase in total assets was also driven by the growth in due from other banks, bank premises, furniture, fixtures, & equipment, other resources, and due from Bangko Sentral ng Pilipinas.

Cash and other cash items increased by 4.75% or P446 million from P9.380 billion to P9.826 billion. Due from Bangko Sentral ng Pilipinas, representing 12.44% of total resources, went up by 43.34% or P15.871 billion from P36.620 billion to P52.491 billion. Due from other banks, likewise, increased by 28.20% or P1.658 billion from P5.879 billion to P7.537 billion. Total investment securities reached P92.700 billion and represented 21.97% of total resources.

Total net loans and other receivables stood at P237.960 billion accounting for 56.41% of total resources.

Investments in associates, dropped significantly by 91.56% or P3.613 billion from P3.946 billion to P333 million mainly due to the sale of the Bank's 25% and 49% stakes in RCBC Realty and RCBC Land, respectively.

Bank premises, furniture, fixtures and equipment posted a 17.41% increase or P1.307 billion from P7.507 billion to P8.814 billion due to investments in computer equipment and in the core banking technology, construction cost of RSB Corporate Center building, and branch expansion.

In 2013, the Bank opened fifteen (15) new business centers and extension offices and deployed one hundred forty (140) new ATMs.

Investment properties (net) decreased by 32.50% or P2.205 billion from P6.784 billion to P4.579 billion mainly as a result of the sale of non-performing assets to Phil. Asset Growth One, Inc. in February 2013. Other resources (net) increased by 6.83% or P488 million from P7.141 billion to P7.629 billion due to margin deposits on derivative transactions and acquisition of software.

Deposit liabilities expanded by 20.71% or P51.096 billion from P246.757 billion to P297.853 billion and accounted for 70.60% of total resources. Demand deposits rose significantly by 169.19% or P17.880 billion from P10.568 billion to P28.448 billion while savings deposits increased by 20.54% or P26.763 billion from P130.302 billion to P157.065 and accounted for 37.23% of total resources. Time deposits, likewise, increased modestly by 6.09% or P6.453 billion from P105.887 billion to P112.340 billion and represented 26.63% of total resources.

Owing to higher foreign currency denominated borrowings for this period, bills payable climbed 51.19% or P13.508 billion from P26.387 billion to P39.895 billion and accounted for 9.46% of total resources. Bonds payable, on the other hand, which represented 5.53% of total resources, increased by 8.18% or P1.764 billion from P21.553 billion to P23.317 billion due to revaluation of US dollar denominated Senior Notes. The peso dollar exchange rate closed at P44.40 at end-December 2013, 8.16% weaker than the P41.05 at end-December 2012.

Other liabilities were at P11.459 billion from P10.980 billion brought about by increases in accounts payable, bills purchase-contra account, and import bills under usance.

Subordinated debt was fully paid as a result of the exercise of the Call Option in February 2013 on the P7.0 billion Unsecured Subordinated Notes with an original maturity date of February 22, 2018 and the exercise of the Call Option in December 2013 on the P4.0 billion Unsecured Subordinated Notes with an original maturity date of May 15, 2019.

Total liabilities amounted to P377.061 billion, 17.40% or P55.884 billion higher from P321.177 billion in 2012 and accounted for 89.38% of total resources.

Common stock increased by 11.82% or P1.348 billion from P11.409 billion to P12.757 billion arising from the top-up share placement of 63.65 million shares and IFC capital infusion of 71.15

million shares. Consequently, Capital paid in excess of par also increased by 71.84% or P6.751 billion from P9.397 billion to P16.148 billion.

Fair value losses on AFS amounted to P5.005 billion from fair value gains of 3.145 billion primarily due to the sharp increase in interest rates leading to the depreciation of AFS securities.

Accumulated translation adjustment increased by 5.56% or P4 million from P72 million to P76 million while reserve for trust business also went up 5.78% or P19 million from P329 million to P348 million. Other reserves rose 14.55% or P48 million from negative P330 million to negative P282 million as a result of the disposition of investment in Bankard, Inc. and redemption of RSB's investments in various Special Purpose Companies (SPCs). Retained earnings grew 26.87% or P3.406 billion from P12.676 billion to P16.082 billion driven by the P5.321 billion net profits generated for the year partially offset by dividends paid. Non-controlling interest declined by 23.33% or P7 million from P30 million to P23 million. The Bank's capital, excluding non-controlling interest, reached P44.808 billion, 6.28% or P2.646 billion higher from P42.162 billion in 2012 and accounted for 10.62% of total resources.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2013**	**2012***	**2011***
Interest Income	18,824	18,757	17,020
Interest Expense	5,513	7,355	6,176
Net Interest Income	13,311	11,402	10,844
Other Operating Income	9,810	11,342	10,092
Impairment Losses	2,054	2,486	2,538
Operating Expenses	14,474	13,557	12,396
Net Income attributable to Parent Company Shareholders	5,321	5,949	5,061

**As restated*

Total interest income reached P18.824 billion and accounted for 81.42% of total operating income. Interest income from loans and receivables amounted to P14.302 billion and accounted for 61.86% of total operating income. Other interest income increased by 47.75% or P85 million from P178 million to P263 million primarily due to higher interest income from SDA. Interest income from investment securities went down by 10.07% or P477 million from P4.736 billion to P4.259 billion and accounted for 18.42% of total operating income.

Total interest expense decreased by 25.04% or P1.842 billion from P7.355 billion to P5.513 billion owing to lower cost of deposits, which went down by 37.54% or P1.612 billion from P4.294 billion to P2.682 billion. Interest expense from bills payable and other borrowings also went down by 7.51% or P230 million from P3.061 billion to P2.831 billion. As a result, net interest income grew 16.74% or P1.909 billion from P11.402 billion to P13.311 billion and accounted for 57.57% of total operating income.

Provisioning for impairment losses declined by 17.38% or P432 million from P2.486 billion to P2.054 billion and represented 8.88% of total operating income.

Other operating income of P9.810 billion accounted for 42.43% of total operating income and is broken down as follows:

- Trading and securities gain-net was lower by 61.79% or P4.204 billion from P6.804 billion to P2.600 billion due to volatility in global financial markets caused by signals from the US Federal Reserve about the possibility of tapering its bond purchases / economic stimulus.
- Trust fees reached P304 million
- Service fees and commissions expanded by 15.29% or P318 million from P2.080 billion to P2.398 billion
- Foreign exchange gains net went up by 34.69% or P68 million from P196 million to P264 million
- Miscellaneous income increased dramatically by 115.54% or P2.275 billion from P1.969 billion to P4.244 billion due to gains on asset disposal and sale of equity investments and higher income from Bancassurance and other fees.

Operating expenses modestly increased by 6.76% or P917 million from P13.557 billion to P14.474 billion and consumed 62.60% of total operating income.

- Depreciation and amortization increased by 18.31% or P204 million from P1.114 billion to P1.318 billion as a result of the Bank's investments in technology and the setting up of additional and renovation of existing banking channels
- Miscellaneous expenses stood at P5.172 billion, up by 10.16% or P477 million from P4.695 billion mainly due to business expansion
- Occupancy and equipment-related costs grew 5.33% or P121 million from P2.269 billion to P2.390 billion due to the opening of new branches, deployment of offsite ATMs and escalation on rental of existing branches and offices.
- Taxes and licenses went up by 4.91% or P80 million from P1.628 billion to P1.708 billion owing to GRT on the gain realized on sale of RCBC Realty and RCBC Land, and on higher services fees and commissions
- Manpower costs reached P3.886 billion and accounted for 16.81% of total operating income

Provision for tax expense climbed 68.99% or P504 million from P745 million to P1.259 billion mainly due to the final tax related to the sale of RCBC Realty and RCBC Land.

Income attributable to non-controlling interest reached P13 million from P7 million posted during the same period last year.

Despite the drop in Net Income, RCBC still posted a remarkable performance in 2013 as Gross Income, excluding the cyclical trading gains, increased by 28.74% to P20.521 billion. This just reflects management's firm commitment to its strategic objectives of strengthening the core businesses as the primary source of recurring income.

Riding on this thrust, the Bank aims to continue growing its client base by a million a year through expansion in the Bank's distribution and electronic banking channels, brand-building, and introduction of innovative products and services. The Bank will continue to cater to the country's middle class and overseas Filipino workers in the remittance business and give special focus on the growing micro, small, and medium enterprises (MSMEs), and consumer segment. The Bank will also leverage on its tie-ups with various Japanese and other Asian banks to support the business expansion of their SMEs operating here in the country. It will continue to hire more young, dedicated, and competent people and train its existing personnel.

RCBC continues to be in the market for well-managed mid-sized commercial banks and thrift banks which will enable it to increase its asset base, distribution network, and customer reach in a more cost-efficient manner.

For 2013, there were no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having within the next twelve (12) months any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		Parent	
	2013	2012*	2013	2012*
Return on Average Assets (ROA)	1.39%	1.70%	1.49%	1.59%
Return on Average Equity (ROE)	12.18%	16.07%	12.96%	15.64%
BIS Capital Adequacy Ratio (CAR)	16.52%	17.61%	15.10%	15.99%
Non-Performing Loans (NPL) Ratio	1.07%	1.85%	0.51%	0.98%
Non-Performing Assets (NPA) Ratio	2.17%	3.53%	0.98%	2.00%
Net Interest Margin (NIM)	4.22%	3.93%	3.75%	3.44%
Cost-to-Income Ratio	61.21%	59.61%	57.22%	58.14%
Loans-to-Deposit Ratio	72.21%	77.20%	68.55%	75.39%
Current Ratio	0.42	0.45	0.50	0.46
Liquid Assets-to-Total Assets Ratio	0.43	0.42	0.46	0.43
Debt-to-Equity Ratio	8.42	7.62	8.07	7.40
Asset-to- Equity Ratio	9.42	8.62	9.07	8.40
Asset -to- Liability Ratio	1.12	1.13	1.12	1.14
Interest Rate Coverage Ratio	2.20	1.91	2.26	1.85
Earnings per Share (EPS)				
Basic	Php 3.95	Php 4.85	Php 3.52	Php 3.77
Diluted	Php 3.95	Php 4.85	Php 3.52	Php 3.77

**As restated*

Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK In Php 000s	Audited	
	2013	2012
Net Income	Php 1,212,543	Php 1,137,192
Return on Average Assets (ROA)	1.88%	1.92%
Return on Average Equity (ROE)	16.06%	15.10%
BIS Capital Adequacy Ratio (CAR)	16.63%	14.94%
Non-Performing Loans (NPL) Ratio	2.17%	3.97%
Non-Performing Assets (NPA) Ratio	7.06%	9.64%
Earnings per Share (EPS)	Php 39.28	Php 36.84

MERCHANTS BANK In Php 000s	Audited	
	2013	2012
Net Loss	Php (56,319)	Php (125,004)
Return on Average Assets (ROA)	(6.51%)	(13.51%)
Return on Average Equity (ROE)	(10.65%)	(19.85%)
BIS Capital Adequacy Ratio (CAR)	69.79%	98.57%
Non-Performing Loans (NPL) Ratio	(0.15%)	0.22%
Non-Performing Assets (NPA) Ratio	1.49%	3.62%
Earnings per Share (EPS)	Php (6.43)	Php (14.26)

RCBC CAPITAL CORPORATION and Subsidiary In Php 000s	Audited	
	2013	2012
Net Income	Php 438,637	Php 432,942
Return on Average Assets (ROA)	8.29%	9.14%
Return on Average Equity (ROE)	11.02%	12.10%
BIS Capital Adequacy Ratio (CAR)	49.00%	50.79%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.21%	0.18%
Earnings per Share (EPS)	Php 3.71	Php 3.66

RCBC FOREX BROKERS CORPORATION In Php 000s	Audited	
	2013	2012
Net Income	Php 76,829	Php 98,020
Return on Average Assets (ROA)	16.98%	20.75%
Return on Average Equity (ROE)	34.14%	39.45%
Capital to Total Assets	42.47%	72.58%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 153.66	Php 196.04

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary In Php 000s	Unaudited	
	2013	2012
Net Loss	Php (5,384)	Php (10,634)
Return on Average Assets (ROA)	(3.97%)	(7.09%)
Return on Average Equity (ROE)	(4.09%)	(7.82%)
Capital to Total Assets	100.87%	91.37%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php (2.15)	Php (4.25)

RCBC NORTH AMERICA, INC. In Php 000s	Unaudited	
	2013	2012
Net Income (Loss)	Php (22,198)	Php 12,086
Return on Average Assets (ROA)	(18.94%)	7.70%
Return on Average Equity (ROE)	(64.33%)	35.31%
Capital to Total Assets	39.36%	27.96%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share	Php (507.66)	Php 276.40

RCBC TELEMONEY EUROPE S.P.A In Php 000s	Unaudited	
	2013	2012
Net Income (Loss)	Php (15,317)	Php (61,592)
Return on Average Assets (ROA)	(4.99%)	(27.36%)
Return on Average Equity (ROE)	(135.93%)	(530.67%)
Capital to Total Assets	13.04%	(15.60%)
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share (EPS)	Php (25.53)	Php (102.65)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	Audited	
	2013	2012
Net Loss	Php 2,873	Php (92,540)
Return on Average Assets (ROA)	1.10%	(25.88%)
Return on Average Equity (ROE)	(2.52%)	(160.13%)
Capital to Total Assets	(47.64%)	(44.49%)
Non-Performing Loans (NPL) Ratio	40.03%	99.49%
Non-Performing Assets (NPA) Ratio	59.72%	113.31%
Loss per Share (EPS)	Php 2.59	Php (83.40)

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Audited	
	2013	2012
Net Income	Php 20,391	Php 29,154
Return on Average Assets (ROA)	5.88%	8.60%
Return on Average Equity (ROE)	6.00%	8.92%
Capital to Total Assets	98.97%	98.11%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 14.66	Php 20.96

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Audited	
	2013	2012
Net Income (Loss)	Php 17,147	Php (92,279)
Return on Average Assets (ROA)	0.45%	(0.11%)
Return on Average Equity (ROE)	3.24%	(0.91%)
Capital to Total Assets	13.31%	16.48%
Non-Performing Loans (NPL) Ratio	22.92%	25.56%
Non-Performing Assets (NPA) Ratio	17.79%	19.46%
Earnings (Loss) per Share (EPS)	Php 0.06	Php (0.32)

Notes to the Computations:

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

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

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

4. *NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.*

5. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

2014

Philippine GDP growth in 2014 was at 6.1%, the third consecutive year above 6%, slower vs. 7.2% in 2013. However, this is the second fastest in Asia, after China's 7.4%, which was the slowest in 24 years.

Philippine GNP growth (2014) was at 6.3%, compared to 7.5% in 2013.

In terms of industrial origin, major contributors to the Philippine economic growth in 2014 were: Services (56.7% of GDP) at 6%, slightly faster than the 5.7% in 2013 and Agriculture (10% of GDP) at 1.9%, after 1.1% in 2013. Industry (33.3% of GDP) grew by 7.5%, slower vs. 9.3% in 2013.

In terms of expenditure shares, the major contributors to the country's economic growth in 2014 were: Exports (47.2% of GDP) at 12.1% vs. -1.1% in 2013; Consumer Spending (68.9% of GDP) at 5.4%, vs. 5.7% in 2013; and Government Spending (10.3% of GDP) at 1.8%, slower vs. 7.7% in 2013.

Philippine economic growth remained resilient by growing for 64 straight quarters, despite the slower global economic growth brought about by the slowdown in China, recession in Japan, risk of recession and deflation in the Euro zone. Softer global economic growth also supported the drop in world oil prices by nearly 50% in 2014 amid increased US crude oil supplies due to shale production. The Philippines, which imports almost all its oil, benefited from this in terms of lower inflation and reduced import bill.

The US economy, the world's biggest, continued to recover in 2014, fundamentally supporting the decision of the US Federal Reserve to taper its bond purchases/QE3, which ended in October 2014. This resulted to some market volatility in the global financial markets.

The local economy was partly supported by the continued growth in OFW remittances, sustained strong growth in the BPO industry, still relatively low interest rates compared to recent years that spurred greater economic activity, increased foreign direct investments, pick up in manufacturing and exports, continued growth in tourism, and rollout of more infrastructure/PPP projects.

Inflation averaged 4.1% in 2014, higher compared to 3% in 2013, slightly above the middle of the 3% to 5% target range of the Bangko Sentral ng Pilipinas (BSP), partly due to the spill over effects of Supertyphoon Yolanda in the early part of 2014 when prices of food, especially rice, increased. However, inflation already eased to 2.7% in December 2014 due to the sharp drop in global oil prices.

The 91-day Treasury bill yield ended 2014 at 1.416%, significantly up from the record low of almost zero or 0.001% in end-2013, but still considered relatively low compared to recent years.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, were mostly higher in 2014, with short-term tenors ended the year above 2%, with the biggest increase of 1.70-2.12 percentage points for the year, while long-term tenors went up by less than 1 percentage point. The 3-month PDST-R2 yield was at 2.37% as of end-2014, sharply higher by 2.05 percentage points for the year.

The BSP raised its key overnight interest rates in 2014, by 0.50 percentage point, to 4.00% for its key overnight borrowing rate, from the record low of 3.50% in end-2013. The also BSP increased its SDA rate in 2014 by a total of 0.50 percentage point to 2.50%, from the record low of 2.00% in end-2013.

Interest rates still considered relatively low compared to recent years, despite the uptick in 2014, still translated to relatively low borrowing costs that encouraged greater economic activities in terms of creating new businesses and the expansion of existing businesses. This could also have spurred greater demand for loans/borrowings, amid improved economic and credit fundamentals for the country recently and the corresponding need to service the financing requirements of the local economy, which was among the fastest growing in Asia.

The low interest rate environment was also supported by relatively narrow budget deficit, which stood at PHP73.1 billion (or 0.6% of GDP) in 2014, the narrowest in 7 years after a deficit of PHP164.1 billion (or 1.4% of GDP) in 2013 due to faster growth in government revenues despite and slower growth in government spending.

National government debt as of end-2014 was up 1% to PHP5.735 trillion, reflecting the country's improved fiscal performance and credit ratings. The country's debt-to-GDP ratio further eased to 45.4% as of end-2014, vs. 49.2% in end-2013. This supported the further credit rating upgrades on the Philippines by most of the biggest credit rating agencies in 2014, from the minimum investment grade rating achieved for the first time in 2013.

The peso exchange rate depreciated vs. the US dollar in 2014, by 0.325 pesos or 0.7% to close at 44.72 in end-2014, among the weakest in more than four years, compared to 44.39 in end-2013. This benefited exporters, OFWs and their dependents, and others that earn in foreign currencies, in terms of greater peso proceeds of their foreign currency earnings.

Gross international reserves (GIR) as of end-2014: -US$3.6bn or -4.4% to US$79.5 billion or equivalent to 10.2 months' worth of imports or nearly three times the international standard of four months.

Overseas Filipino workers (OFW) remittances up by 5.8% to US$24.3 billion (8.5% of GDP), slower than the 7.4% growth in 2013.

Revenues from the Business Process Outsourcing (BPO) industry was up by 17% to US$18 billion (6.3% of GDP).

Net foreign portfolio investments were at negative US$0.310 billion, after positive US$4.2 billion in 2013

Balance of payments (BOP) deficit was at US$2.1 billion (1% of GDP), after a BOP surplus of US$5.1 billion (1.9% of GDP) in 2013.

OFW remittances, BPO revenues, foreign tourist revenues continued to support consumer spending, which accounted for about 68.9% of the Philippine economy in 2014. Additional OFW, BPO, and tourism jobs partly caused unemployment rate in 2014 to improve to 6% from 7.1% in 2013.

Total exports of the country for 2014 were up 9% to US$61.8 billion, despite softer global economic growth. Total imports in 2014 higher by 2.4% to US$63.9 billion, after lower global oil/commodity prices reduced the country's import bill. Consequently, trade deficit in 2014 significantly narrowed to US$2.1 billion, vs. the deficit of US$5.7 billion in 2013 after the sharp drop in global oil prices by nearly 50% in 2014.

Net foreign direct investments in 2014: +66% year-on-year to US$6.2 billion, reflecting the improved economic and credit fundamentals of the Philippines, as attested by the further upgrade of the country's credit ratings by most of the biggest credit rating agencies, to a notch above the minimum investment grade, which increased international investor confidence on the country.

On the Philippine banking industry, the total loans of banks, as of end-2014 was up by 19% to PHP5.8 trillion, faster than the 15.8% growth as of end-2013, partly spurred by relatively low interest rates and sustained economic growth. Gross non-performing loan (NPL) ratio of all banks (including interbank loans) as of end-2014 eased to 2.31%, from 2.77% as of end-2013.

Domestic liquidity/M3 growth (as of end-2014): +9.6% to PHP7.6 trillion, significantly slower vs. +31.8% as of end-2013, after the BSP increased the reserve requirements on banks' deposits in 2014 by a total of 2 percentage points, partly in an effort to ensure financial stability.

The Philippine Stock Exchange Composite Index (PSEi): +22.8% in 2014, to close at 7,230.57, significantly better than +1.3% in 2013. It reached a record high of 7,413.62 on September 25,

2014. This reflects the country's improved economic fundamentals that resulted to better corporate earnings amid relatively low interest rates.

The foreign tourist arrivals growth in 2014 slowed down at 3.2% to 4.833 million, compared to the 9.6% growth in 2013. Foreign tourist revenues grew by 10% to US$4.84 billion.

The country's credit rating was upgraded further in 2014 by most of the biggest credit rating agencies to a notch above the minimum investment grade, the highest ever, after getting its first ever investment grade rating in 2013, reflecting further improvements in the country's economic and credit fundamentals.

Financial and Operating Highlights

RCBC's Total Assets increased by 8.54% or P36.036 billion to P457.905 billion while Total Capital Funds went up by 18.57% or P8.323 billion to P53.131 billion. Loans and Receivables, net expanded by 9.92% or P23.614 billion from P237.960 billion to P261.574 billion. Net Income reached P4.410 billion while Gross Operating Income reached P22.069 billion. Non-Interest Income showed a decline of 27.60% or P2.708 billion from P9.810 billion to P7.102 billion mainly due to one-off gains in 2013 arising from the sale of NPAs and equity investments. Operating expenses were well-managed at P14.236 billion, 1.64% or P238 million lower from P14.474 billion the previous year. Even with the intense pricing competition and low interest rate environment, Net Interest Income rose by 12.44% or P1.656 billion to P14.967 billion resulting to a NIM of 4.30%, one of the highest in the sector.

BALANCE SHEET			
In Million Pesos	2014	2013	2012*
Total Assets	457,905	421,869	363,339
Investment Securities	100,790	92,700	95,179
Loans and Receivables (Net)	261,574	237,960	190,903
Total Deposits	315,761	297,853	246,757
Capital Funds	53,131	44,808	42,162

Cash and other cash items increased by 33.17% or P3.259 billion from P9.826 billion to P13.085 billion. Due from Bangko Sentral ng Pilipinas, representing 10.07% of total resources, decreased by 12.18% or P6.392 billion from P52.491 billion to P46.099 billion. Due from other banks increased by 120.25% or P9.063 billion from P7.537 billion to P16.600 billion. With the Bank's adoption of PFRS 9, investment securities are now classified into At Fair Value Through Profit or Loss, At Fair Value Through Other Comprehensive Income, and At Amortized Cost amounting to P16.458 billion, P4.537 billion, and P79.795 billion, respectively. Total investment securities reached P100.790 billion and represented 22.01% of total resources.

Total net loans and other receivables went up by 9.92% or P23.614 billion from P237.960 billion to P261.574 billion accounting for 57.12% of total resources.

Investment properties (net) increased by 16.95% or P776 million from P4.579 billion to P5.355 billion mainly due to the reclassification of a portion of RSB Corporate Center that is held for lease from Bank premises, furniture, fixtures and equipment to Investment properties. Other resources (net) decreased by 7.59% or P579 million from P7.629 billion to P7.050 billion due to decreases in real estate properties for sale, assets held for sale and margin deposits.

Deposit liabilities expanded by 6.01% or P17.908 billion from P297.853 billion to P315.761 billion and accounted for 68.96% of total resources. Demand deposits rose by 13.18% or P3.749 billion from P28.448 billion to P32.197 billion while savings deposits reached P164.269 billion and accounted for 35.87% of total resources. Time deposits, likewise, increased modestly by 6.19% or P6.955 billion from P112.340 billion to P119.295 billion as part of the Bank's deliberate strategy to manage funding cost. CASA-to-Total deposits ratio stood at 62.22% as of end-2014.

Bills payable reached P39.799 billion and accounted for 8.69% of total resources. Bonds payable, on the other hand reached P23.486 billion and accounted for 5.13% of total resources.

On May 9, 2014, the BSP authorized the Bank to issue up to ₱10.0 billion of Tier 2 Notes in one or more issuances. On June 27, 2014, the Bank issued P7 Billion Basel 3-compliant Tier 2 Unsecured Subordinated Notes bearing a coupon of 5.375%. On September 5, 2014, the Bank issued an additional ₱3.0 billion Tier 2 Capital Notes that constituted a further issuance of, and formed a single series with the existing ₱7.0 billion Unsecured Subordinated Notes. As a result, Subordinated debt stood at P9.921 billion as of end-2014.

Total liabilities amounted to P404.774 billion and accounted for 88.40% of total resources.

Revaluation reserves on available-for-sale securities became zero from negative P5.005 billion primarily due to the Bank's adoption of PFRS 9 resulting to classification of significant portion of investment securities to amortized cost. Accordingly, revaluation reserves on financial assets at fair value through other comprehensive income reached P835 million. Accumulated translation adjustment decreased by 6.58% or P5 million from P76 million to P71 million due to the impact of foreign exchange movement.

Other reserves decreased by 65.60% or P185 million from negative reserves of P282 million to P97 million as a result of the execution of the retirement of preferred shares of RSB's Special Purpose Companies (SPCs) during the last quarter of 2014 and consequently, the transfer of the redemption loss amounting to P185 million previously recognized in 2013 from other reserves to surplus. Retained earnings grew 14.21% or P2.285 billion from P16.082 billion to P18.367 billion driven by the P4.410 billion net profits generated for the year and partially offset by dividends paid. The Bank's capital, excluding non-controlling interest, reached P53.109 billion, 18.59% or P8.324 billion higher from P44.785 billion in 2013 and accounted for 11.60% of total resources.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2014**	**2013**	**2012**
Interest Income	20,200	18,824	18,757
Interest Expense	5,233	5,513	7,355
Net Interest Income	14,967	13,311	11,402
Other Operating Income	7,102	9,810	11,342
Impairment Losses	2,509	2,054	2,486
Operating Expenses	14,236	14,474	13,557
Net Income attributable to Parent Company Shareholders	4,411	5,321	5,949

Total interest income reached P20.200 billion and accounted for 91.53% of total operating income. Interest income from loans and receivables went up by 11.60% or P1.659 billion from P14.302 billion to P15.961 billion and accounted for 72.32% of total operating income. Other interest income decreased by 19.01% or P50 million from P263 million to P213 million primarily due to lower interest income from SDA. Interest income from investment securities reached P4.026 billion and accounted for 18.24% of total operating income.

Total interest expense went down by 5.08% or P280 million from P5.513 billion to P5.233 billion and accounted for 23.71% of total operating income. Interest expense from deposit liabilities reached P2.581 billion while interest expense from bills payable and other borrowings reached P2.652 billion, representing 11.70% and 12.02% of total operating income, respectively. As a result, net interest income increased by 12.44% or P1.656 billion from P13.311 billion to P14.967 billion and accounted for 67.82% of total operating income.

The Bank boosted its reserve cover with impairment losses higher by 22.15% or P455 million from P2.054 billion to P2.509 billion and represented 11.37% of total operating income.

Other operating income of P7.102 billion accounted for 32.18% of total operating income and is broken down as follows:

- Trading and securities gain-net reached P2.545 billion and accounted for 11.53% of total operating income
- Service fees and commissions reached P2.297 billion and accounted for 10.41% of total operating income
- Foreign exchange gains reached P237 million while Trust fees reached P297 million
- Miscellaneous income decreased by 59.33% or P2.518 billion from P4.244 billion to P1.726 billion mainly due to the extra-ordinary gains on sale of NPAs and equity investments recorded in 2013

Operating expenses reached P14.236 billion and utilized 64.51% of total operating income.

- Depreciation and amortization increased by 19.65% or P259 million from P1.318 billion to P1.577 billion as a result of the Bank's investments in technology and setting up of additional and renovation of existing banking channels as well as the depreciation of the RSB Corporate Center
- Taxes and licenses went down by 14.34% or P245 million from P1.708 billion to P1.463 billion due to lower gross income and higher taxes and license in 2013 coming from the GRT on the gains realized on the sale of RCBC Realty and RCBC Land
- Miscellaneous expenses decreased by 10.98% or P568 million from P5.172 billion to P4.604 billion due to lower litigation expenses related to foreclosed assets, stationery and office supplies expense, advertising expense, and other credit card-related expenses
- Occupancy and equipment-related costs increased by 5.77% or P138 million from P2.390 billion to P2.528 billion due to the opening of new branches, deployment of offsite ATMs and escalation on rental of existing branches and offices.
- Manpower costs reached P4.064 billion and consumed 18.41% of total operating income

Provision for tax expense declined by 27.40% or P345 million from P1.259 billion to P914 million mainly due to the extra-ordinary final tax related to the sale of RCBC Realty and RCBC Land in 2013.

Income attributable to non-controlling interest reached negative P1 million from P13 million posted during the same period last year.

Despite the drop in Net Income, RCBC still posted a remarkable performance in 2014 as Core Income excluding the cyclical trading gains and extra-ordinary income increased by 26%. This just affirms the commitment of management to the execution of its strategic objectives in order to build-up the core businesses as the primary source of recurring income. Armed with this mantra, the Bank aims to continue growing its client base and achieve 12 million customers in 5 years through expansion in the Bank's distribution and electronic banking channels, brand-building, and introduction of innovative products and services. The Bank will continue to cater to the country's middle class and overseas Filipino workers in the remittance business and give special focus on the growing micro, small, and medium enterprises (MSMEs), and consumer segment. The Bank will also leverage on the expected entry of Cathay Life Insurance as a strategic investor and tie-ups with various Japanese and other Asian banks to support the business expansion of their SME clients operating here in the country. It will continue to hire more young, dedicated, and competent people and train its existing personnel.

For 2015, there are no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having any cash flow or liquidity problems within the next twelve (12) months. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		Parent	
	2014	2013	2014	2013
Return on Average Assets (ROA)	1.04%	1.39%	1.27%	1.49%
Return on Average Equity (ROE)	9.23%	12.18%	10.80%	12.96%
BIS Capital Adequacy Ratio (CAR)	15.37%	16.52%	14.93%	15.10%
Non-Performing Loans (NPL) Ratio	0.90%	1.07%	0.24%	0.51%
Non-Performing Assets (NPA) Ratio	1.72%	2.10%	0.47%	1.02%
Net Interest Margin (NIM)	4.30%	4.22%	3.71%	3.75%
Cost-to-Income Ratio	64.51%	61.21%	59.70%	57.22%
Loans-to-Deposit Ratio	82.19%	72.21%	82.09%	68.55%
Current Ratio	0.49	0.42	0.48	0.50
Liquid Assets-to-Total Assets Ratio	0.21	0.43	0.21	0.46
Debt-to-Equity Ratio	7.62	8.42	7.07	8.07
Asset-to- Equity Ratio	8.62	9.42	8.07	9.07
Asset -to- Liability Ratio	1.13	1.12	1.14	1.12
Interest Rate Coverage Ratio	2.02	2.20	2.16	2.27
Earnings per Share (EPS)				
Basic	Php 3.11	Php 3.95	Php 3.17	Php 3.52
Diluted	Php 3.11	Php 3.95	Php 3.17	Php 3.52

Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK In Php 000s	Audited	
	2014	2013
Net Income	Php 1,040,096	Php 1,212,543
Return on Average Assets (ROA)	1.42%	1.88%
Return on Average Equity (ROE)	13.80%	16.06%
BIS Capital Adequacy Ratio (CAR)	14.73%	16.63%
Non-Performing Loans (NPL) Ratio	2.57%	2.17%
Non-Performing Assets (NPA) Ratio	6.35%	7.06%
Earnings per Share (EPS)	Php 33.69	Php 39.28

RIZAL MICROBANK In Php 000s	Audited	
	2014	2013
Net Loss	Php (74,772)	Php (56,319)
Return on Average Assets (ROA)	(9.12%)	(6.51%)
Return on Average Equity (ROE)	(16.47%)	(10.65%)
BIS Capital Adequacy Ratio (CAR)	56.99%	69.79%
Non-Performing Loans (NPL) Ratio	(0.61%)	(0.15%)
Non-Performing Assets (NPA) Ratio	1.19%	1.49%
Earnings per Share (EPS)	Php (8.53)	Php (6.43)

RCBC CAPITAL CORPORATION and Subsidiaries In Php 000s	Audited	
	2014	2013
Net Income	Php 464,604	Php 438,637
Return on Average Assets (ROA)	9.78%	8.29%
Return on Average Equity (ROE)	11.79%	11.02%
BIS Capital Adequacy Ratio (CAR)	41.41%	49.00%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.05%	0.21%
Earnings per Share (EPS)	Php 3.93	Php 3.71

RCBC FOREX BROKERS CORPORATION In Php 000s	Audited	
	2014	2013
Net Income	Php 76,149	Php 76,829
Return on Average Assets (ROA)	16.15%	16.98%
Return on Average Equity (ROE)	33.94%	34.14%
Capital to Total Assets	62.32%	42.47%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 152.30	Php 153.66

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary In Php 000s	Unaudited	
	2014	2013
Net Loss	Php (4,367)	Php (5,384)
Return on Average Assets (ROA)	(3.25%)	(3.97%)
Return on Average Equity (ROE)	(3.35%)	(4.09%)
Capital to Total Assets	97.24%	100.87%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php (1.75)	Php (2.15)

RCBC NORTH AMERICA, INC. In Php 000s	Unaudited	
	2014	2013
Net Income (Loss)	Php (13,697)	Php (22,198)
Return on Average Assets (ROA)	(29.56%)	(18.94%)
Return on Average Equity (ROE)	(133.52%)	(64.33%)
Capital to Total Assets	(0.75%)	39.36%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share	Php (313.24)	Php (507.66)

RCBC TELEMONEY EUROPE S.P.A In Php 000s	Unaudited	
	2014	2013
Net Income (Loss)	Php 15,513	Php (15,317)
Return on Average Assets (ROA)	4.84%	(4.99%)
Return on Average Equity (ROE)	500.92%	(135.93%)
Capital to Total Assets	(1.09%)	13.04%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share (EPS)	Php 155.13	Php (25.53)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	Audited	
	2014	2013
Net Loss	Php 1,332	Php 2,873
Return on Average Assets (ROA)	0.54%	1.10%
Return on Average Equity (ROE)	(1.19%)	(2.52%)
Capital to Total Assets	(45.73%)	(47.64%)
Non-Performing Loans (NPL) Ratio	42.56%	40.03%
Non-Performing Assets (NPA) Ratio	58.02%	59.72%
Loss per Share (EPS)	Php 0.01	Php 2.59

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Audited	
	2014	2013
Net Income	Php 27,309	Php 20,391
Return on Average Assets (ROA)	3.36%	5.88%
Return on Average Equity (ROE)	3.45%	6.00%
Capital to Total Assets	94.63%	98.97%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 19.63	Php 14.66

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Audited	
	2014	2013
Net Income (Loss)	Php 24,456	Php 17,147
Return on Average Assets (ROA)	0.63%	0.45%
Return on Average Equity (ROE)	4.65%	3.24%
Capital to Total Assets	14.05%	13.31%
Non-Performing Loans (NPL) Ratio	19.70%	22.92%
Non-Performing Assets (NPA) Ratio	16.77%	17.79%
Earnings (Loss) per Share (EPS)	Php 0.05	Php 0.06

Notes to the Computations:

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

2. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used. BIS Capital Adequacy Ratio as of December 31, 2013 was computed based on Basel 2 while BIS Capital Adequacy Ratio as of December 31, 2014 is based on Basel 3.*

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

4. *NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.*

5. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2015

Expanding the core business lines will continue to be the main thrust of the Bank for 2015. SME and consumer loans will remain as the main drivers of loan growth while corporate loans are expected to get a boost from the infrastructure and power projects of the Philippine government. Microfinance lending will continue to grow especially in the Mindanao region.

The Bank aims to increase its fee-based income from corporate, consumer and investment banking businesses; wealth management; trust; retail banking; remittance; cash management and bancassurance products; and credit card business. The Bank plans to increase deposit volume by growing its number of customers through various initiatives across different segments. Specifically, the Bank aims to increase customers transacting through electronic channels, aggressively target retail depositors by offering ATM-based products, and offer cash management products and services to business enterprises. Moreover, the BSP granted the Bank 50 licenses to open new branches in previously restricted zones in Metro Manila which will further aid in expanding customer reach.

The Bank intends to capitalize on the various alliances forged with several Japanese and Chinese banks by offering products and services to multinational corporate clients while expanding capabilities with the transfer of technologies and best practices. The expected entry of Cathay Life Insurance as a strategic investor hopes to contribute significant value-add to the Bank in the areas of capital, consumer banking, wealth management, digital banking, cross-selling, and corporate relationships across Cathay Financial's network across Taiwan, Greater China, and ASEAN.

Lastly, strong focus will be given to building a strong consumer franchise inclusive of a large consumer credit portfolio by capitalizing on the branch network through a much refined branch referral incentive program.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

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

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of pocket expenses, by its independent accountant amounts/amounted to P9.665 and P9.338 million for 2014 and 2013, respectively. Additionally, approximately P4.990 million was paid for other services rendered by the independent accountant in 2014.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2014 and 2013, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names, ages, citizenship and present positions of all directors are as follows:

Regular Directors

Amb. Alfonso T. Yuchengco, 92, Filipino, has been the Bank's Honorary Chairman since 2002. He is also Chairman and Chief Executive Officer of the Bank's major stockholder, Pan Malayan Management and Investments Corporation, and Honorary Chairman of the Board of MICO Equities, Inc., the holding company of the Malayan Group of Insurance Companies, and other YGC companies. He served as Philippine Ambassador to the People's Republic of China; Ambassador Extraordinary Plenipotentiary of the Philippines to Japan; Presidential Special Envoy to Greater China, Japan and Korea; and Philippines' Permanent Representative to the United Nations with the rank of Ambassador from 2001 to 2002. He was the first recipient of the Order of Lakandula with the rank of Bayani (Grand Cross) presented by President Gloria Macapagal-Arroyo and the first Asian to be elected to the Insurance Hall of Fame by the International Insurance Society, Inc. He graduated from Far Eastern University with a Bachelor of Science degree in Commerce and completed his graduate studies at the Columbia University, New York, USA. He holds several Honorary Doctorate Degrees from universities in the Philippines, Japan and the United States.

Ms. Helen Y. Dee, 70, Filipino, has been the Bank's Chairperson since 2005. Ms. Dee is also the Chairperson/President of Hydee Management and Resource Corporation; Chairperson of House of Investments (HI), Landev Corporation, Hi-Eisai Pharmaceutical Inc., Mapua Information Technology Center, Inc. and Manila Memorial Park Cemetery, Inc.; and Vice Chairperson of Pan Malayan Management and Investment Corporation. She also holds directorship positions in top companies such as Philippine Long Distance Telephone Company, Petro Energy Resources, Inc., Malayan Insurance Co, Inc. and MICO Equities, Inc.. Ms. Dee is also a Trustee of the Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology). She graduated from Assumption College with a Bachelor of Science degree in Commerce and completed her Masters in Business Administration at the De La Salle University.

Mr. Cesar E.A. Virata, 84, Filipino, has been a Director of the Bank since 1995, Corporate Vice Chairman since June 2000 and Senior Adviser since 2007. He is also the Chairman and President of C. Virata and Associates, Inc., Management Consultants. Mr. Virata's roster of companies where he is also a Director and/or Chairman include RCBC Savings Bank; RCBC Forex Brokers Corporation; RCBC Realty Corp.; RCBC Land, Inc.; Malayan Insurance Company, Inc.; Business World Publishing Corporation; Belle Corporation; Lopez Holdings Corporation; City & Land Developers, Inc.; Luisita Industrial Park Corporation; Niyog Property Holdings, Inc.; ALTO Pacific Company, Inc.; Malayan Colleges, Inc.; RCBC Bankard Services Corporation; AY Foundation, Inc.; and YGC Corporate Services, Inc., among others. Mr. Virata held various key positions in the Philippine government including Prime Minister, Secretary/Minister of Finance, Chairman of the Committee on Finance of the Batasan Pambansa (National Assembly), member of the Monetary Board, and Chairman of the Land Bank of the Philippines. He likewise served as Governor for the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agriculture Development. He was Chairman of the Development Committee of the World Bank and International Monetary Fund from 1976 to 1980 and Chairman of the Board of Governors of the Asian Development Bank. Prior to his Government positions, he was a Professor and Dean of the College of Business Administration of the University of the Philippines and Principal, SyCip Gorres Velayo and Company, Management Services Division. Mr. Virata graduated from the University of the Philippines with degrees in Mechanical Engineering and Business Administration (Cum Laude). He completed his Masters in Business Administration at the Wharton Graduate School, University of Pennsylvania.

Mr. Lorenzo V. Tan, 53, Filipino, has been the Bank's President, Chief Executive Officer and Director since 2007. He is also a director of RCBC Savings Bank, Merchants Savings and Loan Association, Inc., Smart Communications, Inc. and Morphs Lab, Inc. Before joining the Bank, Mr. Tan was the President and Chief Executive Officer of Sun Life of Canada (Phils.), Inc.; President and Chief Executive Officer of Philippine National Bank; President and Chief Operating Officer of United Coconut Planters Bank; and Group Managing Director of Guoco Holdings (Phils.), Inc. He also held various positions in Citibank N.A. from 1987 to 1995. He graduated from De La Salle University with a Bachelor of Science degree in Commerce. He completed his Master of Management degree at the J.L. Kellog Graduate School of Management in Evanston, Illinois, USA. He is a Certified Public Accountant in the United States and the Philippines.

Mr. Tze Ching I. Chan, 58, Chinese, has been a Director of the Bank since 2011. He started with Citibank in Hong Kong as a Management Associate in 1980. He was posted to Japan from 1986 to 1994. In 1994, he returned to Hong Kong to become Country Treasurer and Head of Sales and Trading. In 1997, he became head of Citibank's Corporate Banking business for Hong Kong. In 1999, he became Citigroup Country Officer for Hong Kong. In 2003, he was posted to Taiwan as Citigroup Country Officer. In 2004, he assumed the additional role of Chief Operating Officer for Greater China. In 2005, he returned from Taiwan to Hong Kong as Citigroup Country Officer for Hong Kong and Head of Corporate and Investment Banking business for Greater China, a position he held until his retirement from Citi in 2007. He worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) in 2008. Mr. Chan is currently a Senior Adviser at CVC Capital Partners and The Bank of East Asia, Limited. He also holds directorship positions in various companies in Hong Kong and is currently an Honorary Advisory Vice-President at Hong Kong Institute of Bankers.

Atty. Maria Celia H. Fernandez-Estavillo, 43, Filipino, has been a Director of the Bank since 2005. She is also the Bank's Corporate Secretary and Head of the Legal and Regulatory Affairs Group. She holds positions as Director and/or Corporate Secretary in Luisita Industrial Park Corp., Philippine Integrated Advertising Agency, Inc., RCBC Capital Corporation, and Niyog Property Holdings, Inc. She is also a member of the Board of Trustees of Yuchengco Center. She graduated from the University of the Philippines with degrees in Bachelor of Science in Business Economics (Summa Cum Laude) and Bachelor of Laws (Cum Laude). She completed her Master of Laws (LL.M) in Corporate Law (Cum Laude) at the New York University School of Law. She received the highest score in the 1997 Philippine Bar examinations.

Mr. Francis G. Estrada, 64, Filipino, has been a Director of the Bank since 2012. He holds Chairmanship and/or Directorship position/s in several companies, including Ayala Land Inc. and Philippine American Life Insurance Company. He is a Trustee and Fellow of the Institute of Corporate Directors (Philippines). Mr. Estrada obtained his Bachelor of Science in Business

Administration and Bachelor of Arts degree from the De La Salle University. He graduated “With Distinction” from the Asian Institute of Management with a Master in Business Management degree and completed the Advanced Management Program at Harvard Business School.

Mr. Minki Brian Hong, 43, American, and has been a Director of the Bank since 2011. He is currently a Managing Director of CVC Asia Pacific Limited and a Director of Hexagon Investments Holdings Limited. He graduated from Brown University with a double degree in Political Science and Business Economics. Other present directorship positions include Capital Asia Funds Limited; Best Moment Holdings; WiniaMando, Inc.; Spare Group Limited; and Spare Holdings Limited.

Mr. Medel T. Nera, 59, Filipino, has been a Director of the Bank since 2011. He is the Chairman of the Risk Oversight Committee and member of Audit and Technology Committees. Mr. Nera graduated from the Far Eastern University with a degree in BS Commerce Major in Accountancy. He completed his post graduate studies at the New York University with a Master of Business Administration degree. He is presently the Director, President, and Chief Executive Officer of House of Investments, Inc. and Director and President of RCBC Realty Corporation. He is also Director of the Philippine National Reinsurance Corporation; Honda Cars Kalookan; iPeople, Inc.; Landev Corporation; Hi-Eisai Pharmaceutical; Malayan Colleges Laguna Inc.; and YGC Corporate Services.

Atty. Teodoro D. Regala, 81, Filipino, has been a Director of the Bank since 1999 and Chairman of the Trust Committee since 2000. He is the Founding and Senior Partner and a member of the Executive Committee of the Angara Abello Concepcion Regala and Cruz Law Offices, one of the biggest law offices in the country. He is a Director of Malayan Insurance Co., Inc.; MICO Equities; Inc.; Safeway Philtech, Inc.; and Director and Corporate Secretary of OEP Philippines, Inc. He graduated from the University of the Philippines with a Bachelor of Laws degree (Cum Laude) and took his Masters of Law at Harvard University.

Atty. Wilfrido E. Sanchez, 78, Filipino, has been a Director of the Bank since 2006. He is a Tax Counsel at Quiason Makalintal Barot Torres and Ibarra Law Offices. He also holds the position of Director in other companies such as Adventure International Tours, Inc.; Amon Trading Corp.; Center for Leadership and Change, Inc.; EEI Corporation; House of Investments; Universal Robina Corporation; and LT Group, among others. He graduated from Ateneo de Manila University with a Bachelor of Laws degree and completed his Master of Laws at Yale University.

Mr. Richard Gordon Alexander Westlake, 53, of New Zealand, has been a director of the Bank since October 1, 2014. He is also a founder and managing director of Westlake Governance, a New Zealand-based globally focused business now regarded as a leading adviser in Corporate Governance. Mr. Westlake has over 20 years of experience as Director and Board Chairman. He is currently the Chairman of the Careerforce Industry Training Organisation Limited, Intergen Limited, and Standards Council of New Zealand; Deputy Chairman of Institute of Geological & Nuclear Sciences Limited; Establishment Chairman of Meteorological Service of New Zealand and Quotable Value Limited; and Independent Director of Dairy Goat Co-Operative (NZ) Ltd and Kiwibank Ltd.

Independent Directors

Mr. Antonino L. Alindogan, Jr., 76, Filipino, has been an Independent Director of the Bank since 2007. He also holds directorship position in various companies including House of Investments; Inc.; An-Cor Holdings, Inc.; Philippines Airlines, Inc.; Great Life Financial Assurance Corporation; and PAL Holdings, Inc. among others. Prior to his assumption as director of the Bank, Mr.

Alindogan was a member of the Monetary Board of the Bangko Sentral ng Pilipinas. He graduated Magna Cum Laude from the De La Salle College with a Bachelor of Science degree in Accounting.

Mr. Francisco C. Eizmendi, Jr., 79, Filipino, has been an Independent Director of the Bank since 2006. Mr. Eizmendi is also the Chairman of Dearborn Motor Co.; an Independent Director of Sunlife Grepa Financial Inc., Great Life Financial Assurance Corporation, and Makati Finance Corporation; and Trustee at the Institute of Corporate Directors. He served as President and Chief Operating Officer of San Miguel Corporation from 1987 to 2002. He graduated from the University of Sto. Tomas with a Bachelor of Science degree in Chemical Engineering.

Mr. Armando M. Medina, 65, Filipino, has been an Independent Director of the Bank since 2003. He is a member of various board committees of the Bank, including the Audit Committee, Risk Oversight Committee, Corporate Governance Committee, and Technology Committee. He is also an Independent Director of RCBC Savings Bank, RCBC Capital Corporation, and Malayan Insurance Co. Inc. He graduated from De La Salle University with a Bachelor of Arts degree in Commerce and Economics and a Bachelor of Science in Commerce with a major in Accounting.

Executive Officers

The names, ages and positions of the Bank's executive officers are as follows:

Redentor C. Bancod, 51, Filipino, Senior Executive Vice-President, is the Head of the IT Shared Services Group and the Operations Group. Previously, he was Vice-President & General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice-President and Chief Technology Officer of Sun Life Of Canada (Philippines) Inc. from October 2003 to 2007; Senior Vice- President & Chief Information Officer of Equitable Bank from July 1996 to September 2003; Assistant Vice-President and Head of Applications Development in Far East Bank from October 1993 to June 1996; Assistant Vice-President of Regional Operations (Asia Pacific) of Sequel Concepts, Inc. U.S.A/Ayala Systems Technology Inc. from November 1992 to September 1993; Project Manager in Union Bank of Switzerland, NA from April 1988 to November 1992; and Chief Designer and Technical Adviser in Computer Information System Inc. from March 1984 to April 1998. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines and is a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University.

Michelangelo R. Aguilar, 58, Filipino, Executive Vice-President, is the Head of Conglomerates and Global Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and Corporate Banking Segment 1 Head from September to November 2012. Prior to joining the Bank, Mr. Aguilar was Managing Director of Standard Chartered Bank and Head, Origination and Client Coverage and Co-Head, Wholesale Banking (2004 to 2011) and Country Head, Global Markets (1997 to 2004). He obtained his Bachelor of Science degree in Mechanical Engineering from De La Salle University and his Masters in Business Management from the Asian Institute of Management. He is a registered Mechanical Engineer granted by the Board of Mechanical Engineers, Professional Regulatory Commission.

John Thomas G. Deveras, 52, Filipino, Executive Vice-President, is the Head of Strategic Initiatives. Prior to joining the Bank in May 2007, he was an Investment Officer at International Finance Corporation. He also worked for PNB Capital and Investment Corporation as President and PNB Corporate Finance as Senior Vice-President. He obtained his Bachelor of Science degree in

Management Engineering from the Ateneo de Manila University and earned his Masters in Business Administration from the University of Chicago.

Atty. Maria Celia H. Fernandez-Estavillo, 43, Filipino, Executive Vice-President, is the Bank's Director, Corporate Secretary and Head of the Legal and Regulatory Affairs Group. She holds positions as Director and/or Corporate Secretary in Luisita Industrial Park Corp., Philippine Integrated Advertising Agency, Inc., RCBC Capital Corporation, and Niyog Property Holdings, Inc. She is also a member of the Board of Trustees of Yuchengco Center. She graduated from the University of the Philippines with degrees in Bachelor of Science in Business Economics (Summa Cum Laude) and Bachelor of Laws (Cum Laude). She completed her Master of Laws (LL.M) in Corporate Law (Cum Laude) at the New York University School of Law. She received the highest score in the 1997 Philippine Bar examinations.

Michael O. de Jesus, 55, Filipino, Executive Vice-President, is the Head of National Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and the Corporate Banking Segment 2 Head from July 2007 to November 2012. He has a Bachelor of Arts degree in Economics from Union College in Schenectady, New York and a Masters in Business Administration (Finance) from The Wharton School, University of Pennsylvania.

Rommel S. Latinazo, 55, Filipino, Executive Vice-President, is the President and Chief Executive Officer of RSB. Prior to this, he was the Head of Corporate Banking Segment 1 under the Corporate Banking Group. He joined the Bank in 2000 as First Vice-President. Previously, he held various positions in Solidbank Corporation, Standard Chartered Bank, CityTrust Banking Corporation, First Pacific Capital Corporation and Philamlife Insurance Company. Mr. Latinazo obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and his Masters in Business Administration from the University of the Philippines.

Alfredo S. Del Rosario Jr., 59, Filipino, Executive Vice-President, is the Head of the Asset Management and Remedial Group and concurrently the Chairman and President of the RCBC-JPL Holdings, Inc. and Vice President of Niyog Property Holdings, Inc. He also headed the Overseas Filipino Banking Group and the Commercial Banking Group. Prior to joining the Bank, Mr. Del Rosario worked for AB Capital and Investment Corporation as Senior Vice-President, Trust and Investment Division Head and Information Technology Division Head. He also held various positions in Asian Bank, Bank of America NT & SA Manila, Philippine Airlines, and Ayala Investment and Development Corporation, and served as director at the Araullo University, a Phinma subsidiary, in 2005. He graduated from the Ateneo de Manila University with a Bachelor of Science degree in Management. He has taken up units towards an MBA degree at the Ateneo Graduate School and law subjects leading to a Juris Doctor degree at the Ateneo Law School.

Edgar Anthony B. Villanueva, 53, Filipino, Executive Vice-President, is the Head of Global Transaction Banking Group. Prior to this, he held various senior executive positions with Bank of America (La Salle Bank N.A.) and ABN Amro Bank N.V. His in-depth experience in corporate banking includes involvement in treasury management, global custody and institutional trust, in a variety of challenging roles such as relationship management, business development, product management, operations, change management and client services, across a broad range of business environments in cash management, trade services, corporate trust and capital markets. He earned his Bachelor of Science degree in Business Economics from De La Salle University and his Masters in Business Administration from J.L. Kellog Graduate School of Management, Northwestern University, Illinois.

Manuel G. Ahyong Jr., 54, Filipino, First Senior Vice-President, is the Head of Wealth Management Group. He was also the Head of Wealth Management Segment 2 (Makati) from October 2006 to August 2014. Prior to joining the Bank in 2006, he was Senior Vice-President of Pramerica Financial, Director in Societe Generale, Vice-President of Deutsche Bank, AG, Deputy Manager and Head of Private Banking of Banque Indosuez, and Director for Private Banking of American Express Bank. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and obtained his Masters in Business Management from the Asian Institute of Management.

Rafael Aloysius M. Dayrit, 58, Filipino, First Senior Vice-President, is the Head of Credit Management Segment. He was the Credit Risk Division Head from May 2006 to January 2013, Head of Small and Medium Enterprises Division from January 2002 to February 2006 and the Head of Corporate Division III from September 2000 to December 2001. He obtained his Bachelor of Science degree in Agri. Business from the University of the Philippines, his Masters in Business Administration from the same university and his Masters in Agricultural Economics from the University of California, Davis.

Rogelio P. Dayrit, 59, Filipino, First Senior Vice-President, is the Head of Japanese and Ecozone Banking Segment. Prior to occupying this position, Mr. Dayrit was the Japan Desk Division Head (June 1999 to February 2002), Account Officer for Institutional Banking Division (March 1996 to June 1999) and Account Officer for AMD (May 1984 to March 1996). He started in RCBC as an EDP Trainee in 1982. He obtained his Bachelor of Science degree in Industrial Engineering from the University of the Philippines.

Lourdes Bernadette M. Ferrer, 56, Filipino, First Senior Vice-President, is the Head of the Trust and Investments Group. Prior to joining the Bank in September 2000, she held various related positions in Solidbank Corporation and the International Corporate Bank. She graduated from the University of the Philippines with a Bachelor of Science degree in Statistics and likewise obtained her Master's Degree in Business Administration from the same university.

Gerald O. Florentino, 46, Filipino, First Senior Vice-President, is the President of RCBC Securities. He held the position of Group Head and Deputy Group Head of Corporate Planning in RCBC prior to assuming his current position. Before joining the Bank, he was Senior Vice-President for the Investment Banking Group of Investment and Capital Corporation of the Philippines. He gained his corporate planning expertise from AXA Philippines as Vice-President and Head of Strategic Planning, Project Management and Business Development and AXA Way from 2007 to 2009. He also held various positions in UCPB for seven years during which his last appointment was the Head of Cash Management Products for the Working Capital Products Group. Mr. Florentino graduated from the Loyola University of Chicago, Illinois with a degree in Bachelor of Business Administration majoring in Finance and obtained his Masters in Business Management from the Asian Institute of Management.

John P. Go, 46, Filipino, First Senior Vice-President, is the Head of Chinese Banking Segment 2. Prior to joining the Bank, Mr. Go was the Vice-President/Chief Finance Officer/Assistant to the Chairman of Liwayway Marketing Corporation (March 2002 to January 2008), Assistant Vice-President of UCPB (August 1996 to February 2002) and Manager/Business Development Department Head of Monte Piedad Savings Bank (January 1996 to July 1996). He holds a Bachelor of Science degree in Marketing from the Philippine School of Business Administration.

Eli D. Lao, 58, Filipino, First Senior Vice-President, has been the Head of the Chinese Banking Segment 1 under the Corporate Banking Group since 2000. He has been with the Bank since 1978, holding various positions. Mr. Lao holds a Bachelor of Science degree in Commerce majoring in Accounting from De La Salle College

Ana Luisa S. Lim, 55, Filipino, First Senior Vice-President, is the Head of the Internal Audit Group. She is also a Director and Corporate Secretary of BEAMExchange, Inc. She joined the Bank in 2000 primarily to implement the risk-based audit approach under a shared-services set-up in conformity with the Bank's strategic risk management initiatives. Ms. Lim obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor.

Regino V. Magno, 57, Filipino, First Senior Vice-President, is the Bank's Chief Risk Officer and the Head of Corporate Risk Management Services (CRISMS). Prior to joining the Bank, he was the Chief Risk Officer of Sterling Bank of Asia from August 2007 to December 2008. He was a Market Risk Consultant of Chase Cooper, a London-based consulting firm, Chief Risk Officer of Philippine National Bank for four years, a Consultant of Philippine Deposit Insurance Corporation for one year, and a Senior Risk Manager at the Bank of the Philippine Islands for four years. He also held various positions in CityTrust Banking Corporation. Mr. Magno obtained his Bachelor of Science degree in Industrial Management Engineering from De La Salle University and his Masters in Business Administration from the University of the Philippines.

Remedios M. Maranan, 55, Filipino, First Senior Vice-President, is the National Service Head of Retail Banking Group. Ms. Maranan started as a BOTP Trainee in 1989 after which she assumed various positions in branch operations. Her noteworthy stints include being the Regional Operations Head for Metro Manila in December 1998 to April 2004, BC Services Division Head in May 2004 to May 2008 and Regional Service Head for Metro Manila in June 2008 to February 2010 and Deputy Group Head of BC Services from March 2010 to September 2013. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the Polytechnic University of the Philippines.

Yasuhiro Matsumoto, 55, Japanese, First Senior Vice-President, is the Head of the Japanese Business Relationship Office since April 2006. Prior to this, he worked for The Bank of Tokyo-Mitsubishi UFJ, Ltd. since 1984, when the bank was named The Sanwa Bank, Ltd. He has also previously served as a director of the Bank. He obtained his Bachelor of Economics degree from Waseda University, Japan.

Reynaldo P. Orsolino, 54, Filipino, First Senior Vice-President, is the Segment Head of Emerging Corporates. He was also the Head of Commercial & Medium Enterprises Division before assuming his current position. Prior to joining the Bank, he served as Senior Vice-President of Philippine National Bank from June 2003 to July 2007, and previously held senior positions at the Planters Development Bank, Asian Banking Corporation, and the Land Bank of the Philippines. He holds a Bachelor of Arts degree in Economics from the University of the Philippines.

Lizette Margaret Mary J. Racela, 49, Filipino, First Senior Vice-President, is the Consumer Lending Group Head of RSB. She joined RCBC in 2008 as Small and Medium Enterprise Head for Provincial Business before she was seconded to RSB in December 2010. Previously, she worked for Philippine National Bank as First Vice-President/Group Head of Provincial Commercial Lending Group (February 2005 to February 2008) and Vice-President/Division Head of Provincial Business Division-Luzon (November 2002 to February 2005). She also worked for several local banks assuming the following positions: Assistant Vice-President /Department Head for Branch Credit Administrative (May 1999 to August 2002) and Senior Manager/ Department Head for Personal Loans (November 1996 to April 1999) in UCPB, Senior Manager/ Branch Head in East West Banking Corp. (February 1996 to October 1996), Manager/ Branch Head (May 1991 to January 1996) and Senior Assistant Manager/ Private Banking Officer Savings (March 1989 to 1991) in UCPB Savings Bank and Marketing Assistant in Urban Development Bank (February 1988 to June 1988). Ms. Racela obtained her Bachelor of Science Degree in Business Administration from the University of the Philippines. She also took up Bachelor of Law in the same university and has completed the academic requirements up to 3rd year.

Rowena F. Subido, 48, Filipino, First Senior Vice-President, is the Group Head of Human Resources. She was also the Deputy Group Head of Human Resources before assuming her current position. Prior to joining the Bank, she worked with Citibank, N.A. as Country Lead Human Resources Generalist/Senior Vice-President, prior to which she was Head of Human Resources for the Institutional Clients Group for almost two years. She has also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Human Resources Head for four years. She also has HR experience in retail, distribution and manufacturing industries, having worked for California Clothing Inc. where she was Human Resources Head, International Marketing Corporation as Division Manager for Human Resources & Operations, Tricom Systems (Philippines), Inc. as a Personnel and Administration Officer and Seamark Enterprises, Inc. as a Personnel Officer. Ms. Subido obtained her Bachelor of Science degree majoring in Psychology from the University of Santo Tomas and her Masters in Psychology majoring in Organisational/Industrial Psychology at De La Salle University.

Raul Victor B. Tan, 55, Filipino, First Senior Vice-President, is the Head of Retail Banking Group and acting Treasurer effective March 1, 2015. He was the Head of Treasury's Balance Sheet Management Segment from November 2008 to August 2013. Prior to joining the Bank, he was FVP and Treasurer of RCBC Capital from July to November 2008. He also held various Treasury positions in UCPB from 2004 to 2008, where his last appointment was FVP and Chief Dealer for Treasury Banking. He obtained his Master's degree in Business Administration from Fordham University and finished his Bachelor of Science degree in Management from the Ateneo de Manila University.

Zenaida F. Torres, 60, Filipino, First Senior Vice-President, is the Head of the Controllership Group. Ms. Torres was seconded to Bankard, Inc. as Chief Financial Officer from February 2004 to August 2008 and concurrently acted as the Corporate Information Officer from November 2006 to August 2008. Prior to this, Ms. Torres also held various positions in the Bank from 1980 to 2003 and positions at Costraco, Phils., University of the East, and Ford Credit Philippines. She earned her Bachelor of Science degree in Business Administration majoring in Accounting from the University of the East. She is also a Certified Public Accountant. (Retired effective October 14, 2014)

Ma. Felisa R. Banzon, 58, Filipino, Senior Vice-President, is the Head of Local Corporate Segment and the concurrent head of Corporate Banking Division 1. Prior to this appointment, she held various positions in the Bank such as Account Officer for Corporate and Institutional Banking (January 1984 to August 2004), Platform Officer for Retail Banking (July 1982 to December 1983) and EDP Trainee (July 1981 to July 1982). Ms. Banzon started her career in the banking industry when she joined the Bank of the Philippine Islands as Junior Analyst in 1978. She obtained her Bachelor of Arts degree majoring in Economics from the Assumption College and her Master's degree in Business Administration from the Ateneo de Manila University.

Enrique C. Buenaflor, 44, Filipino, Senior Vice President, is the Head of Business Development Division. Prior to joining RCBC, he was the Group Head/Vice-President of Structure Products for Philippine Bank of Communications (August 2005 to March 2010), Operations Head of Central Verification Unit for Citifinancial Corporation (July 2004 to July 2005), Sales Head/Assistant Vice-President of Corporate Cash Management Services (2001 to 2004) and Product Manager (1999 to 2001) for ABN AMRO Bank. He also worked for Philippine Global Communications Corporation as Senior Manager for Corporate Planning (July 1999 to November 1999) and Capitol Wireless, Inc as Business Development Director/Marketing and Sales Manager (March 1997 to May 1999). He started his career in Citibank N.A. as Operations Staff in 1992 and then as Management Associate in 1996. Mr. Buenaflor earned his undergraduate degree, Bachelor of Science in Business Management from Ateneo de Manila University and finished his Masters in Business Management at Asian Institute of Management.

Brigitte B. Capina, 54, Filipino, Senior Vice-President, is the Regional Sales Director of South Metro Manila. Prior to occupying this position, she was the Marketing and Sales Director of Makati Central Business District in 2013, the Regional Sales Manager of South Metro Manila in 2012, Regional Sales Manager of Corporate Headquarters in 2009 and Business Manager for various branches such as RCBC Plaza in 2005, Buendia in 2004 and Makati Avenue in 2003. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the University of San Agustin, Iloilo City and her Masters in Business Management from the University of the Philippines, Visayas.

Arsenio L. Chua, 54, Filipino, Senior Vice-President, is the Regional Sales Director of North Metro Manila. Prior to occupying this position, he was the Marketing and Sales Director of Ortigas Central Business District in 2013, Regional Sales Manager of North Metro Manila in 2012, Regional Sales Manager of Central Metro Manila in 2010, District Sales Manager of Southern Metro Manila in 2009 and Business Manager of Caloocan Branch in 2007. He obtained his Bachelor of Science degree in Management and Industrial Engineering from the Mapua Institute of Technology.

Claro Patricio L. Contreras, 54, Filipino, Senior Vice-President, is the Head of Remedial Management Division. Prior to joining RCBC, he was the AVP for Special Accounts Management Services Group at BPI (April 2000 to June 2000), AVP for Credit Mgmt. Services Group at FEBTC (January 1997 to March 2000), and Manager for Credit Management Services Group at FEBTC (October 1995 to December 1996). He completed his Bachelor of Science degree in Commerce majoring in Business Management from San Beda College.

Elizabeth E. Coronel, 46, Filipino, Senior Vice-President, is the Head of Conglomerate Segment. She joined RCBC in June 2013 as Senior Banker and Head of Conglomerate Banking Division. Previously, she was the Senior Vice-President and Chief Operations Officer of Equicom Savings Bank, a position she held for more than five years. She also held various positions in local and foreign banks namely Mizuho Corporate Bank as Vice President and Co-Head of Corporate Finance Department (January 2007 to February 2008), Equitable PCIBank as Vice-President and Head of Corporate Banking Division 4 (1996 to 2007) and Citibank as Relationship Manager of Global Consumer Bank (1993 to 1996). She started her career in the banking industry when she joined RCBC in 1989 as Marketing Assistant for Corporate Banking. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizuho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

Sabino Maximiano O. Eco, 46, Filipino, Senior Vice-President, is the Deputy Group Head of Operations and the concurrent head of Branch Banking Services Division. Prior to this appointment, he held various positions in the Bank such as Retail and Channels Division Head (November 2008 to January 2014), BC Operations Division Head (May 2004 to October 2008), Cash Management Operations Department Head (January 2001 to April 2004), CASA Recon & Verification Head (August 1999 to January 2001), Branch Operations Head (January 1996 to August 1999), Branch Accountant (November 1994 to January 1996), Branch Officer At Large (July to November 1994), BOTP Trainee (April to July 1994), CASA Bookkeeper (February 1992 to April 1994) and GL/SL Bookkeeper (April 1991 to February 1992). Mr. Eco graduated from Far Eastern University with a Bachelor of Science degree in Commerce majoring in Accounting.

Edwin R. Ermita, 52, Filipino, Senior Vice-President, is the Bank Security Officer. He was also the Corporate Services Division Head prior to assuming his current position. Previously, Mr. Ermita worked for CTK Incorporated as Consultant, Solidbank as Security and Safety Department Head and UCPB as Security and Safety Department Head. He started his career in UCPB as Teller in 1983 before moving to Branch Marketing in 1985. Mr. Ermita earned his Bachelor of Science in Management from Ateneo de Manila University. He finished his Masters in Business Administration with specialization in Industrial Security Management from the Philippine Women's University.

Jennie F. Lansang, 48, Filipino, Senior Vice-President, is the Deputy Group Head / Chief Technology Officer. She joined RCBC in July 2010 and held the position of IT Head for the Shared Technology Services Division. Before assuming this role, she worked for Banco de Oro as the Applications Unit Head for Trust, Treasury and Trade (August 2007 to June 2010) and for Equitable-PCIBank as Official Representative to the BDO-EPCI Branch Merger/Integration Committee (April to October 2007), Retail Applications Division Head (2001 to 2007), Centre Head (1999 to 2000) and Project Leader (1996 to 1998). She also worked for Far East and Trust Companies where she held various IT-related positions from 1990 to 1996. She started her career with the International Center for Computer Studies as a Computer Instructor in 1986. Ms. Lansang obtained her degree in AB Communication Arts majoring in Speech Communication from the University of the Philippines, Los Baños.

Zenaides R. Lapera, 60, Filipino, Senior Vice-President, is the Regional Sales Manager of Northern Luzon. Prior to this appointment, he was the District Sales Manager of North Central Luzon in 2007 and Area Head of North West Luzon in 2003 and Clark in 1996. He obtained his Bachelor of Science degree in Commerce majoring in Accounting from the University of Assumption, Pampanga. (Retired effective July 14, 2014)

Vivien I. Lugo-Macasaet, 55, Filipino, Senior Vice-President, is the Head of Management Services Division. She was also the Head of the HO Operations Division from November 2008 to January 2014. Prior to joining the Bank, she served as Vice-President of Financial Markets Operations at Citibank (May 2006 to June 2008), Senior Vice-President and Group Head of the International Processing Group at PNB (December 2002 to April 2006) and Vice-President and Business Manager for Institutional Equities at JP Morgan Equities (July 2001 to October 2002). Ms. Lugo-Macasaet graduated from the University of the Philippines with a Bachelor of Arts degree in Economics.

Florentino M. Madonza, 44, Filipino, Senior Vice-President, is the Group Head of Controllership effective October 14, 2014. He was the Deputy Group Head of Controllership from August 2014 to October 2014, General Accounting and Services Division Head from July 2004 to July 2014, General Accounting Department Head from September 2001 to July 2004, Assistant to the Department

Head of General Accounting from January 1998 to September 2001, Asset Management and Sundry Section Head from September 1997 to December 1997 and Corporate Disbursement and Payroll Section Head from June 1996 to September 1997. Prior to joining the Bank, he worked for Sycip, Gorres, Velayo and Co. from July 1993 to May 1996 as Auditor. Mr. Madonza completed his Bachelor of Science in Commerce major in Accounting (Cum Laude) from the Araullo University, and is a Certified Public Accountant.

Jane N. Manago, 50, Filipino, Senior Vice-President, is the Segment Head of Wealth Management 1. Prior to this appointment, she was the Division 2 Head of Wealth Management from December 2006 to August 2014 and Relationship Manager for Division 2 from April 2006 to December 2006. She also worked for YGC Corporate Services Inc. as Officer-In-Charge and Marketing Head. Prior to joining the Bank, she worked with Citibank as Cash Product Manager for Global Transaction Services (September 1998 to January 1999), Account Manager (April to August 1998) and Head of Corporate Banking for Chinatown Branch (November 1996 to March 1998) and at Equitable Banking Corporation from May 1986 to October 1996, where her last appointment was the Head of the Research and Special Projects Unit. She obtained her Bachelor of Science degree in Commerce degree majoring in Business Administration and her Bachelor of Arts degree majoring in Behavioural Science from the University of Santo Tomas.

Carlos Cesar B. Mercado, 49, Filipino, Senior Vice-President, is the Head of Balance Sheet Management Segment. He joined the Bank in June 2009 and held the position of Trading Segment Head. Prior to joining RCBC, he was the Managing Director/Senior Vice-President of Basic Capital Investments Corp. in 2001, a Treasurer/First Vice-President of Treasury of United Overseas Bank Philippines in 2000 and a Division Head of Domestic Funds and Liquidity Management of Equitable-PCI Bank in 1994. Mr. Mercado earned his Japan-focused Executive Masters in Business Administration with highest distinction from the University of Hawaii and the Japan-America Institute of Management Science in December 1993, under the Fujitsu Asia-Pacific Scholarship. He obtained his Bachelor of Arts degree majoring in Electrical Engineering from the University of the Philippines.

Evelyn Nolasco, 54, Filipino, Senior Vice-President, is the Head of the Asset Disposition Division. Before she joined the Bank, she was the Senior Vice-President and Treasury Head of the AGSB Group of Companies in 1995 and Manager for Corporate Finance for SGV & Company from 1994 to 1995. She graduated from De La Salle University with a Bachelor of Science degree in Commerce majoring in International Marketing and obtained her Master's degree in Business Management from the Asian Institute of Management.

Koji Onozawa, 50, Japanese, Senior Vice-President, is the Japanese Liaison Officer of the Japanese Business Relationship Office. He was formerly the Senior Manager of the International Credit Administration Department of The Sanwa Bank, Ltd., Tokyo in 1999. He also served in other capacities such as Manager of the Planning and Administration Department in 1997 and Manager of Tameike Branch of the Business Promotion Department in 1993. He earned his Bachelor of Law degree from Meiji University, Tokyo.

Matias L. Paloso, 57, Filipino, Senior Vice-President, is the Head of RBG Products, Support & Systems Segment. Mr. Paloso was seconded to RSB as Deputy Group Head of Retail Banking from April 2012 to July 2014. Prior to this, he was the Regional Sales Manager of North Metro Manila in 2011, Regional Sales Manager of Southern Luzon in 2009, District Sales Manager of South West Luzon in 2002 and Business Center Manager of Camelray Branch in 1999. He obtained his Bachelor of Science degree in Commerce majoring in Accounting from Divine Word College, Tagbilaran City.

Loida C. Papilla, 53, Filipino, Senior Vice-President, is the Asset Management Support Division Head. She joined RCBC in 2006 as Operations Support Division Head. She worked for various institutions in the following capacities : Assistant Vice-President / Head of Billing and Collections Section in PNB (April 2004 to February 2006), Assistant Vice-President/OIC in UCPB Securities Inc. (August 1999 to January 2004), Operations Finance Manager in Guoco Securities Inc. (January 1994 to August 1999), Media Consultant in the Office of the Senate President (October 1992 to December 1993), Research Director in Philippine Newsday (June 1989 to June 1992), Research Head in Business Star (June 1987 to June 1989) and Researcher in Business Day Corp. (November 1981 to June 1987). Ms. Papilla graduated from the University of the East in 1981 with a Bachelor of Science in Business Administration major in Accounting. She is also a Certified Public Accountant.

Alberto N. Pedrosa, 45, Filipino, Senior Vice-President, is the Head of Investment Portfolio Management Division. Prior to joining the Bank, he was the Chief Trader for Uniworks, Inc. (April 2009 to July 2009), Vice-President and Head of Global Liquid Products Trading for JG Summit Capital Markets (2000 to 2008), Assistant Vice-President of Asset, Liquidity Management and Investment Trading for PCIBank (1995 to 2000) and Senior Assistant Manager and Junior FX Trader for the Bank of the Philippine Islands (1993 to 1995). Mr. Pedrosa started his career when he joined BPI's Officer Training Program in 1993. He completed his Bachelor of Science degree in Commerce majoring in Philosophy at the London School of Economics.

Arsilito A. Pejo, 53, Filipino, Senior Vice-President, is the Regional Sales Director of Eastern Visayas since January 1, 2015. Mr. Pejo joined RCBC in 1982. His noteworthy stints include being the Regional Service Head of Visayas from June 2008 to December 2014 and Area Service Head of Visayas from May 2004 to May 2008, Regional Operations Head from October 2002 to April 2004 and Cebu Operations Center Head from June 1998 to September 2002. He obtained his Bachelor of Science degree in Commerce major in Accounting from Colegio de San Jose – Recoletos in 1982.

Ma. Lourdes Jocelyn S. Pineda, 58, Filipino, Senior Vice-President, is the Head of Microfinance and President of Rizal Microbank. She has over 15 years of experience in the microfinance business. Prior to joining the Bank, she was the Principal Microfinance Adviser/Senior Director of Accion International/Accion Technical Advisors India. Before this, she was the Regional Manager/Coordinator of Chemonics International, a U.S.-AID project in partnership with the Rural Bankers Association of the Philippines, where she provided technical assistance and advice to rural banks on the implementation of microenterprise access to banking approach in individual lending methodology for microfinance. From 1998 to 2004, she was with the Rural Bank of Sto. Tomas where she last served as Managing Director and the Executive Director of the said bank's Training Institute. She also worked for UNDP Upland Development Programme and spent four years working as Regional Chief for the Livelihood and Investment Division of the Ministry of Human Settlement in Davao. She started her career with Bancom Development Corporation. She obtained her Bachelor of Science degree in Business Administration majoring in Business Management from Ateneo de Davao University and her Masters Degree in Business (Magna Cum Laude) from the University of the Philippines.

Nancy J. Quiogue, 46, Filipino, Senior Vice-President, is the Regional Service Head of North and Central Metro Manila. Prior to assuming her current position, she was the Regional Service Head for Metro Manila from April 2010 to December 2014 and District Service Head for Metro Manila from May 2004 to April 2010. She also held various positions at the Bank since 1991. Ms. Quiogue graduated from the Philippine School of Business Administration with a Bachelor of Science degree in Business Administration majoring in Accounting.

Elsie S. Ramos, 49, Filipino, Senior Vice-President, is the Legal Affairs Division Head. She joined the Bank in 2006 and assumed the position of Litigation Department Head. Prior to joining RCBC, she was the Corporate Lawyer and Head of Legal and Corporate Affairs Division for Empire East/Land Holdings (2004 to 2006), Senior Associate and Lawyer-In-Charge of the Docket/Records Section for Ponce Enrile Reyes and Manalastas (2003 to 2004), Senior Associate for Martinez and Mendoza (2001 to 2002), Senior/Junior Associate for Ponce Enrile Reyes and Manalastas (1996 to 2000) and Legal Consultant for Companero Y Companera (1997 to 1998). She held various positions in the University of the Philippines, Department of History such as Assistant Professor (1994 to 1998), Assistant to the Chairman (1992 to 1993) and Instructor (1988 to 1994). She was also a Part-Time Instructor at the St. Scholastica's College, Manila from 1987 to 1989. She obtained her Bachelor of Arts and Master of Arts degree in History from the University of the Philippines, Diliman. She also finished her Bachelor of Law in the same university.

Ismael S. Reyes, 48, Filipino, Senior Vice-President, is the National Sales Director of Retail Banking Group. Prior to joining RCBC, he assumed various positions in Philippine Savings Bank as First Vice-President/ Head of the Loans Operations Group (October 2012 to October 2013), First Vice President/Branch Banking Group Head (January 2011 to October 2012), Vice-President/Deputy Branch Banking Group Head (June 2010 to December 2010) and Vice- President/ Business Development Unit Head (October 2008 to May 2010). He worked for iRemit Inc where he handled roles such as Division Head for Market Management (January 2004 to September 2008) and Deputy Head for the Global Sales and Marketing Division (August 2001 to December 2003). He also worked with Bank of the Philippine Islands where he was assigned as Operations Manager /Section Head for Funds Transfer Department from 1999 to 2001. His banking career started in Far East Bank in 1987 when he was hired as Staff for International Operations Division. By 1990 he was promoted to a supervisory rank in the same division and as an officer in 1993. He held the position of Department Head in International Operations in 1995 and became a Project Officer for the Remittance Center in 1996. Mr. Reyes earned his Bachelor of Science degree in Commerce major in Economics at the University of Santo Tomas.

Steven Michael T. Reyes, 43, Filipino, Senior Vice-President, is the Head of Trading Segment. Previously, he was First Vice President of Global Markets for Australian & New Zealand Banking Group (March 2009 to January 2014), Vice President / Head of Capital Markets for Banco De Oro (October 2006 to March 2009), Assistant Vice President /Debt and Interest Rate Trader for Citibank, Singapore (January 2006 to October 2006) and Assistant Vice President/Bonds Trader for Citibank, Manila (January 2002 to December 2005). He also worked for Equitable PCIBank from July 1999 to December 2001 and PCIBank from May 1996 to July 1999 and held the following positions : Senior Manager/Head of Capital Markets Desk (July 2000 to December 2001), Manager /Global Fixed Income Proprietary Trader (July 1999 to July 2000), Assistant Manager / Fixed Income Proprietary Bond Trader (July 1997 to July 1999) and Proprietary Bond Trader (May 1996 to July 1997). Mr. Reyes started his banking career when he joined Bank of the Philippine Islands in 1993 as Position Analyst. He completed his Bachelor of Science in Tourism Management at the University of the Philippines in 1993.

Raoul V. Santos, 48, Filipino, Senior Vice-President, is the Investment Services Division Head. He joined RCBC in 2001 as Portfolio Management Section Head before assuming the Investment Services Department Head position in 2008. He also worked for Metropolitan Bank and Trust Company (2000 to 2001), Solidbank Corporation (1999 to 2000). Phinma, Inc. (1991 to 1999) and SGV & Co. (1990 to 1991). Mr. Santos obtained his Bachelor of Science degree in Management of Financial Institutions and Bachelor of Arts degree in Asian Studies from the De La Salle University.

Johan C. So, 44, Filipino, Senior Vice-President, is the Head of Chinese Banking Division I. Prior to assuming current position, he was the Head of Kaloocan Division from July 2013 to January 2014 and Head of Chinese Banking Division III from June 2008 to June 2013. From August 2005 to May 2008, he worked for Philippine Bank of Communications in which the last position he assumed was as Vice-President/Unit Head of Corporate Banking Group 5. He also worked for Standard Chartered Bank from May 1999 to May 2002, T.A. Bank of the Philippines, Inc. from February 1997 to May 1999 and China Banking Corporation from 1993 to 1997. Mr. So graduated from De La Salle University in 1992 with a degree in Bachelor of Science in Applied Economics and Bachelor of Science in Commerce major in Marketing Management. He obtained his Masters degree in Business Administration from the Ateneo Graduate School of Business in 1999.

Ma. Angela V. Tinio, 52, Filipino, Senior Vice-President, is the Head of Commercial and Small Medium Enterprises Banking Segment. She has been with the Bank since 2000, holding various positions in Corporate Banking such as VisMin Lending Region Head (December 2010 to June 2013), Metro Manila-Luzon Region Head (April 2006 to November 2010) and Account Management Department Head (July 2000 to April 2006). She worked with Bank of the Philippine Islands as Special Business Unit/Corporate Banking II Manager and Market Head in April 2000. She also held various positions in Far East Bank and Trust Company from June 1997 to April 2000, PDB Leasing and Finance Corporation from February 1996 to April 1997 and Traders Royal Bank from January 1985 to January 1996. Ms. Tinio obtained her Bachelor of Arts degree in Economics from the University of the Philippines and her Master's degree in Business Administration from the De La Salle University.

Teodoro Eric D. Valena, Jr., 56, Filipino, Senior Vice-President, is the Head of Retail E-Channels Division. Previously, he was the Finacle Division Head from January 2008 to December 2014, Applications Development & Management Division Head from September 2006 to December 2007 and the Application System Services Department Head from April 2001 to September 2006. Prior to joining the Bank, he held various IT-related positions in several institutions such as Citibank (January 1987 to March 2001), MANCOMTECH (July 1986 to November 1986), Revenue Information Systems Services Inc. (October 1983 to May 1986), Trans-Union Corp. (June 1983 to October 1983), Mini-Systems Inc. (October 1981 to March 1983) and United Computer Programming Center (April 1981 to October 1981). Mr. Valena started his career as a Programmer/ Trainee at Mini-Systems Inc. in 1980. He graduated from the University of the Philippines with a Bachelor of Arts in Social Sciences major in Economics in 1983.

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

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

Amb. Alfonso T. Yuchengco is the father of Ms. Helen Y. Dee. Other than such relationship, none of the Bank's Directors are related to one another or to any of the Bank's executive officers.

To the knowledge and/or information of the Bank, the present members of the Board of Directors and its executive officers are not, presently or during the last five (5) years, involved or have been involved in any legal proceeding adversely affecting/involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere arising from their duties as such. To the knowledge and/or information of the Bank, the said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country.

Item 10. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last three fiscal years to the Bank's Chief Executive Officer and four other most highly compensated executive officers follows (in thousand pesos):

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES			
Names	**Principal Position**	**Aggregate Compensation** (net of Bonuses)	**Bonuses**
2015 Estimate			
Lorenzo V. Tan	President & Chief Executive Officer	45,512	69,415
Redentor C. Bancod	Senior Executive Vice President		
Michaelangelo R. Aguilar	Executive Vice President		
John Thomas G. Deveras	Executive Vice President		
Edgar Anthony B. Villanueva	Executive Vice President		
2014 Actual			
Lorenzo V. Tan	President & Chief Executive Officer	39,802	101,247
Redentor C. Bancod	Senior Executive Vice President		
Jose Emmanuel U. Hilado	Senior Executive Vice President		
John Thomas G. Deveras	Executive Vice President		
Michael O. de Jesus	Executive Vice President		
2013 Actual			
Lorenzo V. Tan	President & Chief Executive Officer	40,139	227,382
Redentor C. Bancod	Senior Executive Vice President		
Jose Emmanuel U. Hilado	Senior Executive Vice President		
Ismael R. Sandig	Senior Executive Vice President		
John Thomas G. Deveras	Executive Vice President		
Officers and Directors as a Group Unnamed			
2015 Estimate		1,310,818	475,430
2014 Actual		1,124,823	526,464
2013 Actual		1,038,799	555,426

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

Likewise, the members of the Board of Directors and the Advisory Board are entitled to per diem for every meeting they attended. For the years 2014 and 2013, total per diem amounted to P6.837 million and P6.207 million, respectively.

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2014, RCBC knows of no one who beneficially owns in excess of 5% of RCBC's common stock except as set forth in the table below:

(1) Title of Class	(2) Name, address of record owner and relationship with issuer	(3) Name of Beneficial Owner and Relationship with Record Owner	(4) Citizenship	(5) Number of Shares Held	(6) Percent
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City Relationship with Issuer: RCBC is a subsidiary of PMMIC	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Filipino	576,646,082 *	45.20%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address: 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder	International Finance Corporation (IFC) *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	144,599,780	11.34%
Common	**Hexagon Investments B.V.** Address: Claude Debussylaan 24 1082 MD Amsterdam, The Netherlands Relationship with Issuer: Stockholder	*HIBV is wholly owned by Hexagon Holdings Sarl; Hexagon Holdings Sarl is wholly owned by Hexagon Investment Holdings Limited (HIHL); HIHL is wholly owned by Capital Asia Fund Limited (CAFL); CAFL is owned by (i) CVC Capital Partners Asia Pacific III L.P. 88% and (ii) CVC Capital Partners Asia Pacific III Parallel Fund — A, L.P.12% , exempted limited partnerships formed under the laws of the Cayman Islands ****	Non-Filipino	139,199,198	10.91%

**Combined Direct and Indirect Shares of PMMIC*
*** Per PSE Disclosure dated 20 July 2011 in relation to proposed acquisition by HIHL of RCBC shares*

(2) Security ownership of management*:

	(1) Title of Class	(2) Name of beneficial owner	(3) Amount and nature of record / beneficial ownership Amount	Nature	(4) Citizenship	(5) Percent of class (%)
Directors						
1	Common	Alfonso T. Yuchengco	761,050	R / B	Filipino	0.010
2	Common	Helen Y. Dee	2,131,690	R / B	Filipino	0.020
3	Common	Cesar E.A. Virata	501,670	R / B	Filipino	0.004
4	Common	Lorenzo V. Tan	50	R	Filipino	0.000
5	Common	Teodoro D. Regala	10	R	Filipino	0.000
6	Common	Wilfrido E. Sanchez	300,010	R / B	Filipino	0.002
7	Common	Ma. Celia H. Fernandez - Estavillo	4,792,140	R / B	Filipino	0.038
8	Common	Richard G.A. Westlake	10	R	NewZealander	0.000
9	Common	Tze Ching Chan	10	R	Chinese	0.000
10	Common	Minki Brian Hong	10	R	American	0.000
11	Common	Armando M. Medina	1,950	R	Filipino	0.000
12	Common	Francis G. Estrada	30	R	Filipino	0.000
13	Common	Francisco C. Eizmendi, Jr.	10	R	Filipino	0.000
14	Common	Antonio L. Alindogan, Jr.	10	R	Filipino	0.000
15	Common	Medel T. Nera	10	R	Filipino	0.000
		Sub-total	***8,488,660***			
Executive Officers						
1	Common	Edgar Anthony B. Villanueva	2,000	B	Filipino	0.000
2	Common	Alfredo S. Del Rosario Jr.	174,000	B	Filipino	0.001
3	Common	Koji Onozawa	20,000	B	Japanese	0.000
4	Common	Rommel S. Latinazo	74,000	B	Filipino	0.000
5	Common	Evelyn Nolasco	27,000	B	Filipino	0.000
		Sub-total	***297,000***			
		TOTAL	**8,785,660**			**0.069**

*There are no additional shares which the listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligations, or otherwise.

The aggregate number of shares owned of record by all directors and executive officers as a Group named herein as of December 31, 2014 is 878,566 common shares or approximately 0.069% of the Bank's outstanding common shares.

Other than the above-named persons or groups holding more than 5% of the Bank's outstanding Common stock, there are no other persons that hold more than 5% of any class of stock under a voting trust or similar agreement.

There are also no arrangements, existing or otherwise, which may result in a change in control of the Bank.

Item 12. Certain Relationships and Related Transactions

The Bank is a member of the Yuchengco Group of Companies (YGC). The Yuchengco family, primarily through Pan Malayan Management and Investment Corporation (PMMIC), is the largest shareholder. As of December 31, 2014, PMMIC owned 473,963,632 certificated shares, approximately 37.15% of the Bank's issued and outstanding common shares. Total shareholdings comprising both certificated and scripless shares amount to 576,646,082, approximately 45.20% of the Bank's issued and outstanding common shares.

The Bank and its subsidiaries, in the ordinary course of business, engage in transactions with the YGC and its subsidiaries. It is the Bank's policy that related party transactions are conducted at arm's length with any consideration paid or received by the Bank or any of its subsidiaries in connection with any such transaction being on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. This policy is institutionalized in the Bank's Policy on Related Party Transactions.

Under the said Policy, transactions directly or indirectly involving a related party, where the amount involved is at least PhP 1Million Pesos, is a reportable related party transaction. The Bank adopted an expanded definition of related parties to include not only directors, officers, stockholders and related interests (DOSRI) as defined under the General Banking Law and related issuances and related parties as defined under International Accounting Standards 24 (IAS 24), but also second degree relatives by consanguinity or affinity of directors, officers, or stockholders. The expanded definition also includes advisory board members and consultants of the Bank, and directors and key officers of subsidiaries and affiliates of the Bank, among others.

Related parties, through the account officers, are required to notify the Related Party Transactions Committee of any potential related party transaction as soon as they become aware of it. If a transaction is determined to be a Related Party Transaction, such transaction, including all of the relevant details regarding such transaction, shall be submitted for analysis and evaluation to the Related Party Transactions Committee to determine whether or not the Related Party Transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The Related Party Transactions Committee is a board committee composed of at least three (3) members of the Board of Directors, including the chairman who is an independent director and who is not a member of the Audit Committee.

The transaction shall thereafter be presented to the Board for approval. Any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction. Pursuant to BSP Circular No. 749 as amended and the Bank's Corporate Governance Manual, the Bank's stockholders confirmed by majority vote, in the last annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties. Review of related party transactions is part of compliance testing of the Compliance Office as well as audit work program of the Internal Audit Group.

The Group's significant transactions with its related parties as of end December 2014 include loans and receivables and deposit liabilities. Total amount of loans outstanding was at P5,412 and deposit liabilities was at P5,462 as of end December 2014, where related parties are defined according to PAS 24. (Notes 28.1 and 28.2, Notes to Financial Statements)

The Bank complies with existing BSP regulations on loans, credit accommodations and guarantees to its directors, officers, stockholders and related interests (DOSRI).

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

Under current BSP regulations, the amount of loans to each DOSRI, 70% of which must be secured, should not exceed the amount of his deposit and book value of his investment in the Bank. In the aggregate, loans to DOSRIs, generally, should not exceed the total capital funds or 15% of the total loan portfolio of the Bank and/or any of its lending and nonbanking financial subsidiaries, whichever is lower. As of December 31, 2014 and 2013, the Group is generally compliant with these regulatory requirements and is currently addressing some specific regulatory concerns on this matter.

The total amount of DOSRI loans was at P5,412 as of end December 2014. (Note 28.1, Notes to Financial Statements)

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

- RCBC and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RCBC Realty). Related rental expense are included as part of Occupancy and Equipment-related account in the statement of income. RCBC's lease contract with RCBC Realty is until December 31, 2015. (Note 28.5, Notes to Financial Statements)
- In October 1, 2009, RCBC entered into a joint development agreement with RCBC Savings Bank (RSB), Malayan Insurance Company, Inc. (MICO), Grepalife Financial, Inc. (Grepalife), Bankard Inc. (Bankard) and Hexagonland, Inc. (Hexagonland), with the conformity of Goldpath Properties Development Corporation (Goldpath), the parent company of Hexagonland, to form a consortium for the pooling of their resources and establishment of an unincorporated joint venture (the "UJV") for the construction and development of a high rise, mixed use commercial/office building, now operated by the Group as RSB Corporate Center.

  In 2011, RCBC acquired the rights and interest of Grepalife in the UJV. Also in 2011, RSB was able to acquire the rights and interest of Hexagonland after the latter's liquidation and partial return of capital to Goldpath. RSB, accordingly, contributed the land amounting to P383 to the Project. (Notes 13 and 30.02, Notes to Financial Statements)

  On October 2, 2012, the remaining co-venturers executed a memorandum of understanding agreeing in principle to cancel or revoke the UJV, subject to the approval of

BSP. As of December 31, 2012, total cash contribution of RCBC, RSB and Bankard to the UJV amounted to P1,600 which is recorded as Construction in Progress.

On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, BSP approved RCBC's acquisition of the land contributed to the RSB Corporate Center as well as the rights and interests of its co-venturers (Note 28.5, Notes to Financial Statements). As a result, RCBC paid its co-venturers a total consideration of P1,200 which is inclusive of compensation at the rate of 5.00% per annum computed from the date of the co-venturers' payment of their respective cash contributions until the date of the actual return or payment by RCBC. The total consideration was capitalized and recorded as part of Buildings account. In addition, by virtue of a deed of absolute sale executed between the Parent Company and RSB on April 5, 2013, the latter transferred its ownership and title to the land where the RSB Corporate Center is situated to RCBC for a selling price of P529. (Note 13, Notes to Financial Statements).

- On January 30, 2012, the BOD approved the acquisition of a total of 448,528,296 common stocks or around 97.79% of the outstanding capital stock in First Malayan Leasing and Finance Corporation (FMLFC) from PMMIC, House of Investments, Inc. (HI) and other investors. The sale and purchase of FMLFC stocks were made in accordance with the three share purchase agreements signed by the contracting parties on February 7, 2012 and were conditioned on among others, the receipt of approval of the transaction from the BSP, which was received by RCBC on March 12, 2012. After the acquisition, FMLFC was renamed as RCBC LFC. (Note 12.2, Notes to Financial Statements)

- In 31 July 2013, the Board approved the sale of the Bank's 25% shareholdings in RCBC Realty and 49% shareholdings in RCBC Land, Inc. (RCBC Land) representing the Bank's 34.8% economic interest in RCBC Realty to Pan Malayan Investment and Management Corporation, House of Investments, and RCBC Land. The transaction was valued at Php 4,547. The purpose of the transaction was to comply with Basel III guidelines. (See Note 12, Notes to Financial Statements)

- In 18 October 2013, the Board of RCBC approved the sale to Philippine Business Bank Trust and Investment Center on behalf of various clients the Bank's and its subsidiary RCBC Capital Corporation's 89% stake in Bankard.

  Bankard's total assets, total liabilities and net assets amounted to P1,075, P14 and P1,061 respectively, as at the date of disposal. As a consideration for the sale of the investment, the Group received cash amounting to P225 and a right over an escrow account amounting to P870 established by the buyer investor in settlement of this transaction. Gain on sale recognized related to this transaction amounting to P44 is included as part of Gain on sale of equity investments under Miscellaneous Income in the 2013 statement of profit or loss (see Note 25.01). Moreover, the disposal of Bankard resulted in the reversal and transfer of P233 other reserves recognized in years prior to 2011 directly to surplus (see Note 23.04). (Note 12.1, Notes to Financial Statements)

  In 25 November 2013, the RCBC Board approved the transfer of the merchant acquiring business of Bankard to the Bank. The transfer of the business involved the following activities:

  1. Sale of POS terminals to the Bank
  2. Assignment of merchant contracts in the name of Bankard, Inc. to the Bank

3. Transfer of the Bank Identification Number (BIN) and Association Licenses from Bankard to the Bank for the processing of acquiring transaction
4. Transfer of settlement Bank accounts from Bankard, Inc. to the Bank.

The purpose of the transaction was to consolidate the merchant acquiring business of Bankard to the Bank. This was also intended to help in the efforts of the Bank to minimize its equity investments in subsidiaries in preparation for Basel III implementation. Assets and liabilities to be purchased and/or absorbed by RCBC as of 31 Oct 2013 in million pesos appear below. Final movements subject to change due to movements until settlement date.

Assets	
POS terminals	P39.41
Due from associations	6.37
Other Assets	2.03
Total Assets	**47.81**
Liabilities	
Due to merchants	P 8.07
Other liabilities	0.69
Total liabilities	**8.76**
Net assets	P39.05

*The POS terminals totaling 5,050 units will be acquired at net book value of P39.41M per valuation report of Multinational Investment Bancorporation.

In 04 December 2013, RCBC Bankard Services Corporation was incorporated as a subsidiary of RCBC Capital Corporation to perform card processing services for the Bank.

- The Bank's and certain subsidiaries' retirement funds covered under their defined post-employment benefit plan for qualified employees are administered by the Bank's and RSB's Trust Department in accordance with their respective trust agreements. The Group's retirement fund has transactions directly and indirectly with the Group and the Bank which consist of investment in common shares of the Bank, other securities and debt instruments, trading gain and dividend income. The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens. (Note 28.4, Notes to Financial Statements)

Transactions which are considered to have no material impact on the financial statements as the amounts paid represent less than five percent (5%) of total assets:

- The Bank entered into a Memorandum of Agreement with HI, a member of the YGC, for the procurement of outsourcing services. Under the agreement, HI is the Bank's sole representative in negotiating the terms of the contracts with selected suppliers or service providers for the procurement of certain outsourcing services, primarily IT related services. The agreement stipulated that HI would not charge fees for its service except for its share in the savings generated from suppliers and service providers. Moreover, HI is obligated to ensure that the contracts they initiate do not prejudice the Bank in any way and that the Bank does not pay more than the cost of buying the items without aggregation.

- The law firm of Angara Abello Concepcion Regala & Cruz (ACCRA) Law Office is among the firms engaged by the Bank to render legal services. Atty. Teodoro Dy-Liaco Regala, Director, is a Senior Partner of ACCRA Law Office. During the year, the Company paid ACCRA legal fees that the Company believes to be reasonable for the services provided.

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

- The Bank has service agreements with RCBC Savings Bank (RSB) and Bankard Inc. (now RBSC) for the in-sourced internal audit services. The Bank provides full-scope audit services to RSB and limited audit services to Bankard Inc., specifically IT audit, operations audit and financial statements review. Also, the Bank has formalized the service agreements for the internal audit services being provided to subsidiaries namely: RCBC Capital Corp., RCBC Securities, Inc., RCBC Forex Brokers Corp., Merchant Savings and Loan Association, Inc. (Rizal Microbank), RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.

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

The Bank does not have any transactions with promoters within the past five (5) years. The Bank does not have transactions with parties that fall outside the definition of related parties under SFAS/IAS No. 24, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

Item 13. ACGR – Please refer to the attached ACGR

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Reports on SEC Form 17-C

Reports under SEC Form 17-C (Current Reports) that were filed during the last twelve months covered by this report:

01-02-2014 Other Events

RCBC and its subsidiary RCBC Capital Corp. (RCAP) have consummated the sale of their 89% stake in Bankard, Inc. to Philippine Business Bank Trust and Investment Center on behalf of various clients. The sale and purchase of the Bankard shares was in accordance with the Share Purchase Agreement executed last October 18, 2013.

01-06-2014 Other Events

Pursuant to Section 10 of the Disclosure Rules, please be advised that the House of Investments (HOI) bought last December 27, 2013, 20,000 shares of RCBC at P42.0 per share through the RCBC Securities.

01-27-2014 Other Events

The Board of Directors, in its regular meeting held on 27 January 2014, approved the appointment of Mr. Steven Michael T. Reyes as Senior Vice-President and Head – Trading Segment under the Treasury Group, subject to the confirmation of Monetary Board of the Bangko Sentral ng Pilipinas.

Mr. Reyes brings with him extensive Treasury experience focused on Trading and Investments which he has gained from his more than twenty (20) years of employment in the banking industry. Presented below are some of the roles he has handled in various banks:

- ANZ Banking Group as First Vice-President under the Global Markets Group since March 2009;
- Banco de Oro Universal Bank as Vice-President of the Capital Markets Desk from October 2006 to March 2009;
- Citibank, N.A. as Assistant Vice-President / Debt and Interest Trader from January 2006 to October 2006 and Bonds Trader from January 2002 to December 2005.

03-31-2014 Other Events

The Board of Directors, in its regular meeting held on 31 March 2014, approved the following:

a. Declaration and payment of cash dividends amounting to P1.00 per share, or a total of approximately P1.276 Billion payable to holders of Common Class shares and Preferred Class shares, subject to the final approval of the Bangko Sentral ng Pilipinas. Computation is shown below:

Shares Entitled to Dividend	No. of Shares Outstanding as of March 8, 2014	Dividends per share (PhP)	Amount of Dividends (PhP)
Common Shares	1,275,658,638	P1.00	P1,275,658,638
Preferred Shares	342,082	P1.00	P342,082
Total	1,276,000,720	P1.00	P1,276,000,720

b. Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC—Trust and Investments Group as of year ended December 31, 2013, as prepared by Punongbayan & Araullo, subject to the final approval of the stockholders;

c. In connection with the capital call of Luisita Industrial Park Corporation (LIPCO), infusion of additional equity investment in LIPCO amounting to P3.5 Million which comprises 35,000 new common shares to maintain RCBC's 35% stake in the corporation; and

d. Plan to issue Philippine Peso-denominated Basel III-compliant Tier 2 Notes (the "Tier 2 Notes" or the "Notes") subject to prevailing market conditions and Bangko Sentral ng Pilipinas ("BSP") approval. The Notes will have a minimum tenor of 10 years, with a call option by the Bank to redeem the Notes on the fifth year.

The Tier 2 Notes issuance is part of the Bank's thrust to strengthen its capital adequacy ratio in accordance with Basel III capital guidelines of the BSP and to support the Bank's continued growth.

05-16-14 Other Events

Please be advised that the regular Stockholders' Meeting of RCBC will be held on **June 30, 2014** at 4:00 P.M. at Alfonso Sycip Executive Lounge, 47 th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City. Stockholders of record as of *May 30, 2014* shall be entitled to vote at the said meeting.

The Agenda is as follows:
1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2013
2. Approval of the Annual Report and the Audited Financial Statement for 2013
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2013
4. Election of Directors
5. Appointment of External Auditor
6. Confirmation of significant transactions with DOSRI and related parties
7. Amendment of Article Third of the Amended Articles of Incorporation on Principal Office Address
8. Such other matters as may properly come before the meeting

05-26-14 Other Events

The Board of Directors, in its regular meeting held on 26 May 2014, approved, for final approval of the Stockholders, the amendment of Article Third of the Amended Articles of Incorporation to read as follows:

FROM: THIRD – The place where the principal office of the Corporation is to be established or located is in Makati, Rizal, Philippines.

TO: THIRD – The place where the principal office of the Corporation is to be established or located is in **Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City, Philippines**.

05-27-14 Other Events

The Bangko Sentral ng Pilipinas (BSP) has already approved our declaration and payment of ***cash dividends at P1.00 rate per share*** which we previously disclosed last March 31, 2014. The record date is on 10 June 2014 while the payment date is on 15 June 2014. The foregoing cash dividend declaration and payment shall be subject to the terms and conditions stated in the BSP letter.

06-02-14 Other Events

This refers to the Bangko Sentral ng Pilipinas (BSP) approval of the declaration and payment of ***cash dividends at P1.00 rate per share*** which we previously disclosed last 27 March 2014 with record date of 10 June 2014. The payment date is amended from 15 June 2014 to **25 June 2014.**

06-03-14 Other Events

This refers to the Bangko Sentral ng Pilipinas (BSP) approval of the declaration and payment of ***cash dividends at P1.00 rate per share*** which we previously disclosed last 27 March 2014 with record date of 10 June 2014. The payment date is amended from 25 June 2014 to **15 June 2014.**

07-11-14 Other Events

This is to advise the Securities and Exchange Commission ("SEC") and the Philippine Stock Exchange ("PSE") of the resignation of Mr. Jose Emmanuel U. Hilado, Senior Executive Vice President, Head of the Treasury Group and Treasurer of the Bank effective close of business hours on 11 July 2014, in compliance with the rules and regulations for publicly listed corporations.

07-28-14 Other Events

The Board of Directors, in its regular meeting held on 28 July 2014, approved the following:

1. Stock Rights Offer

    a. To conduct a Rights Offer, by way of offering common shares from the unissued portion of its authorized capital stock, to all eligible shareholders of the Bank, subject to receipt of regulatory approvals, exemptions, confirmations, and consents, as applicable;
    b. To appoint the necessary international and/or domestic underwriters and managers, registrars, receiving and paying banks or agents, and such other advisors and agents as may be necessary for the conduct of the Rights Offer as well as any offer to qualified buyers and offshore investors in accordance with applicable regulations; and
    c. To authorize any one of John G. Deveras, Executive Vice President for Strategic Initiatives, Gerald O. Florentino, First Senior Vice President and Head for Corporate Planning, or the Bank's management, to act for and on behalf of the Bank, including the determination of the terms and conditions of the offer, without the necessity of obtaining further approval from the Board of Directors and/or the shareholders, and the signing, execution and delivery of any and all contracts, agreements or documents necessary or proper in

connection with the offer, and the regulatory approvals, exemptions, confirmations, and consents required to be obtained from the relevant regulators.

Subject to market conditions, and other factors, the Bank expects to raise proceeds of up to P4.5 billion from the Rights Offer. The proposed Rights Offer will allow the Bank to strengthen its capital ratios under the Basel III standards and to support its asset growth.

This announcement does not constitute an offer to sell or an invitation or solicitation of an offer to buy or subscribe for the securities of Rizal Commercial Banking Corporation in the United States or any other jurisdiction. The securities referred to herein may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended (the "Securities Act") or an applicable exemption from the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or the selling security holder and that will contain detailed information about the company and management, as well as financial statements. No public offering of the securities referred to herein will be made in the United States.

2. adoption of Philippine Financial Reporting Standards 9 (PFRS 9) in 2014 subject to the results of an on-going in-depth impact evaluation

3. Recall of Secondment of Mr. Matias L. Paloso with RCBC Savings Bank, Inc.. Mr. M.L. Paloso will be appointed as Segment Head for RBG Products, Support, and Systems (RBG-PSS) under the Retail Banking Group (RBG) of RCBC.

08-26-14 Other Events

The Board of Directors, in its regular meeting held on 26 August 2014, approved following:

a. Appointment of First Senior Vice-President Mr. Manuel G. Ahyong, Jr. as Head of Wealth Management Group effective September 1, 2014.

   Mr. Ahyong is a seasoned banker with 29 years of banking experience particularly in Treasury and Private Banking. He has been with RCBC since 2006.
b. Resignation of Independent Director Mr. Antonino L. Alindogan, Jr. as member of the Corporate Governance Committee.
c. Appointment of Independent Director Mr. Armando M. Medina as member of the Corporate Governance Committee.
d. Creation of the Related Party Transactions (RPT) Committee.
e. Appointment of the Related Party Transactions (RPT) Committee members:

Mr. Antonino L. Alindogan, Jr.	- Chairman
Mr. Francisco C. Eizmendi, Jr.	- Member
Mr. Francis G. Estrada	- Member
Atty. Teodoro D. Regala	- Member
Atty. Wilfrido E. Sanchez	- Member

f. The plan to issue Philippine Peso (PhP)- denominated Long Term Negotiable Certificates of Time Deposit (LTNCD) subject to prevailing market conditions and Bangko Sentral ng Pilipinas (BSP) approval.

09-15-14 Other Items

Please be informed that a total of **3,791** RCBC Preferred shares under the name of **REBECCA C. UMALI** were converted to RCBC Common shares at the rate of 3.4776 Preferred Shares to 1 Common Share per written request of the said stockholder. A total of common shares **1,090** (net of fractional shares) were issued on September 15, 2014 as a result of the said conversion.

09-29-14 Other Items

The Board of Directors, in its regular meeting held on 29 September 2014, approved following:

a. Secondment of First Senior Vice-President Mr. Gerald O. Florentino to RCBC Securities, Inc. Mr. Florentino will be appointed as President effective October 1, 2014.

   Mr. Florentino is a seasoned banker with more than 20 years of banking experience particularly in the areas of investment banking, cash management, corporate and strategic planning, project management and business development. He has been with RCBC since 2012 and currently the Group Head of Corporate Planning.

b. Appointment of Senior Vice-President Mr. Florentino M. Madonza as Head of Controllership Group effective October 14, 2014.

   Mr. Madonza has more than 18 years of experience in RCBC where he held various positions in Controllership Group including Head for General Accounting and Services Division and most recently as Deputy Group Head for Controllership.

c. Appointment of Mr. Richard Gordon Alexander Westlake as Director effective October 1, 2014.

   Mr. Richard Gordon Alexander Westlake is founder and director of Westlake Governance, a New Zealand-based globally focused business now regarded as a leading adviser in Corporate Governance. Mr. Westlake has over 20 years experience as Director and Board Chairman and currently chairs Industry Training Organisation Careerforce and Intergen Limited. He was independent director of Kiwibank Ltd and Dairy Goat Co-Operative (NZ) Ltd. He was also Chair of the Standards Council of New Zealand, Deputy Chair of GNS Science Limited, and Establishment Chair of MetService and Quotable Value.

   Mr. Westlake gained his MA degree at Oxford University, England.

d. Appointment of Ms. Yvonne S. Yuchengco as Advisory Board Member effective October 1, 2014.

e. The RCBC Board has selected Cathay Life Insurance Co., Ltd. (“Cathay”) as the preferred bidder for the proposed acquisition of a 20% share block in RCBC.

   The proposed acquisition would involve Cathay:

(1) Subscribing to 124,340,272 primary common shares of RCBC at Php 64.00 per share to raise new Core Equity Tier 1 (CET1) capital for the bank of Php 7.957 billion, pursuant to a Share Subscription Agreement;
(2) Acquiring from Hexagon Investments B.V., an entity controlled by funds advised by CVC Asia Pacific Limited ("CVC"), 118,935,590 secondary shares also at Php 64.00 per share, pursuant to a Sale and Purchase Agreement;
(3) Acquiring from the International Finance Corporation ("IFC") 36,724,138 secondary shares also at Php 64.00 per share, pursuant to a Sale and Purchase Agreement; and
(4) Entering into a Shareholders Agreement with the Pan Malayan Management and Investment Corp and RCBC.

The parties are working together to negotiate and sign definitive transaction agreements, which include (a) a Shareholders Agreement, (b) a Subscription Agreement, and (c) Sale and Purchase Agreements (collectively, the "Transaction Documents"). The consummation of the proposed transaction is subjection to finalization and agreement of the Transaction Documents as well as certain conditions to closing contained in the Transaction Documents agreements, including, among others:

(1) Approval of the transaction by the relevant Philippine regulatory authorities;
(2) Approval of the transaction by the Taiwanese regulatory authorities;
(3) Approval of the divestment of the CVC share block by its Board; and
(4) Approval of the divestment of the IFC share block by its Board.

In connection with the said placement transaction, the RCBC Board also approved the following: (1) entering into the relevant documentation (including but not limited to the Subscription Agreement and Shareholders' Agreement) and doing any and all acts which may be required or necessary to implement such placement (including securing the relevant approvals from the Philippine regulators); (2) delegating to Mr. John G. Deveras the authority to appoint the necessary advisers, negotiate the terms and conditions in the documentation, and secure the regulatory approvals; and (3) appointment of Mr. Lorenzo V. Tan as the signatory to the Subscription Agreement and Shareholders' Agreement.

<u>About Cathay Financial</u>

Cathay is a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial"), which is the largest publicly-listed financial holding company in Taiwan, the Republic of China ("ROC"), and a leading provider of financial products and services with over 50 years of history. As of June 30, 2014, Cathay Financial had total consolidated assets of US$ 215 billion and a market capitalization of US$ 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 2nd largest privately-owned bank with 165 branches.
- Cathay Financial owns Cathay Century Insurance Company, Ltd. Taiwan's 2nd 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.

POTENTIAL SYNERGIES BETWEEN RCBC AND CATHAY FINANCIAL

RCBC seeks to derive significant value-add from the Cathay Financial relationship in the following areas:

(1) Capital.
(2) Consumer Banking.
(3) Wealth Management.
(4) Digital Banking.
(5) Corporate Relationships across Cathay Financial's network across Taiwan, Greater China and ASEAN.
(6) Cross-Selling.

CAPITAL

The subscription to primary shares would, if consummated, boost RCBC's CET1 ratio from 10.9% to 13.5% as of June 30, 2014 on a pro-forma basis. A CET1 ratio of 13.5% will make RCBC one of the well-capitalized universal banks in the Philippines.

PENDING STOCK RIGHTS OFFERING

Given the above approval, the RCBC Board also formally placed on hold its planned Php 4.5 billion rights offer, which was formally approved by the PSE last Friday, September 26 2014.

10-27-14 Other Items

In line with the Bank's adoption of Philippine Financial Reporting Standards 9 effective January 1, 2014, the Board of Directors in its regular meeting held on 27 October 2014 approved the Bank's business models.

11-24-14 Other Events

The Board of Directors, in its meeting held on 24 November 2014, approved the following:

1. Issuance of up to USD 500 Million of Senior Notes out of the Bank's Medium Term Note Programme and a bond exchange of its existing USD 250 million Senior Notes due 2015 and USD 275 million Senior Notes due 2017, subject to favorable market conditions and other considerations; and

2. Appointment of Atty. Maria Celia H. Fernandez-Estavillo as Alternate Member of the Related Party Transactions Committee.

12-15-14 Other Events

The Board of Directors, in its meeting held on 15 December 2014, approved the following:

1. Proposed 2015 Budget of RCBC.

2. Appointment of Ms. Ma. Christina P. Alvarez as Group Head of Corporate Planning effective January 1, 2015.

   Ms. Alvarez has more than 15 years of corporate and financial planning experience from the banking industry. She has been with RCBC since 2006 where she held various positions such as Division Head of Financial and Business planning and most recently, Officer-in-Charge of Corporate Planning.

   She graduated from the Ateneo de Manila University in 1991 with a degree in Management Economics. She finished her Masters in Business Management in 1998 at the Asian Institute of Management.

3. Appointment of Atty. Jennifer M. Balba as Assistant Corporate Secretary.

   Atty. Jennifer M. Balba started working in RCBC on December 1, 2014. Prior to joining RCBC, Atty. Jennifer M. Balba worked as Corporate Legal Officer of Phil-Nippon Kyoei Corporation (PNKC), with specific focus on Contracts and Documentation. She has served as Corporate Secretary or Assistant to the Corporate Secretary to the various affiliates and related companies of PNKC. She obtained her degree in Bachelor of Laws in University of the Philippines, Diliman.

01-26-15 Other Events

The Board of Directors, in its regular meeting held on 26 January 2015, approved the following:

a. **Declaration and payment of cash dividends** amounting to P0.05630 per share, or a total of approximately P19,046.63 payable to holders of convertible preferred shares as of March 21, 2015, subject to the final approval of the Bangko Sentral ng Pilipinas. Computation is shown below:

Shares Entitled to Dividend	No. of Shares Outstanding as of December 29, 2014	Dividends per share (PhP)	Amount of Dividends (PhP)
Convertible Preferred Shares	338,291	P0.05630	P19,046.629

b. The RCBC Board confirmed and ratified the actual number of shares which will be subscribed by and sold to Cathay Life Insurance Co., Ltd. (“Cathay”) who was **the** preferred bidder for the proposed acquisition of a 20% share block in RCBC pursuant to a resolution by the Board of Directors on September 29, 2014.

   Actual number of shares to be subscribed by and sold to Cathay, as confirmed and ratified by the RCBC Board are as follows:

(1) Cathay subscribing to 124,242,272 common shares of RCBC; and

(2) Cathay acquiring: (i) 119,033,590 common shares from Hexagon Investments B.V.; and (ii) 36,724,138 common shares from International Finance Corporation ("IFC") for a combined total of 155,757,728 shares, pursuant to their respective Sale and Purchase Agreements.

02-23-15 Other Events

The Board of Directors, in its regular meeting held on 23 February 2015, approved the following:

a. **Proposed increase in RCBC's Shareholding in RCBC Leasing & Finance Corporation.**

The Board of Directors approved the subscription by RCBC to P500.0 Million worth of shares of stock of RCBC Leasing & Finance Corporation, subject to approval by the Bangko Sentral ng Pilipinas.

b. **Appointment of Mr. Raul Victor B. Tan as Acting Head of Treasury Group**

The Board of Directors approved the appointment of Mr. Raul Victor B. Tan as Acting Treasury Group Head concurrent with his role as the Retail Banking Group Head effective March 1, 2015.

Mr. R.B. Tan is a seasoned banker with more than 30 years of banking experience particularly in Treasury and investment banking. He has been with RCBC since 2008 and was appointed group head of Retail Banking in August 2013. He graduated from the Ateneo de Manila University with the degree in BS Management and obtained his Masters in Business Administration from Fordham University.

03-12-15 Other Events

The Board of Directors, in its special meeting held on 12 March 2015, approved the following:

a. **Recall of Secondment of Mr. Joseph Colin B. Rodriguez with RCBC Savings Bank, Inc.and approval of his secondment as Director and Chief Operating Officer of RCBC Forex Corporation.**

Mr. Rodriguez is a seasoned banker with more than 20 years of banking experience. He has been with RCBC since 2007 and has also worked with the following institutions, among others:

- Philippine National Bank as First Vice President/ Head of Foreign Exchange and Derivatives Group from 2004 to 2007; and
- ING Bank as Vice President / Head of Foreign Exchange / Swap Desk from 1997 to 2003.

b. **Designation of Mr. Edgar Anthony B. Villanueva as Director of Merchants Savings and Loan Association, Inc.**

Mr. Villanueva brings with him more than 20 years of experience in commercial and transaction banking with a track record of increasing responsibility in a variety of challenging roles in business development, operations, change management, client services, cash management, electronic banking, and trade services, among others. He is also currently the Group Head of the Global Transactions Banking Group. He has worked with the following institutions, among others:

- Bank of America (formerly LaSalle Bank) as Vice President/ Business Development Manager from 2006 to 2009;
- ABN AMRO Bank N.V. as Director/ Client Management Head for North America Global Client Operations from 2004-2006;
- Chase Manhattan Bank as Vice President/ Business Manager and Trust Manager for Capital Markets Fiduciary Services from 1997- 2000.

03-30-15 Other Events

The Board of Directors, in its regular meeting held on 30 March 2015, approved the following:

a. **Early Redemption of USD100.0 Million Hybrid Tier 1 Notes**

The Board of Directors, in its meeting held on 30 March 2015, approved the early redemption of the Bank's USD 100 Million 9.875% Non-Cumulative Step-up Perpetual Securities ("the Hybrid Tier 1 Notes") callable beginning 27 October 2016 under the exercise of a Regulatory Event Redemption. The early redemption is subject to Bangko Sentral ng Pilipinas approval and the terms and conditions of the Hybrid Tier 1 Notes.

b. **Appointment of Director Richard Westlake as Member of the Risk Oversight Committee**

c. **Amendment to Article XI, Section 2 of the By-Laws**

The Board of Directors approved the amendment of Article XI, Section 2 of the By-Laws to read as follows:

> **"Section 2:** Should the annual net profits or net earnings, after income tax but before profit sharing bonus, from the operations of the Bank exceed an amount representing a return on investment on average capital (based upon the average rate during the year in review of Philippine Government 91-day Treasury Bills plus 5% but in no case less than 9%) (the "Hurdle Rate"), the following percentage of the annual net profits or net earnings after tax, net of deductions as may be required by law and regulation, shall be divided among the members of the Board of Directors and the Advisory Board, the members of the Executive Committee and the Officers, as follows:
>
> > 6% to be divided among the Board of Directors and the Advisory Board, each as a separate unit, in such proportion as may be determined by the Chairman. The amount allocated to the Board of Directors shall be distributed equally among the members thereof, except that the Chairman shall receive double the share of each member. The amount allocated to the Advisory Board shall be distributed equally among its members.
> >
> > 4% to be distributed equally among the members of the Executive Committee, except that the Chairman shall receive double the share of each member.

10% to be distributed among the Officers in such amounts that may be recommended by Senior Management and as may be approved by the Chairman of the Board.

The Chairman may, in the exercise of his discretion and taking the long-term interest of the Bank into consideration, reduce the amounts distributed under this Section. In no case shall the amounts distributed under this Section exceed 1% of net income after tax for the year in review.

For the purpose of computing the profit sharing under this Section, the increment resulting from the revaluation of properties of the Bank and the sale of capital assets shall not be taken into consideration.

The remainder of the earnings may be added to surplus or undivided profits, or distributed as dividends or otherwise disposed of in accordance with the best judgment of the Board of Directors.

The foregoing provisions of this Section shall be subject to compliance with the existing corporate and banking laws and regulations."

d. Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC—Trust and Investments Group as of year ended December 31, 2014, as prepared by Punongbayan & Araullo, subject to the final approval of the stockholders;

e. **Secondment of Mr. Joseph Colin B. Rodriguez as President and CEO of RCBC Forex Corporation, subject to approval of the BSP.**

Mr. Rodriguez is a seasoned banker with more than 20 years of banking experience. He has been with RCBC since 2007 and has also worked with the following institutions, among others:

- Philippine National Bank as First Vice President/ Head of Foreign Exchange and Derivatives Group from 2004 to 2007; and

- ING Bank as Vice President / Head of Foreign Exchange / Swap Desk from 1997 to 2003.

f. Declaration and payment **of cash dividend** amounting to P0.60 per share, or a total of approximately P765.60 Million payable to holders of Preferred and Common Class shares as of the close of the 10th trading day from receipt of approval by the Bangko Sentral ng Pilipinas ("record date") and payable within five (5) calendar days from record date. Computation is shown below:

Shares Entitled to Dividend	No. of Shares Outstanding as of March 13, 2015	Dividend per share (PhP)	Amount of Dividend (PhP)
Common Shares	1,275,659,728	Php0.60	Php765,395,836.80
Preferred Shares	338,291	Php0.60	Php202,974.60
Total	**1,275,998,019**	**Php0.60**	**Php765,598,811.40**

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, the City of Makati on April 14, 2015.

RIZAL COMMERCIAL BANKING CORPORATION
Issuer

By :

LORENZO V. TAN
President & CEO

RAUL VICTOR B. TAN
FSVP, Acting Treasurer &
Head - Retail Banking Group

FLORENTINO M. MADONZA
SVP, Head - Controllership Group

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

TRISTAN JOHN A. KABIGTING
VP, Head - General Accounting Division

ATTY. MA. CELIA FERNANDEZ-ESTAVILLO
EVP, Corporate Secretary &
Head - Legal & Regulatory Affairs

SUBSCRIBED AND SWORN to before me this 14th day of April, 2015 affiants exhibiting to me their Community Tax Certificates, as follows:

NAMES	COMMUNITY TAX CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE	ID/NUMBER/EXPIRY
Lorenzo V. Tan	02444383	01/14/2015	Makati City	Passport EB7963923 Expiry 23 April 2018
Raul Victor B. Tan	10051877	01/22/2015	Makati City	SSS 03-6556239-3
Florentino M. Madonza	02422463	01/14/2015	Makati City	SSS 33-1803817-2
Ma. Christina P. Alvarez	03450073	01/12/2015	Parañaque City	SSS 33-3010626-0
Tristan John A. Kabigting	25970057	01/05/2015	Porac, Pampanga	SSS 02-2300669-0
Atty. Ma. Celia Fernandez-Estavillo	10560613	01/05/2015	Manila	SSS 33-1625577-9

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Page No. 27
Book No. 246
Series of 2015

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-80 (2015-2016)
Until 31 December 2016
PTR No. 4753340; 01-06-15; Makati City
IBP No. 0983781; 01-06-15; Makati City
ROLL No. 40145
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Ayala Avenue, Makati City

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

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The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

We have audited the accompanying financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company) which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The management of the Group is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in the Philippines for Banks, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

APR 14 2015

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rizal Commercial Banking Corporation and subsidiaries and of Rizal Commercial Banking Corporation as of December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with Financial Reporting Standards in the Philippines for Banks, as described in Note 2 to the financial statements.

Emphasis of a Matter

As discussed in Note 26 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) 15-2010 and RR 19-2011 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 and RR 19-2011 require the supplementary information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with Financial Reporting Standards in the Philippines for Banks; it is neither a required disclosure under the Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission.

PUNONGBAYAN & ARAULLO

Ma. Isabel Comedia

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 4748308, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-2 (until Oct. 2, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-21-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 30, 2015

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
RESOURCES					
CASH AND OTHER CASH ITEMS	9	**P 13,085**	P 9,826	**P 9,539**	P 7,563
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**46,099**	52,491	**37,763**	48,679
DUE FROM OTHER BANKS	9	**16,600**	7,537	**15,535**	6,212
TRADING AND INVESTMENT SECURITIES - Net	10	**100,790**	92,700	**87,540**	79,240
LOANS AND RECEIVABLES - Net	11	**261,574**	237,960	**205,614**	191,636
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**321**	333	**7,999**	7,999
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**7,031**	8,814	**4,487**	7,021
INVESTMENT PROPERTIES - Net	14	**5,355**	4,579	**3,426**	1,944
OTHER RESOURCES - Net	15	**7,050**	7,629	**5,027**	4,796
TOTAL RESOURCES		**P 457,905**	P 421,869	**P 376,930**	P 355,090

	Notes	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	17	**P 315,761**	P 297,853	**P 248,022**	P 243,620
BILLS PAYABLE	18	**39,799**	39,895	**36,837**	37,067
BONDS PAYABLE	19	**23,486**	23,317	**23,486**	23,317
SUBORDINATED DEBT	20	**9,921**	-	**9,921**	-
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**4,671**	4,537	**3,498**	3,549
OTHER LIABILITIES	22	**11,136**	11,459	**8,474**	8,387
Total Liabilities		**404,774**	377,061	**330,238**	315,940
EQUITY	23	**53,131**	44,808	**46,692**	39,150
TOTAL LIABILITIES AND EQUITY		**P 457,905**	P 421,869	**P 376,930**	P 355,090

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		GROUP			PARENT COMPANY		
	Notes	**2014**	2013	2012	**2014**	2013	2012
INTEREST INCOME							
Loans and receivables	11	**P 15,961**	P 14,302	P 13,843	**P 11,143**	P 10,138	P 10,126
Trading and investment securities	10	**4,026**	4,259	4,736	**3,578**	3,762	4,184
Others	9, 24	**213**	263	178	**190**	246	111
		20,200	18,824	18,757	**14,911**	14,146	14,421
INTEREST EXPENSE							
Deposit liabilities	17	**2,581**	2,682	4,294	**1,849**	1,855	3,255
Bills payable and other borrowings	18, 19, 20, 24	**2,652**	2,831	3,061	**2,519**	2,698	2,928
		5,233	5,513	7,355	**4,368**	4,553	6,183
NET INTEREST INCOME		**14,967**	13,311	11,402	**10,543**	9,593	8,238
IMPAIRMENT LOSSES - Net	16	**2,509**	2,054	2,486	**1,663**	1,380	1,921
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**12,458**	11,257	8,916	**8,880**	8,213	6,317
OTHER OPERATING INCOME							
Trading and securities gains - net	2, 10	**2,545**	2,600	6,804	**1,869**	1,762	5,541
Service fees and commissions	2	**2,297**	2,398	2,080	**1,166**	1,375	1,196
Trust fees	27	**297**	304	293	**255**	257	254
Foreign exchange gains - net	2, 19	**237**	264	196	**199**	221	168
Miscellaneous	25	**1,726**	4,244	1,969	**2,668**	4,208	1,712
		7,102	9,810	11,342	**6,157**	7,823	8,871
TOTAL OPERATING INCOME		**P 19,560**	P 21,067	P 20,258	**P 15,037**	P 16,036	P 15,188

Forward

	Notes	GROUP 2014	GROUP 2013	GROUP 2012	PARENT COMPANY 2014	PARENT COMPANY 2013	PARENT COMPANY 2012
TOTAL OPERATING INCOME		**P 19,560**	P 21,067	P 20,258	**P 15,037**	P 16,036	P 15,188
OTHER OPERATING EXPENSES							
Employee benefits	24	**4,064**	3,886	3,851	**2,748**	2,639	2,732
Occupancy and equipment-related	28, 29	**2,528**	2,390	2,269	**1,863**	1,731	1,646
Taxes and licenses		**1,463**	1,708	1,628	**1,016**	1,202	1,210
Depreciation and amortization	13, 14, 15	**1,577**	1,318	1,114	**860**	772	671
Miscellaneous	25	**4,604**	5,172	4,695	**3,483**	3,943	3,689
		14,236	14,474	13,557	**9,970**	10,287	9,948
PROFIT BEFORE TAX		**5,324**	6,593	6,701	**5,067**	5,749	5,240
TAX EXPENSE	26	**914**	1,259	745	**588**	967	524
NET PROFIT		**P 4,410**	P 5,334	P 5,956	**P 4,479**	P 4,782	P 4,716
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 4,411**	P 5,321	P 5,949			
NON-CONTROLLING INTERESTS		**(1)**	13	7			
		P 4,410	P 5,334	P 5,956			
Earnings Per Share	30						
Basic		**P 3.11**	P 3.95	P 4.85	**P 3.16**	P 3.52	P 3.77
Diluted		**P 3.11**	P 3.95	P 4.85	**P 3.16**	P 3.52	P 3.77

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2014	GROUP 2013	GROUP 2012	PARENT COMPANY 2014	PARENT COMPANY 2013	PARENT COMPANY 2012
NET PROFIT		**P 4,410**	P 5,334	P 5,956	**P 4,479**	P 4,782	P 4,716
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Fair value gains on financial assets at fair value through other comprehensive income	10, 23	**118**	-	-	**56**	-	-
Actuarial gains (losses) on defined benefit plan	23	**1**	(773)	1,160	**80**	(755)	1,153
		119	(773)	1,160	**136**	(755)	1,153
Items that will be reclassified subsequently to profit or loss							
Translation adjustments on foreign operations	23	**(5)**	4	(2)	**-**	-	-
Fair value gains (losses) on available-for-sale securities	10	**-**	(8,150)	863	**-**	(6,982)	787
Excess of cost of investment over net assets of an acquired subsidiary	23	**-**	-	(87)	**-**	-	-
		(5)	(8,146)	774	**-**	(6,982)	787
Total Other Comprehensive Income (Loss)	23	**114**	(8,919)	1,934	**136**	(7,737)	1,940
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**P 4,524**	(P 3,585)	P 7,890	**P 4,615**	(P 2,955)	P 6,656
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 4,525**	(P 3,598)	P 7,883			
NON-CONTROLLING INTERESTS		**(1)**	13	7			
		P 4,524	(P 3,585)	P 7,890			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos)

		GROUP										
		ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS										
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2014, as previously stated		P 12,757	P 3	P 16,148	P 4,883	(P 5,154)	P 348	(P 282)	P 16,082	P 44,785	P 23	P 44,808
Effect of adoption of PFRS 9, *Financial Instruments*	2	-	-	-	-	5,694	-	-	(177)	5,517	-	5,517
Balance at January 1, 2014, as restated		12,757	3	16,148	4,883	540	348	(282)	15,905	50,302	23	50,325
Transactions with owners	23											
Effect of retirement of preferred shares		-	-	-	-	-	-	185	(185)	-	-	-
Cash dividends		-	-	-	-	-	-	-	(1,718)	(1,718)	-	(1,718)
Total transactions with owners		-	-	-	-		-	185	(1,903)	(1,718)	-	(1,718)
Total comprehensive income (loss) for the year	23	-	-	-	-	114	-	-	4,411	4,525	(1)	4,524
Transfer of fair value losses on financial assets												
at fair value through other comprehensive income to surplus	23	-	-	-	-	28	-	-	(28)	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	18	-	(18)	-	-	-
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131
Balance at January 1, 2013		P 11,409	P 3	P 9,397	P 4,883	P 3,765	P 329	(P 330)	P 12,676	P 42,132	P 30	P 42,162
Transactions with owners	23											
Issuance of common shares during the year		1,348	-	6,751	-	-	-	-	-	8,099	-	8,099
Effect of disposal and change in percentage ownership over subsidiaries		-	-	-	-	-	-	48	(204)	(156)	(20)	(176)
Cash dividends		-	-	-	-	-	-	-	(1,692)	(1,692)	-	(1,692)
Total transactions with owners		1,348	-	6,751	-	-	-	48	(1,896)	6,251	(20)	6,231
Total comprehensive income (loss) for the year	23	-	-	-	-	(8,919)	-	-	5,321	(3,598)	13	(3,585)
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	19	-	(19)	-	-	-
Balance at December 31, 2013		P 12,757	P 3	P 16,148	P 4,883	(P 5,154)	P 348	(P 282)	P 16,082	P 44,785	P 23	P 44,808
Balance at January 1, 2012		P 11,401	P 26	P 9,382	P 4,883	P 1,744	P 313	(P 102)	P 8,304	P 35,951	P 195	P 36,146
Transactions with owners	23											
Conversion of preferred stock to common stock		8	(23)	15	-	-	-	-	-	-	-	-
Effect of change in percentage ownership over subsidiaries		-	-	-	-	-	-	(141)	(120)	(261)	(172)	(433)
Cash dividends		-	-	-	-	-	-	-	(1,441)	(1,441)	-	(1,441)
Total transactions with owners		8	(23)	15	-	-	-	(141)	(1,561)	(1,702)	(172)	(1,874)
Total comprehensive income (loss) for the year	23	-	-	-	-	2,021	-	(87)	5,949	7,883	7	7,890
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	16	-	(16)	-	-	-
Balance at December 31, 2012		P 11,409	P 3	P 9,397	P 4,883	P 3,765	P 329	(P 330)	P 12,676	P 42,132	P 30	P 42,162

PARENT COMPANY

	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	SURPLUS	TOTAL EQUITY
Balance at January 1, 2014, as previously stated		P 12,757	P 3	P 16,148	P 4,883	(P 4,489)	P 327	P 9,521	P 39,150
Effect of adoption of PFRS 9, *Financial Instruments*	2	-	-	-	-	5,102	-	(457)	4,645
Balance at January 1, 2014, as restated		12,757	3	16,148	4,883	613	327	9,064	43,795
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,718)	(1,718)
Total comprehensive income for the year	23	-	-	-	-	136	-	4,479	4,615
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	14	(14)	-
Balance at December 31, 2014		**P 12,757**	**P 3**	**P 16,148**	**P 4,883**	**P 749**	**P 341**	**P 11,811**	**P 46,692**
Balance at January 1, 2013		P 11,409	P 3	P 9,397	P 4,883	P 3,248	P 312	P 6,446	P 35,698
Transactions with owners	23								
Issuance of common shares during the year		1,348	-	6,751	-	-	-	-	8,099
Cash dividends		-	-	-	-	-	-	(1,692)	(1,692)
Total transactions with owners		1,348	-	6,751	-		-	(1,692)	6,407
Total comprehensive income (loss) for the year	23	-	-	-	-	(7,737)	-	4,782	(2,955)
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
Balance at December 31, 2013		P 12,757	P 3	P 16,148	P 4,883	(P 4,489)	P 327	P 9,521	P 39,150
Balance at January 1, 2012		P 11,401	P 26	P 9,382	P 4,883	P 1,308	P 299	P 3,184	P 30,483
Transactions with owners	23								
Conversion of preferred stock to common stock		8	(23)	15	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(1,441)	(1,441)
Total transactions with owners		8	(23)	15	-	-	-	(1,441)	(1,441)
Total comprehensive income for the year	23	-	-	-	-	1,940	-	4,716	6,656
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	13	(13)	-
Balance at December 31, 2012		P 11,409	P 3	P 9,397	P 4,883	P 3,248	P 312	P 6,446	P 35,698

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2014	GROUP 2013	GROUP 2012	PARENT COMPANY 2014	PARENT COMPANY 2013	PARENT COMPANY 2012
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 5,324	P 6,593	P 6,701	P 5,067	P 5,749	P 5,240
Adjustments for:							
Interest income		(20,200)	(18,824)	(18,757)	(14,911)	(14,146)	(14,421)
Interest received		19,980	19,106	18,604	14,757	14,433	13,947
Interest expense		5,233	5,513	7,355	4,368	4,553	6,183
Interest paid		(5,162)	(5,637)	(7,188)	(4,412)	(4,658)	(6,004)
Impairment losses	16	2,509	2,054	2,486	1,663	1,380	1,921
Depreciation and amortization	13, 14, 15	1,577	1,318	1,114	860	772	671
Dividend income	25	(285)	(182)	(298)	(1,682)	(1,000)	(918)
Share in net earnings of associates	12	(24)	(243)	(357)	-	-	-
Gain from disposals of investments in subsidiary and associates	12	-	(1,380)	-	-	(1,787)	-
Operating profit before working capital changes		8,952	8,318	9,660	5,710	5,296	6,619
Decrease in financial assets at fair value through profit and loss		21,018	8,204	326	19,381	6,688	2,195
Increase in financial assets at fair value through other comprehensive income		(76)	-	-	-	-	-
Decrease (increase) in loans and receivables		(28,046)	(50,531)	(6,247)	(17,819)	(40,680)	146
Decrease in investment properties		242	2,905	297	657	1,674	218
Decrease (increase) in other resources		468	(1,110)	(1,959)	(252)	(492)	(1,731)
Increase (decrease) in deposit liabilities		17,908	51,096	(8,526)	4,402	47,185	(7,599)
Increase (decrease) in accrued interest, taxes and other expenses		(59)	(502)	1,352	(2)	235	1,675
Increase (decrease) in other liabilities		(119)	2,287	2,682	337	1,568	1,572
Cash generated from (used in) operations		20,288	20,667	(2,415)	12,414	21,474	3,095
Cash paid for taxes		(792)	(1,382)	(719)	(593)	(955)	(649)
Net Cash From (Used in) Operating Activities		19,496	19,285	(3,134)	11,821	20,519	2,446
CASH FLOWS FROM INVESTING ACTIVITIES							
Increase in investment securities at amortized cost		(20,993)	-	-	(20,577)	-	-
Acquisitions of bank premises, furniture and fixtures, and equipment	13	(912)	(2,751)	(2,217)	(573)	(3,319)	(1,282)
Cash dividends received	12, 25	285	466	322	1,682	1,000	918
Acquisitions of software	15	(147)	(304)	(217)	(124)	(249)	(62)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	98	362	291	185	52	204
Additional investments in subsidiaries and associates		(4)	-	-	(4)	-	(687)
Increase in available-for-sale securities		-	(12,783)	(6,938)	-	(13,570)	(6,922)
Proceeds from disposals of investments in subsidiary and associates	12	-	4,772	-	-	5,344	-
Net Cash Used in Investing Activities		(21,673)	(10,238)	(8,759)	(19,411)	(10,742)	(7,831)
CASH FLOWS FROM FINANCING ACTIVITIES							
Net proceeds from issuance of subordinated debt	20	9,921	-	-	9,921	-	-
Dividends paid	23	(1,718)	(1,692)	(1,441)	(1,718)	(1,692)	(1,441)
Proceeds from (payments of) bills payable	18	(96)	13,508	8,350	(230)	13,096	7,824
Redemption of subordinated debt	20	-	(10,987)	-	-	(10,987)	-
Issuance of common shares	23	-	8,099	-	-	8,099	-
Net proceeds from issuance of bonds payable	19	-	-	10,648	-	-	10,648
Net Cash From Financing Activities		8,107	8,928	17,557	7,973	8,516	17,031
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Balance Carried Forward)*		P 5,930	P 17,975	P 5,664	P 383	P 18,293	P 11,646

	Note	GROUP 2014	GROUP 2013	GROUP 2012	PARENT COMPANY 2014	PARENT COMPANY 2013	PARENT COMPANY 2012
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Balance Brought Forward)*		**P 5,930**	P 17,975	P 5,664	**P 383**	P 18,293	P 11,646
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	**9,826**	9,380	8,163	**7,563**	7,432	6,560
Due from Bangko Sentral ng Pilipinas	9	**52,491**	36,620	34,283	**48,679**	31,590	22,990
Due from other banks	9	**7,537**	5,879	3,769	**6,212**	5,139	2,965
		69,854	51,879	46,215	**62,454**	44,161	32,515
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**13,085**	9,826	9,380	**9,539**	7,563	7,432
Due from Bangko Sentral ng Pilipinas	9	**46,099**	52,491	36,620	**37,763**	48,679	31,590
Due from other banks	9	**16,600**	7,537	5,879	**15,535**	6,212	5,139
		P 75,784	P 69,854	P 51,879	**P 62,837**	P 62,454	P 44,161

Supplemental Information on Noncash Operating, Investing and Financing Activities:

1. On January 1, 2014, as a result of the adoption of Philippine Financial Reporting Standards 9, *Financial Instruments (2009, 2010 and 2013 versions)*, the Group and the Parent Company reclassified a portfolio of AFS securities amounting to P53,996 and P45,827, respectively, to financial assets at amortized cost; P31,910 and P29,547, respectively, to financial assets at FVPL; P3,245 and P1,247, respectively, to financial assets at FVOCI; and, both for P261 to loans and receivables (see Note 2).

2. In 2014, the Parent Company sold a certain non-performing asset with a carrying amount of P774 for a total consideration of P740 consisting of P35 cash as downpayment, P40 accounts receivables and P665 sales contract receivables (see Note 14).

3. In 2014, the Parent Company reclassified a portion of RSB Corporate Center including the land where it is located with carrying amount of P1,985 and P419, respectively, from Bank Premises, Furniture and Fixtures, and Equipment to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is classified as part of the Investment Properties account in the 2014 statement of financial position (see Note 13).

4. In 2013, the Group received a 10-year note from Philippine Asset Growth One with a face amount of P731 which formed part of the consideration received in relation to the Parent Company's disposal of non-performing assets (see Note 10).

5. The Group and the Parent Company foreclosed real and other properties totalling to P834 and P18, respectively, in 2014, P690 and P16, respectively, in 2013, and P579 and P96, respectively, in 2012 in settlement of certain loan accounts (see Note 14).

6. In 2012, preferred shares amounting to P23 or 2,242,674 shares with a par value of P10 were converted into 722,012 common shares with the same par value (see Note 23).

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. 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 and mortgage/housing 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).

The Group's and Parent Company's banking network within and outside the Philippines as of December 31 follows:

	Group		**Parent Company**	
	2014	2013	**2014**	2013
Automated teller machines (ATMs)	**1,202**	1,150	**812**	807
Branches	**414**	407	**252**	251
Extension offices	**35**	27	**25**	23
Foreign exchange booths	**-**	1	**-**	1

The Parent Company is a 45.20% owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address located at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

In 2014, the Parent Company amended its Articles of Incorporation specifying its principal office to be at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

1.2 Subsidiaries and Associates

The Parent Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2014	2013
RCBC Savings Bank, Inc. (RSB)	Consumer and retail banking		**100.00**	100.00
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	Remittance	(a)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(b)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.39**	99.39
Merchants Savings and Loan Association, Inc. (Rizal Microbank)	Thrift banking		**97.47**	97.47
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**97.79**	97.79
RCBC Rental Corporation	Property leasing	(d)	**97.79**	97.79
Special Purpose Companies (SPCs):	Real estate buying and selling	(e)		
Best Value Property and Development Corporation (Best Value)			**100.00**	100.00
Cajel Realty Corporation (Cajel)			**100.00**	100.00
Crescent Park Property and Development Corporation (Crescent Park)			**100.00**	100.00
Crestview Properties Development Corporation (Crestview)			**100.00**	100.00
Eight Hills Property and Development Corporation (Eight Hills)			**100.00**	100.00
Fairplace Property and Development Corporation			**100.00**	100.00
Gold Place Properties Development Corporation (Gold Place)			**100.00**	100.00
Goldpath Properties Development Corporation (Goldpath)			**100.00**	100.00
Greatwings Properties Development Corporation (Greatwings)			**100.00**	100.00
Happyville Property and Development Corporation			**100.00**	100.00
Landview Property and Development Corporation			**100.00**	100.00
Lifeway Property and Development Corporation (Lifeway)			**100.00**	100.00
Niceview Property and Development Corporation (Niceview)			**100.00**	100.00
Niyog Property Holdings, Inc. (NPHI)		(f)	**100.00**	100.00

Subsidiaries/Associates	Line of Business	Effective Percentage of Ownership 2014	2013
SPCs:			
Princeway Properties Development Corporation (Princeway)		**100.00**	100.00
Stockton Realty Development Corporation		**100.00**	100.00
Top Place Properties Development Corporation (Top Place)		**100.00**	100.00
Associates:			
YGC Corporate Services, Inc. (YCS)	Support services for YGC	**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	**12.88**	12.88

Except for RCBC Telemoney (Italy), RCBC North America (USA), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines.

Explanatory Notes:

(a) The Parent Company has 83.97% direct ownership and 16.03% indirect ownership through RCBC IFL. RCBC North America was operational only until March 31, 2014.
(b) A wholly-owned subsidiary of RCBC IFL
(c) Wholly-owned subsidiaries of RCBC Capital
(d) A wholly-owned subsidiary of RCBC LFC
(e) Except for NPHI, the SPCs are wholly-owned subsidiaries of RSB; the SPCs except for NPHI and Cajel, will be liquidated in 2015 pursuant to BSP recommendation (see Note 15.1).
(f) The Parent Company has 48.11% direct ownership and 51.89% indirect ownership through RSB.

1.3 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the financial statements of RCBC as of and for the year ended December 31, 2014 (including the comparatives as of December 31, 2013 and for the years ended December 31, 2013 and 2012) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on March 30, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated [see Note 2.2(b)].

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Financial Reporting Standards in the Philippines for Banks

The consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in accordance with the Financial Reporting Standards in the Philippines for Banks (FRSPB).

FRSPB are similar to Philippine Financial Reporting Standards (PFRS), which are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy (BOA), except for the following accounting treatments for certain financial instruments which are not allowed under PFRS, but were allowed under FRSPB as permitted by the BSP for prudential reporting, and by the Securities and Exchange Commission (SEC) for financial reporting purposes: (i) the non-separation of the embedded derivatives in credit-linked notes (CLNs) and other similar instruments that are linked to Republic of the Philippines (ROP) bonds to their host instruments and reclassification of ROP bonds together with the embedded derivatives in CLNs from the fair value through profit or loss (FVPL) classification to loans and receivables and available-for-sale (AFS) securities classifications; and (ii) the reclassification of certain financial assets previously classified under AFS Securities category back to held-to-maturity (HTM) category due to the tainting of HTM investments portfolio. The effects of the reclassifications to certain accounts in the statement of financial position as of December 31, 2013 and net profit for the year then ended under FRSPB are discussed fully in Note 11.3. However, these reclassifications were no longer applicable upon the adoption of PFRS 9 effective January 1, 2014 [see Note 2.2 (b)].

These financial statements have been prepared using the measurement bases specified by FRSPB for each type of resource, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

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

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.20). All amounts are in millions, except per share data or when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for financial statements for the annual periods beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Separate Financial Statements – Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions.

The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less costs of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment resulted in additional disclosures in the financial statements since the recoverable amounts of the Group's certain non-financial assets where impairment losses have been recognized were determined based on fair value less costs of disposal which have been disclosed in accordance with PAS 36 (see Notes 7.3 and 14.3).

(iii) PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities,* PAS 27, *Separate Financial Statements* (Amendments) – *Investment Entities.* The amendment to PFRS 10 defines the term "investment entity" and provides to such an investment entity an exemption from consolidation of particular subsidiaries and instead requires to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. This amendment also resulted in a consequential amendment to PAS 27 to include investment entity under its scope and in PFRS 12 to require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. These amendments did not have a significant impact on the Group's financial statements since the Group, in its capacity as a banking institution, does not engage into transactions involving investment management services to its investors and its trust operation has no interest in any eligible subsidiary.

(iv) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by the government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's financial statements since the Group has been recognizing levies at the time the legislation or the government requires or imposes the payment of such.

(b) Effective Subsequent to 2014 but Adopted Early

The IASB, as part of its comprehensive response to the financial crisis, has issued International Financial Reporting Standard (IFRS) 9, *Financial Instruments,* to replace International Accounting Standard (IAS) 39, in its entirety. IASB previously published and issued versions of this standard in 2009 and 2010 that contain and introduced new requirements and guidance on the classification and measurement of financial assets and financial liabilities followed by another version in 2013 that introduced a new hedge accounting model to better link the economics of risk management with its accounting treatment. In July 2014, the IASB issued the final version of IFRS 9, the IFRS 9 (2014) which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. This final version of the standard on financial instruments replaces the earlier versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018 with early application permitted. For a limited period, previous versions of IFRS 9 (i.e., 2009, 2010 and 2013) may be adopted early, provided that the relevant date of initial application is before February 1, 2015.

In view of the issuance of IFRS 9, the IASB also made consequential amendments to PFRS 7, *Financial Instruments – Disclosures,* to provide quantitative and qualitative information to enable users of financial statements understand the entity's first application of IFRS 9, including but not limited to, reasons for early adoption and the impact on the classification and measurement of financial assets and financial liabilities on its financial statements.

The FRSC adopted the earlier versions of IFRS 9 as PFRS 9 as follows, with effective date similar with that of IFRS 9:

- PFRS 9 (2009) - requirements on the classification and measurement of financial assets, in March 2010;

- PFRS 9 (2010) - requirements on accounting for financial liabilities, in November 2010; and,

- PFRS 9 (2013) - new general hedge accounting model and early adoption on the treatment of fair value changes of a liability due to changes in own credit risk in, December 2013.

All versions of the standard prior to the issuance of IFRS 9 (2014) are collectively referred to herein as PFRS 9. IFRS 9 (2014) was adopted by the FRSC as PFRS 9 (2014) in September 2014 [see Note 2.2(c)].

Relative to the issuance of PFRS 9, the SEC provided guidelines on the implementation and early adoption of PFRS 9 on May 16, 2011 under SEC Memorandum Circular No. 3, which was subsequently revised by SEC Memorandum Circular No. 3 on May 28, 2012. Moreover, for banks and other entities regulated by the BSP, the Monetary Board of the BSP approved the guidelines governing the implementation and early adoption of PFRS 9 on December 23, 2010, and issued the implementing guidelines under BSP Circular No. 708 on January 10, 2011, which was subsequently amended by BSP Circular Nos. 733 and 761 on August 5, 2011 and July 20, 2012, respectively.

The Group opted to early adopt PFRS 9 as management believes that the early adoption of the standard will put the Group in a position to manage better its earnings and capital as the business model approach introduced by PFRS 9 aims to align the accounting standards with the Group's risk, capital, asset-liability and liquidity management practices. In addition, this will also benefit the Group for better management of its earnings and profitability in view of changing market conditions and business trends.

PFRS 9 Classification and Measurement Approach

PFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured either at amortized cost or fair value. Debt instruments are measured at amortized cost only if: (i) the asset is held within a business model whose objective is to hold the assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. If either of the two criteria is not met, the debt instrument is classified as at fair value through profit or loss (FVPL). Additionally, even if the asset meets the amortized cost criteria, the Group may choose at initial recognition to designate the debt instrument at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Investments in equity instruments are classified and measured at FVPL, except if the equity investment is not held for trading or is designated by the Group at fair value through other comprehensive income (FVOCI). If the equity investment is designated at FVOCI, all gains and losses, except for dividend income recognized in accordance with PAS 18, *Revenue*, including disposal costs are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, do not require separation from the host contract.

For financial liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

Group's Transition Approaches in Applying PFRS 9

The Group applied PFRS 9 retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, as permitted under the transitional provisions of PFRS 9 for early application of this standard for annual periods prior to the mandatory effective date on January 1, 2018, the Group early adopted the standard with January 1, 2014 as the date of initial application. As also allowed under the related transitional disclosure requirements of PFRS 7 for early adoption of PFRS 9, the Group opted not to restate the comparative periods.

Discussed below are the details on how the Group transitioned to PFRS 9.

- The classification of financial assets that the Group held as at January 1, 2014 was based on the facts and circumstances relative to the business model in which the financial assets were held at that date. In connection with this, the Group has made significant judgment to evaluate its business model and to determine the appropriate category of its financial instruments as discussed in Note 3.1(a).

- For any hybrid contract whose fair value had not been measured in the comparative reporting periods, the Group determines the fair value of such hybrid contract in its entirety equivalent to the sum of the fair value of the components (i.e., the non-derivative host and the embedded derivatives) as at January 1, 2014.

- As at January 1, 2014 and based on the facts and circumstances existing as of that date, certain equity securities has been designated by the Group as at FVPL or FVOCI. No designation of financial asset at FVPL has been made by the Group prior to application of PFRS 9.

- For unquoted equity securities which were previously carried at cost as allowed in PAS 39, the Group has determined the fair value of such equity securities as at January 1, 2014 based on acceptable valuation techniques.

- The classification and measurement requirements for financial instruments previously applied in accordance with PAS 39 and disclosures required in PFRS 7 are retained for the comparative period as of December 31, 2013.

- As the comparative information is not restated, the Group has not provided a third statement of financial position at the beginning of the earliest comparative period in accordance with PAS 1. Moreover, the Group disclosed the accounting policies on financial instruments in accordance with PFRS 9 for December 31, 2014 and PAS 39 for December 31, 2013.

- The difference between the carrying amount of the financial instruments as of December 31, 2013 under PAS 39 and their carrying amount as of January 1, 2014 under PFRS 9 is recognized in the opening balance of the Surplus account or Revaluation Reserves account, as appropriate.

Impact of the Group's Early Adoption of PFRS 9

The following table shows the effects of the adoption of PFRS 9 on the carrying amounts and presentation of financial assets categories in the statement of financial position beginning January 1, 2014:

	Group					
Measurement Category	Carrying Amounts (PAS 39) December 31, 2013	Reclassi- fications	Remeasure- ments	Carrying Amounts (PFRS 9) January 1, 2014	Surplus	Revaluation Reserves
Financial Assets at Amortized Cost						
Cash and cash equivalents	P 69,854	P -	P -	P 69,854	P -	P -
Investment securities						
Reclassifications from:						
Financial assets at FVPL	-	103	(7)	96	(7)	-
AFS securities	-	53,996	4,710	58,706	-	4,710
	-	54,099	4,703	58,802	(7)	4,710
Loans and receivables - net	237,960	(2,665)	-	235,295	-	-
Reclassification from:						
AFS securities	-	261	-	261	-	-
	237,960	(2,404)	-	235,556	-	-
Other resources	1,530	-	-	1,530	-	-
Total Financial Assets, at Amortized Cost, Reclassifications and Remeasurements at January 1, 2014	**309,344**	**51,695**	**4,703**	**365,742**	**(7)**	**4,710**
AFS Securities	89,412	-	-	89,412	-	-
Reclassifications to:						
Investment securities at amortized cost	-	(53,996)	-	(53,996)	-	-
Financial assets at FVPL	-	(31,910)	-	(31,910)	-	-
Financial assets at FVOCI	-	(3,245)	-	(3,245)	-	-
Loans and receivables - net	-	(261)	-	(261)	-	-
Total AFS Securities, Reclassifications and Remeasurements at January 1, 2014	**89,412**	**(89,412)**	**-**	**-**	**-**	**-**
Financial Assets at FVPL	3,288	(267)	-	3,021	-	-
Reclassifications from:						
Loans and receivables - net	-	2,665	282	2,947	244	38
AFS securities	-	31,910	(402)	31,508	(462)	60
Total Financial Assets at FVPL, Reclassifications and Remeasurements at January 1, 2014	**3,288**	**34,308**	**(120)**	**37,476**	**(218)**	**98**
Financial Assets at FVOCI	-	-	-	-	-	-
Reclassifications from –						
Financial assets at FVPL	-	164	-	164	26	(26)
AFS securities	-	3,245	934	4,179	22	912
Financial Assets at FVOCI Reclassifications and Remeasurements at January 1, 2014	**-**	**3,409**	**934**	**4,343**	**48**	**886**
Total Financial Assets Balances, Reclassifications and Remeasurements at January 1, 2014	**P 402,044**	**P -**	**P 5,517**	**P 407,561**	**(P 177)**	**P 5,694**

Parent Company						
Measurement Category	Carrying Amounts (PAS 39) December 31, 2013	Reclassi- fications	Remeasure- ments	Carrying Amounts (PFRS 9) January 1, 2014	Surplus	Revaluation Reserves
Financial Assets at Amortized Cost						
Cash and cash equivalents	P 62,454	P -	P -	P 62,454	P -	P -
Investment securities Reclassification from:						
AFS securities	-	45,827	3,852	49,679	-	3,852
	-	45,827	3,852	49,679	-	3,852
Loans and receivables - net	191,636	(2,665)	-	188,971	-	-
Reclassification from – AFS securities	-	261	-	261	-	-
	191,636	(2,404)	-	189,232	-	-
Other resources	1,510	-	-	1,510	-	-
Total Financial Assets, at Amortized Cost, Reclassifications and Remeasurements at January 1, 2014	**255,600**	**43,423**	**3,852**	**302,875**	**-**	**3,852**
AFS Securities	76,882	-	-	76,882	-	-
Reclassifications to:						
Investment securities at amortized cost	-	(45,827)	-	(45,827)	-	-
Financial assets at FVPL	-	(29,547)	-	(29,547)	-	-
Financial assets at FVOCI	-	(1,247)	-	(1,247)	-	-
Loans and receivables – net	-	(261)	-	(261)	-	-
Total AFS Securities, Reclassifications and Remeasurements at January 1, 2014	**76,882**	**(76,882)**	**-**	**-**	**-**	**-**
Financial Assets at FVPL	2,358	-	-	2,358	-	-
Reclassifications from:						
Loans and receivables - net	-	2,665	282	2,947	244	38
AFS Securities	-	29,547	(408)	29,139	(723)	315
Total Financial Assets, at FVPL, Reclassifications and Remeasurements at January 1, 2014	**2,358**	**32,212**	**(126)**	**34,444**	**(479)**	**353**
Financial Assets at FVOCI	-	-	-	-	-	-
Reclassification from: AFS Securities	-	1,247	919	2,166	22	897
Financial Assets at FVOCI Reclassifications and Remeasurements at January 1, 2014	**-**	**1,247**	**919**	**2,166**	**22**	**897**
Total Financial Assets Balances, Reclassifications and Remeasurements at January 1, 2014	**P 334,840**	**P -**	**P 4,645**	**P 339,485**	**(P 457)**	**P 5,102**

The initial application of PFRS 9 had the following impact on the financial assets of the Group and Parent Company:

- The investments in debt instruments previously classified as AFS Securities that met the criteria to be classified as at amortized cost under PFRS 9 were reclassified to Investment securities at amortized cost because the business model is to hold these debt instruments in order to collect contractual cash flows. The accumulated net unrealized fair value losses on AFS securities were adjusted to the opening balance of Revaluation Reserves account amounting to P4,710 (Group) and P3,852 (Parent Company) as of January 1, 2014. The reclassification had no impact on the Group's and Parent Company's Surplus as of January 1, 2014.

- The Group elected to present in other comprehensive income the changes in the fair value of certain equity investments which are not held for trading, previously classified as AFS Securities; now classified as Financial Assets at FVOCI, because the business model is to hold these equity securities for long-term strategic investment rather than for short-term profit taking. The accumulated net unrealized fair value gains on AFS Securities recognized by the Group and the Parent Company amounting to P912 and P897, respectively, were adjusted to the opening balance of Revaluation Reserves account as of January 1, 2014.

- Investments in debt instruments previously classified as AFS Securities that did not meet the criteria to be classified as at amortized cost under PFRS 9 have been classified as Financial Assets at FVPL. Moreover, certain equity investments, previously classified as AFS securities were likewise reclassified to Financial Assets at FVPL as these equity securities are held by the Group for trading purposes or designated by the Group to be held as at FVPL. The accumulated net unrealized loss on AFS securities recognized by the Group and the Parent Company amounting to P462 and P723, respectively, were adjusted to the opening balance of the Surplus account.

- Unquoted CLNs that are linked to ROP bonds previously classified as Loans and Receivables that did not meet the criteria to be classified as at amortized cost under PFRS 9 have been classified as Financial Assets at FVPL. As these CLNs contain embedded features, the assessment of the hybrid financial instrument has been made in its entirety (i.e., no bifurcation of embedded derivatives). The reclassification resulted in the recognition of the accumulated net unrealized gains amounting to P244, P38 of which relates to the outstanding balance of the net unrealized fair value loss previously presented as part of Revaluation Reserves account, which were adjusted to the opening balance of the Surplus account as of January 1, 2014 (see Note 11.3).

The adoption of PFRS 9 has no impact on the classification and measurement of financial liabilities on the Group's and Parent Company's financial statements. As of December 31, 2014, the Group's and Parent Company's financial liabilities are classified and measured at amortized cost, except for derivative financial liabilities which are measured at fair value.

The reclassification between categories of financial assets shown in the preceding pages as a result of the adoption of PFRS 9 resulted in the following changes in the balances of certain affected financial statement accounts as of January 1, 2014:

	Group		
	PAS 39	Effect of adoption of PFRS 9	PFRS 9
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 3,288	P 34,188	P 37,476
Financial assets at FVOCI	-	4,343	4,343
Investment securities at amortized cost	-	58,802	58,802
AFS securities	89,412	(89,412)	-
Loans and receivables – net	237,960	(2,404)	235,556
Net increase in resources		P 5,517	
Changes in components of equity:			
Surplus	P 16,082	(P 177)	P 15,905
Revaluation reserves	(5,154)	5,694	540
Net increase in equity		P 5,517	

	Parent Company		
	PAS 39	Effect of adoption of PFRS 9	PFRS 9
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 2,358	P 32,086	P 34,444
Financial assets at FVOCI	-	2,166	2,166
Investment securities at amortized cost	-	49,679	49,679
AFS securities	76,882	(76,882)	-
Loans and receivables – net	191,636	(2,404)	189,232
Net increase in resources		P 4,645	
Changes in components of equity:			
Surplus	P 9,521	(P 457)	P 9,064
Revaluation reserves	(4,489)	5,102	613
Net increase in equity		P 4,645	

Had the Group and the Parent Company not early adopted PFRS 9, certain financial statement accounts as of and for the year ended December 31, 2014 would have been reported under PAS 39 as follows:

	Group		
	PAS 39	Effect of adoption of PFRS 9	PFRS 9
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 16,458	(P 6,313)	P 10,145
Financial assets at FVOCI	4,537	(4,537)	-
Investment securities at amortized cost	79,795	(79,795)	-
AFS securities	-	87,884	87,884
Loans and receivables	261,574	424	261,998
Net decrease in resources		(P 2,337)	
Changes in components of equity:			
Surplus	P 18,367	(P 568)	P 17,799
Revaluation reserves	682	(1,769)	(1,087)
Net decrease in equity		(P 2,337)	
Changes in profit or loss and other comprehensive income:			
Trading and securities gain	P 2,545	(P 759)	P 1,786
Other comprehensive income	114	3,953	4,067
Net increase in other comprehensive income		P 3,194	

	Parent Company		
	PFRS 9	Effect of adoption of PFRS 9	PAS 39
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 15,062	(P 5,468)	P 9,594
Financial assets at FVOCI	2,222	(2,222)	-
Investment securities at amortized cost	70,256	(70,256)	-
AFS securities	-	75,717	75,717
Loans and receivables	205,614	424	206,038
Net decrease in resources		(P 1,805)	
Changes in components of equity:			
Surplus	P 11,811	P 123	P 11,934
Revaluation reserves	749	(1,682)	(933)
Net decrease in equity		(P 1,805)	
Changes in profit or loss and other comprehensive income:			
Trading and securities gain	P 1,869	(P 580)	P 1,289
Other comprehensive income	136	3,340	3,476
Net increase in other comprehensive income		P 2,760	

Had PFRS 9 not been adopted, the Group and the Parent Company's earnings per share for the year ended December 31, 2014 would have been lower by P0.59 and P0.46, respectively.

(c) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements below in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that the materiality principle applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented in the statement of comprehensive income based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. On the other hand, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(v) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. The Parent Company will evaluate if it will change the accounting policy for its investments in subsidiaries and associates.

(vi) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vii) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities : Applying the Consolidation Exception* (effective from January 1, 2016). The amendment to PFRS 10 confirms that the exemption from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its interest in all its subsidiaries at fair value in accordance with PFRS 10. It further clarifies that if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services that are related to the investment activities of the investment entity parent, the latter shall consolidate that subsidiary. Amendment to PAS 28 permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries. In addition, PFRS 12 has been amended to clarify that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12.

(viii) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRS, except for those principles that conflict with the guidance in PFRS 11.

(ix) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities discussed in Note 2.2(b), which were early adopted by the Group on January 1, 2014, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement for eligible debt securities; and,

- an expected loss model in determining impairment of all financial assets that are not measured at FVPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

In view of the Group's early adoption of PFRS 9, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study on the potential impact of this standard prior to its mandatory adoption.

(x) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets*. The amendment clarifies that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the reporting entity to its employees or directors.

- PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11 in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset. In addition, the amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with PAS 34, *Interim Financial Reporting,* when its inclusion would be necessary in order to meet the general principles of PAS 34.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures: Amendment to PFRS 7 to Condensed Interim Financial Statements*. This amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be provided in the condensed interim financial statements that are prepared in accordance with PAS 34, *Interim Financial Reporting*, when its inclusion would be necessary in order to meet the general principles of PAS 34.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PAS 34 (Amendment), *Interim Financial Reporting*. The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

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

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.2, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Company, using consistent accounting policies. The Group accounts for its investments in subsidiaries and associates, and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

Acquired subsidiaries are subject to either of the following relevant policies:

(i) *Purchase method* involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of a subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of a subsidiary prior to acquisition. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. On the other hand, negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at the date of acquisition over acquisition cost.

(ii) *Pooling of interest method* is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in a separate reserve account under Equity.

(b) *Transactions with Non-controlling Interests*

Non-controlling interests (NCI) represent the portion of the net assets and profit or loss not attributable to the Group. The Group applies a policy of treating transactions with NCI as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in profit or loss. Purchases of equity shares from NCI may result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of a subsidiary.

In the consolidated financial statements, the non-controlling interests component is shown as part of the consolidated statement of changes in equity.

(c) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in joint venture. In the consolidated financial statements, investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Under the equity method, the Group recognizes in profit or loss its share in the net earnings or losses of the associates. The cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the associates since the date of acquisition. Dividends received are accounted for as reduction in the carrying value of the investment.

Acquired investments in associates are subject to purchase method of accounting as described in Note [2.3(a)(i)]. However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates. All subsequent changes to the ownership of interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited against Share in Net Earnings of Associates under Miscellaneous Income in the Group's statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items that have been directly recognized in the associate's equity are recognized in other comprehensive income or equity of the Group as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has not been recognized previously.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets that were transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Parent Company's financial statements, investments in subsidiaries and associates are accounted for at cost, less any impairment loss (see Note 2.21).

2.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's operations are structured according to the nature of the services provided (primary segment) and different geographical markets served (secondary segment). Financial information on business segments is presented in Note 8.

2.5 Financial 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. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9 Effective from January 1, 2014

Under PFRS 9, 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 below.

(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 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 (see Notes 2.7 and 2.18).

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Investment Securities at Amortized Cost under Trading and Investment Securities, Loans and Receivables and certain Other Resources accounts.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash and other cash items and non-restricted balances of due from BSP and due from other banks. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2014, the Group has not made such designation.

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

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at 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 FVOCI at initial recognition. The Group's financial assets at FVPL include government securities, corporate bonds and equity securities which are held for trading purposes or designated as at FVPL.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at 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.

Interest earned on these investments is reported in profit or loss under Interest Income account while dividend income is reported in profit or loss under Miscellaneous included in Other Operating Income account when the right of payment has been established.

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

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.

Any dividends earned on holding these equity instruments are recognized in profit or loss as part of Miscellaneous under Other Operating Income account, when the Group's right to receive dividends is established in accordance with PAS 18, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(b) Classification , Measurement and Reclassification of Financial Assets in Accordance with PAS 39 Effective Prior to January 1, 2014

Financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which the investments were acquired and their characteristics. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVPL, loans and receivables, HTM investments and AFS securities. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

Regular purchases and sales of financial assets are recognized on their settlement date. All financial assets that are not classified as FVPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVPL are initially recorded at fair value and the related transaction costs are recognized as expense in profit or loss.

A more detailed description of the categories of financial assets relevant to the Group as of and for the year ended December 31, 2013 follows:

(i) Financial Assets at Fair Value through Profit or Loss

This category includes derivative financial instruments and financial assets that are either classified as held for trading or are designated by the Group to be carried at FVPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

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

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or rendered services directly to a debtor with no intention of trading the receivables.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Loans and Receivables and certain Other Resources accounts in the statement of financial position. Cash and cash equivalents comprise accounts with original maturities of three months or less, including cash and other cash items and non-restricted balances due from BSP and due from other banks.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss is provided when there is an objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables (see Note 2.7 and 2.18).

(iii) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category.

HTM investments are subsequently measured at amortized cost using the effective interest method (see Note 2.18). In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated future cash flows (see Note 2.7). Any changes to the carrying amount of the investment due to impairment are recognized in profit or loss.

Should the Group sell other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified to AFS Securities. The tainting provision will not apply if the sales or reclassifications of HTM investments are: (i) so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on its fair value; (ii) occur after the Group has collected substantially all of the financial assets' original principal through scheduled payments or prepayments; or, (iii) are attributable to an isolated event that is beyond the control of the Group, is non-recurring and could have not been reasonably anticipated by the Group.

(iv) AFS Securities

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. As of December 31, 2013, the Group's AFS Securities include government and corporate debt securities and equity securities.

All AFS Securities are measured at fair value. Gains and losses 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, except for interest, dividend income, impairment losses and foreign exchange difference on monetary assets, which are recognized in profit or loss. When the financial asset is disposed of or is determined to be impaired (see Note 2.7), the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserves to profit or loss and is presented as a reclassification adjustment within other comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of profit or loss (see Note 2.18). Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

A financial asset is reclassified out of the FVPL category when the financial asset is no longer held for the purpose of selling or repurchasing it in the near term or under rare circumstances. A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

For a financial asset reclassified out of the AFS Securities category to Loans and Receivables or HTM Investments, any previous gain or loss on that asset that has been recognized as other comprehensive income is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using effective interest method.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are categorized as Financial Assets at FVPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value, except for the embedded derivatives in CLNs linked to ROP bonds reclassified to Loans and Receivables together with the host contract prior to January 1, 2014 [see Notes 2.2(b) and 11.3]. Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognizes a gain or loss at initial recognition.

Certain derivatives embedded in other financial instruments, such as credit default swaps in a CLN, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at FVPL. These embedded derivatives are measured at fair value, with changes in fair value recognized in profit or loss, except for the embedded derivatives in CLNs linked to ROP bonds which were not bifurcated from the host contracts and were reclassified to loans and receivables as permitted by BSP for prudential reporting and SEC for financial reporting purposes prior to January 1, 2014 [see Note 2.1(a)].

2.7 Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the Group granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or,

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

The Group recognizes impairment loss based on the category of financial assets as follows:

(a) *Financial Assets Carried at Amortized Cost*

For financial assets classified and measured at amortized cost (including Investment Securities at Amortized Cost from January 1, 2014), the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment for individually assessed financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective evaluation of impairment for loans and receivables, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When possible, the Group seeks to restructure loans rather than to take possession of the collateral. This may involve extending the payment arrangement and agreement for new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria evidencing the good quality of the loan are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized as part of Impairment Losses account in profit or loss.

When a loan receivable is determined to be uncollectible, it is written-off against the related allowance for impairment. Such loan or receivable is written-off after all the prescribed procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off decrease the amount of impairment losses in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in statement of profit or loss.

(b) Financial Assets Carried at Fair Value Prior to January 1, 2014

For AFS Securities, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS Securities under PAS 39 prior to the application of PFRS 9, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves and recognized in profit or loss.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

In the case of debt instruments classified as AFS securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss.

If, in a subsequent period, the fair value of equity or debt instruments classified as AFS securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(c) Financial Assets Carried at Cost Prior to January 1, 2014

If there is objective evidence of impairment for any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost, the amount of impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

2.8 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.9 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.

2.10 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Buildings	20-40 years
Furniture, fixtures and equipment	3-15 years

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.11 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment which are neither held by the Group for sale in the next 12 months nor used in the rendering of services or for administrative purposes. This also includes properties held for rental.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.21). The cost of an investment property comprises its purchases price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss under the Miscellaneous Income account in the year of retirement or disposal.

2.12 Real Estate Properties for Sale and Assets Held-for-sale

Real estate properties for sale (presented as part of Other Resources) pertain to real properties obtained by the Group through dacion and held by various SPCs for disposal.

Assets held-for-sale which are also presented as part of Other Resources, include other properties acquired through repossession, foreclosure or purchase that the Group intends to sell within one year from the date of classification as held-for-sale and for which the Group is committed to immediately dispose through an active marketing plan. The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell. Assets classified as held-for-sale are not subject to depreciation or amortization.

Asset that ceases to be classified as held-for-sale is measured at the lower of: (a) its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (b) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale resulting in either a gain or loss, is recognized in profit or loss. The Group recognizes an impairment loss for any initial or subsequent write-down of the assets held-for-sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss. On the other hand, any gain from any subsequent increase in fair value less to costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

The gains or losses arising from the sale or remeasurement of assets held-for-sale is recognized in Miscellaneous Income (Expenses) under the Other Operating Income (Expenses) account in the statement of profit or loss.

2.13 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position. The cost of the asset is the amount of cash and cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but would require an annual test for impairment (see Note 2.21). Goodwill is subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Branch licenses represent the rights given to the Group to establish a certain number of branches in the restricted areas in the country as incentive obtained in relation to the acquisition of Pres. Jose P. Laurel Rural Bank, Inc. (JPL Rural Bank), now operating under the name RCBC JPL (see Note 12).

Branch licenses are amortized over five years, their estimated useful life, starting from the month the branch is opened.

Trading right, included as part of Miscellaneous under Other Resources account represent the right given to RSI which is engaged in stock brokerage to preserve access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in realizable value (see Note 2.21).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight line basis over the expected useful lives of the software of three to ten years.

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include employee costs incurred on software development and an appropriate portion of relevant overhead costs.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding ten years).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.14 Other Resources

Other resources excluding items classified as intangible assets, deferred tax assets, and post-employment benefit assets, pertain to other assets controlled by the Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.15 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.

Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable, bonds payable and subordinated debt are recognized initially at fair value, which is the issue proceeds (fair value of consideration received), net of direct issue costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Derivative financial liabilities represent the cumulative changes in the net fair value losses arising from the Group's currency forward transactions and interest rate swaps.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group and subsequent approval of the BSP.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.16 Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

The Parent Company offers monetized rewards to active cardholders in relation to its credit card business' rewards program. Provisions for rewards are recognized at a certain rate of cardholders' credit card availments, determined by management based on redeemable amounts.

2.17 Equity

Preferred and common stocks represent the nominal value of stocks that have been issued.

Capital paid in excess of par includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of stocks are deducted from capital paid in excess of par, net of any related income tax benefits.

Hybrid perpetual securities reflect the net proceeds from the issuance of non-cumulative step-up callable perpetual securities.

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from revaluation of AFS Securities prior to January 1, 2014;

(b) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI from January 1, 2014 upon the Group's adoption of PFRS 9;

(c) Reserves on remeasurements of post-employment defined benefit plan comprising of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions, and actual return on plan assets (excluding account included in net interest); and,

(d) Accumulated translation adjustments related to the cumulative gains from the translation of the financial statements of foreign subsidiaries whose functional currency is different from that of the Parent Company.

Reserve for trust business representing the accumulated amount set aside by the Group under existing regulations requiring the Parent Company and a subsidiary to carry to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Other reserves refer to the amount attributable to the Parent Company arising from the changes in the ownership of the NCI in the Group and the result of the redemption of the preferred stocks of RSB's subsidiaries. This also includes the excess of cost of investment over the net identifiable assets of an acquired subsidiary under the pooling of interest method.

Surplus represents all current and prior period results of operations as disclosed in the statement of profit or loss, reduced by the amount of dividends declared.

NCI represents the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statements of profit or loss and comprehensive income and within equity in the consolidated statements of financial position and changes in equity.

2.18 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.

The following specific recognition criteria must also be met before a revenue or expense is recognized:

(a) Interest Income and Expenses

These are recognized in the statement of profit or loss for all financial instruments measured at amortized cost and interest-bearing financial assets at FVPL and AFS securities using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the FCDU estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *Trading and Securities Gains (Losses)*

These are recognized when the ownership of the securities is transferred to the buyer and is computed at the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains as a result of the
mark-to-market valuation of investment securities classified as FVPL. Prior to January 1, 2014, in the case of AFS Securities, trading and securities gains or losses recognized in the statement of profit or loss reflect the amounts of fair value gains or losses previously recognized in other comprehensive income and reclassified to profit or loss upon disposal.

(c) *Service Fees and Commissions*

These are recognized as follows:

(i) *Finance charges* are recognized on credit card revolving accounts, other than those accounts classified as installment, as income as long as those outstanding account balances are not 90 days and over past due. Finance charges on installment accounts, first year and renewal membership fees are recognized as income when billed to cardholders. Purchases by cardholders which are collected on installment are recorded at the cost of the items purchased.

(ii) *Late payment fees* are billed on delinquent credit card receivable balances which are at most 179 days past due. These late payment fees are recognized as income upon collection.

(iii) *Loan syndication fees* are recognized upon completion of all syndication activities and where there are no further obligations to perform under the syndication agreement.

(iv) *Service charges and penalties* are recognized only upon collection or accrued where there is a reasonable degree of certainty as to its collectibility.

(v) *Underwriting fees and commissions* are recorded when services for underwriting, arranging or brokering has been rendered.

(d) *Gains on Assets Sold*

Gains on assets sold are included as part of Miscellaneous income under Other Operating Income account, which arises from the disposals of investment properties and real estate properties for sale and assets held-for-sale. This is recognized when the risks and rewards of ownership of the assets is transferred to the buyer, and when the collectibility of the entire sales price is reasonably assured.

(e) Discounts Earned

Discounts earned, net of interchange costs (included as part of Miscellaneous income under Other Operating Income account), are recognized as income upon presentation by member establishments of charges arising from RCBC Bankard and non-RCBC Bankard (associated with MasterCard, JCB, VISA and China UnionPay labels) credit card availments passing through the Point of Sale (POS) terminals of the Parent Company. These discounts are computed based on agreed rates and are deducted from the amounts remitted to member establishments. Interchange costs pertain to the other credit card companies' share in RCBC Bankard's merchant discounts whenever their issued credit cards transact in the Parent Company's POS terminal.

Costs and expenses are recognized in profit or loss upon utilization of the resources and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.23).

2.19 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which transfer to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease, and is included as part of Interest Income on loans and receivables.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term. These are recognized as part of Miscellaneous income under Other Operating Income in the statement of profit or loss.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or,

(d) there is a substantial change to the asset.

2.20 Foreign Currency Transactions and Translations

(a) Transactions and Balances

Except for the foreign subsidiaries and accounts of the Group's foreign currency deposit unit (FCDU), the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in foreign currencies are translated to Philippine pesos at the prevailing Philippine Dealing System closing rates (PDSCR) at the end of the reporting period.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary resources and liabilities denominated in foreign currencies are recognized in profit or loss, except when recognized in other comprehensive income and deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equity securities classified as at FVPL, are reported as part of fair value gain or loss.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the PDSCR prevailing at the end of each reporting period (for resources and liabilities) and at the average PDSCR for the period (for income and expenses). Any foreign exchange difference is recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVPL, financial assets at FVOCI and AFS securities are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized as gains and losses in other comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The results of operations and financial position of all the Group's foreign subsidiaries (none of which has the currency dependency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Resources and liabilities at the end of each reporting period as presented in the statement of financial position are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates during the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions' dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a component of equity.

In consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in other comprehensive income which form part of Revaluation Reserves account in equity. When a foreign operation is sold, the accumulated translation and exchange differences are recognized in profit or loss as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

2.21 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment, investment properties, and other resources (including intangible assets) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use and goodwill are tested for impairment at least annually.

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

Except for intangible assets with an indefinite useful life (i.e., goodwill) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

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 cash-generating unit 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 cash-generating unit 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 cash generating unit's recoverable amount exceeds its carrying amount.

2.22 Employee Benefits

Entities under the Group provide respective post-employment benefits to employees through a defined benefit plan and defined contribution plan, as well as other benefits, which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by trustees.

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by the Philippine Dealing and Exchange Corporation (PDEx), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and other changes in actuarial assumptions, effect of the changes to the asset ceiling, if any, and actual return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in the subsequent periods.

Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Interest Income or Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as the Social Security System. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of: (i)when it can no longer withdraw the offer of such benefits, and, (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses, based on a fixed formula. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Interest, Taxes and Other Expenses account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.23 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.24 Income Taxes

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of the assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities recognized by the entities under the Group are offset if they have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.25 Related Party Relationships and Transactions

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

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.26 Earnings per Share

Basic earnings per share is determined by dividing the net profit for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the period, after giving retroactive effect to any stock dividends declared in the current period.

Diluted earnings per share is also computed by dividing net profit by the weighted average number of common stocks subscribed and issued during the period. However, net profit attributable to common stocks and the weighted average number of common stocks outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred stocks. Convertible preferred stocks are deemed to have been converted into common stocks at the issuance of preferred stocks.

2.27 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

2.28 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with FRSPB requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Evaluation of Business Model Applied in Managing Financial Instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment, trading and lending strategies.

(b) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers an array of circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(c) Classifying Financial Assets as HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments prior to the adoption of PFRS 9, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments at maturity other than for specific circumstances under the standard as discussed in Note 2.5(b), it will be required to reclassify the entire class of HTM investments to AFS securities.

In 2011, the Group and Parent Company disposed of a significant amount of its HTM investments, with carrying values of P6,250 and P3,124, respectively, prior to maturity of the investments. Consequently, the Group and Parent Company reclassified the remaining HTM investments with amortized cost of P19,210 and P19,183, respectively, to AFS securities and carried and measured such investments at fair value until the end of 2013 after the lapse of the two reporting periods after the year of sale and reclassification. With the adoption of PFRS 9, the HTM category and the related provisions on tainting are already omitted.

(d) *Evaluating Impairment of AFS Securities*

The determination when an investment in AFS securities assets is other-than-temporarily impaired requires the Group to make judgment. In making this judgment with respect to the Group's outstanding AFS securities as of December 31, 2013, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. For investments issued by counterparty under bankruptcy, the Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quotes prices for distressed securities) since current bid prices are no longer available.

Based on management evaluation of information and circumstances affecting the Group's AFS securities as of December 31, 2013, the Group recognized allowance for impairment are recognized for AFS securities amounting to P1,343 and P1,193 as of December 31, 2013 in the Group's and Parent Company's financial statements, respectively.

(e) *Distinguishing Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

The Group considers each property separately in making its judgment. Such evaluation resulted in the reclassification of a significant portion of the Group's certain building properties from Bank Premises to Investment Properties upon the commencement of an operating lease in 2014 (see Notes 13 and 14).

(f) *Distinguishing Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities. As of December 31, 2014 and 2013, most of the Group's lease arrangements qualify as operating leases except for the various lease agreements of RCBC LFC which are accounted for under finance lease.

(g) *Classifying and Determining Fair Value of Acquired Properties*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held-for-sale classified under Other Resources if the Group expects that the properties will be recovered through sale rather than use, as Investment Properties if held for currently undetermined future use and is regarded as held for capital appreciation, or as Financial Assets in accordance with PFRS 9 or PAS 39. At initial recognition, the Group determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property. The Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.3.

(h) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.16 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group's and the Parent Company's legal cases and are based upon the analysis of probable results. Although the Group does not believe that its on-going proceedings as disclosed in Note 29 will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

(a) *Estimating Impairment Losses on Loans and Receivables and Investment Securities at Amortized Cost*

The Group reviews its loans and receivables portfolio to assess impairment at least on a semi-annual basis. In determining whether an impairment loss should be recognized in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Moreover, the Group holds debt securities measured at amortized cost as of December 31, 2014. The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying value of the Group's and Parent Company's loans and receivables and the analysis of the allowance for impairment on such financial assets are shown in Note 11 while the information about the debt securities is disclosed in Note 10.

(b) *Determining Fair Value Measurement for Financial Assets at FVPL, FVOCI and AFS Securities*

The Group carries certain financial assets at fair value which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument (see Note 7.2). The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss and other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Group's and Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(c) *Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties and Computer Software*

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amount of bank premises, furniture, fixtures and equipment, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively. Based on management's assessment as at December 31, 2014 and 2013, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2014 and 2013 are disclosed in Note 26.1.

(e) Estimating Impairment Losses of Non-financial Assets

Except for intangible assets with indefinite useful lives, FRSPB requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.21. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) Determining Fair Value of Investment Properties

The Group's investment properties are composed of parcels of land, buildings and condominium units which are held for capital appreciation or held-for-lease, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.3 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) Valuation of Post-employment Defined Benefits

The determination of the Group's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit asset (obligation) and related income (expense), and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 24.2.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

A committee system is a fundamental part of the Group's process of managing risk. Four committees of the Parent Company's BOD are relevant in this context.

- The Executive Committee (EXCOM), which meets weekly, approves credit policies and decides on large counterparty credit facilities and limits. Next to the BOD, the EXCOM is the highest approving body in the Group and has the authority to pass judgment upon such matters as the BOD may entrust to it for action in between meetings.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for group capital adequacy and risk management covering credit, market and operational risks under Pillar 1 of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.

- The Audit Committee, which meets monthly, reviews the results of the Internal Audit examinations and recommends remedial actions to the BOD as appropriate.

- The Related Party Transactions (RPT) Committee, which meets monthly and as necessary, reviews RPTs to determine whether or not the transaction is on terms no less favourable to the Parent Company than terms available to any unconnected third party under the same or similar circumstances. On favourable review, the RPT Committee endorses transactions to the BOD for approval.

Two senior management committees also provide a regular forum to take up risk issues.

- The Credit and Collection Committee (CRECOL), chaired by the Chief Executive Officer (CEO) and composed of the heads of credit risk-taking business units and the head of credit management segment, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts.

- The Asset/Liability Committee (ALCO), chaired by the Treasurer of the Parent Company and with the participation of the CEO and key business and support unit heads including the President of the major subsidiary, RSB, meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices/rates for various asset and liability and trading products, in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, it provides guidance on the handling of the relevant risk exposure in between ROC meetings.

The Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure the consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the risk profile group-wide. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's ROC. It participates in the CRECOL and ALCO meetings.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5) in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views of the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD, the Group is exposed to liquidity risk and interest rate risk inherent in the Group's statement of financial position, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, including fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign-risk and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while CLNs and bond options were approved under the Limited User Authority (Type 3). In February 2012, Bond Forwards, Non-deliverable Swaps and Foreign Exchange Options have been included under the same Limited User Authority (Type 3). In June 2013, the Parent Company was granted a Type 2 license Non-deliverable Swaps, FX Options, Bond and Interest Rate Options, and Asset Swaps. During the same period, additional Type 3 licenses for Foreign Exchange-Option and Bond-Option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps.

4.2 Liquidity Risk

Liquidity risk is the potential insufficiency of funds available to meet the demands of the Group's customers to repay maturing liabilities. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity.

The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses asset and liability maturity *gap analysis*.

The *gap analyses* as of December 31, 2014 and 2013 are presented below.

	Group					
	2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 23,833	P 524	P 23	P 15	P 51,389	P 75,784
Investments	18,009	800	8,849	68,628	4,825	101,111
Loans and receivables-net	25,735	50,765	60,723	86,208	38,143	261,574
Other resources	6,709	236	1,352	94	11,045	19,436
Total resources	74,286	52,325	70,947	154,945	105,402	457,905
Liabilities:						
Deposit liabilities	47,505	20,187	16,277	2,097	229,695	315,761
Bills payable	34,763	1,051	1,126	2,859	-	39,799
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	8,764	37	-	-	7,006	15,807
Total liabilities	102,212	21,275	39,630	4,956	236,701	404,774
Equity	-	-	4,883	-	48,248	53,131
Total liabilities and equity	102,212	21,275	44,513	4,956	284,949	457,905
On-book gap	(27,926)	31,050	26,434	149,989	(179,547)	-
Cumulative on-book gap	(27,926)	3,124	29,558	179,547	-	-
Contingent resources	20,208	2,546	2,236	-	-	24,990
Contingent liabilities	21,635	2,744	2,236	-	-	26,615
Total gap	(1,427)	(198)	-	-	-	(1,625)
Cumulative off-book gap	(1,427)	(1,625)	(1,625)	(1,625)	(1,625)	-
Periodic gap	(29,353)	30,852	26,434	149,989	(179,547)	-
Cumulative total gap	(P 29,353)	P 1,499	P 27,933	P 177,922	(P 1,625)	P -

	Group 2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 47,795	P 347	P 35	P -	P 21,677	P 69,854
Investments	12,165	1,088	15,386	61,206	3,188	93,033
Loans and receivables-net	20,829	33,279	46,837	74,700	62,315	237,960
Other resources	12,207	278	710	78	7,749	21,022
Total resources	92,996	34,992	62,968	135,984	94,929	421,869
Liabilities:						
Deposit liabilities	34,997	14,279	11,855	4,635	232,087	297,853
Bills payable	25,376	12,969	45	1,505	-	39,895
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	12,295	24	-	-	3,677	15,996
Total liabilities	72,668	27,272	35,217	6,140	235,764	377,061
Equity	-	-	4,883	-	39,925	44,808
Total liabilities and equity	72,668	27,272	40,100	6,140	275,689	421,869
On-book gap	20,328	7,720	22,868	129,844	(180,760)	-
Cumulative on-book gap	20,328	28,048	50,916	180,760	-	-
Contingent resources	36,297	9,453	1,332	-	-	47,082
Contingent liabilities	36,548	9,473	1,332	-	-	47,353
Total gap	(251)	(20)	-	-	-	(271)
Cumulative off-book gap	(251)	(271)	(271)	(271)	(271)	-
Periodic gap	20,077	7,700	22,868	129,844	(180,760)	-
Cumulative total gap	P 20,077	P 27,777	P 50,645	P 180,489	(P 271)	P -

	Parent Company					
	2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 18,920	P -	P -	P -	P 43,917	P 62,837
Investments	14,550	729	7,277	62,656	10,327	95,539
Loans and receivables-net	18,290	34,545	32,117	84,022	36,640	205,614
Other resources	6,460	7	728	63	5,682	12,940
Total resources	58,220	35,281	40,122	146,741	96,566	376,930
Liabilities:						
Deposit liabilities	31,967	13,398	16,120	2,097	184,440	248,022
Bills payable	32,897	-	1,081	2,859	-	36,837
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	5,272	-	-	-	6,700	11,972
Total liabilities	81,316	13,398	39,428	4,956	191,140	330,238
Equity	-	-	4,883	-	41,809	46,692
Total liabilities and equity	81,316	13,398	44,311	4,956	232,949	376,930
On-book gap	(23,096)	21,883	(4,189)	141,785	(136,883)	-
Cumulative on-book gap	(23,096)	(1,213)	(5,402)	136,383	-	-
Contingent resources	20,125	2,546	2,236	-	-	24,907
Contingent liabilities	20,838	2,744	2,236	-	-	25,818
Total gap	(713)	(198)	-	-	-	(911)
Cumulative off-book gap	(713)	(911)	(911)	(911)	(911)	-
Periodic gap	(23,809)	21,685	(4,189)	141,785	(136,383)	-
Cumulative total gap	(P 23,809)	(P 2,124)	(P 6,313)	P 135,472	(P 911)	P -

	Parent Company					
	2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 45,314	P -	P -	P -	P 17,140	P 62,454
Investments	2,265	1,044	15,033	44,195	24,702	87,239
Loans and receivables-net	15,786	23,577	23,182	68,996	60,095	191,636
Other resources	6,891	9	99	26	6,736	13,761
Total resources	70,256	24,630	38,314	113,217	108,673	355,090
Liabilities:						
Deposit liabilities	24,846	10,829	10,634	4,635	192,676	243,620
Bills payable	23,555	12,007	-	1,505	-	37,067
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	6,739	-	-	-	5,197	11,936
Total liabilities	55,140	22,836	33,951	6,140	197,873	315,940
Equity	-	-	4,883	-	34,267	39,150
Total liabilities and equity	55,140	22,836	38,834	6,140	232,140	355,090
On-book gap	15,116	1,794	(520)	107,077	(123,467)	-
Cumulative on-book gap	15,116	16,910	16,390	123,467	-	-
Contingent resources	36,269	9,453	1,332	-	-	47,054
Contingent liabilities	36,289	9,473	1,332	-	-	47,094
Total gap	(20)	(20)	-	-	-	(40)
Cumulative off-book gap	(20)	(40)	(40)	(40)	(40)	-
Periodic gap	15,096	1,774	(520)	107,077	(123,467)	-
Cumulative total gap	P 15,096	P 16,870	P 16,350	P 123,427	(P 40)	P -

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposits which are based on certain percentages of deposits. The required reserves against deposits shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company and RSB to maintain asset cover of 100% for foreign currency denominated liabilities of their respective FCDUs, of which 30% must be in liquid assets.

4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

Following BSP Circular No. 639 on ICAAP, the Group likewise calculates and maintains a level of capital needed to support unexpected losses attributable to liquidity risk (see Note 5.2).

4.2.2 Liquidity Risk Stress

To augment its gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. The results of these liquidity stress simulations are reported monthly to the ROC.

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation. The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.

- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. While the Parent Company and RSB use VaR as an important tool for measuring market risk, it is cognizant of its limitations, notably the following:

  – The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

  – VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.

  – The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.

  – VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.

  – In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.

  – VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

- Net Interest Income (NII)-at-Risk – more specifically, in its current implementation, refers to the impact on net interest income for a 12-month horizon of adverse movements in interest rates. For this purpose, the Group employs a gap analysis to measure the interest rate sensitivity of its financial position (local and foreign currencies). As of a given reporting date, the interest rate gap analysis (see Note 4.3.2) measures mismatches between the amounts of interest-earning assets and interest-bearing liabilities re-pricing within "time buckets" going forward from the end of the reporting period. A positive gap means net asset sensitivity, which implies that an increase in the interest rates would have a positive effect on the Group's net interest income. Conversely, a negative gap means net liability sensitivity, implying that an increase in the interest rates would have a negative effect on the Group's net interest income. The rate movements assumed for measuring NII-at-Risk are consistent with a 99% confidence level with respect to historical rate volatility, assuming a one-year holding period. The Group considers the sum of NII-at-risk and the Value-at-Risk of the FVPL portfolios as the Earnings-at-Risk (EaR) estimate.

- Capital-at-Risk (CaR) – BSP Circular No. 544 refers to the estimation of the effect of interest rate changes as not only with respect to earnings, but also on the Group's economic value. The estimate, therefore, must consider the fair valuation effect of rate changes on non-trading positions. This includes both those positions with fair value changes against profit or loss, as well as those with fair value changes booked directly against equity. Adding this to the EaR determined using the procedure described above provides a measure of capital subject to interest rate risk. The Group sets its CaR limit as a percentage of the equity in the statement of financial position.

In addition to the limits corresponding to the above measurements, the following are also in place:

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.

- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

A summary of the VaR position of the trading portfolios at December 31 is as follows:

	Group			
	2014			
	At December 31	**Average**	**Maximum**	**Minimum**
Foreign currency risk	P 2	P 10	P 32	P 2
Interest rate risk	282	163	384	31
Overall	**P 284**	**P 173**	**P 416**	**P 33**
	2013			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 16	P 14	P 34	P 3
Interest rate risk	188	257	405	123
Overall	P 204	P 271	P 439	P 126

	Parent Company			
	2014			
	At December 31	**Average**	**Maximum**	**Minimum**
Foreign currency risk	P 2	P 9	P 30	P 2
Interest rate risk	156	82	240	16
Overall	**P 158**	**P 91**	**P 270**	**P 18**
	2013			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 15	P 12	P 31	P 3
Interest rate risk	36	85	192	28
Overall	P 51	P 97	P 223	P 31

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	2014		
	Foreign Currencies	**Philippine Pesos**	**Total**
Resources:			
Cash and other cash items	P 957	P 12,128	P 13,085
Due from BSP	-	46,099	46,099
Due from other banks	15,832	768	16,600
Financial assets at FVPL	12,918	3,540	16,458
Financial assets at FVOCI	25	4,512	4,537
Investment securities at amortized cost	66,196	13,599	79,795
Loans and receivables	38,772	222,802	261,574
Other resources	144	701	845
	P 134,844	P 304,149	P 438,993
Liabilities:			
Deposit liabilities	P 70,002	P 245,759	P 315,761
Bills payable	36,832	2,967	39,799
Bonds payable	23,486	-	23,486
Subordinated debt	-	9,921	9,921
Accrued interest and other expenses	671	3,616	4,287
Other liabilities	969	5,467	6,436
	P 131,960	P 267,730	P 399,690

	2013		
	Foreign Currencies	Philippine Pesos	Total
Resources:			
Cash and other cash items	P 879	P 8,947	P 9,826
Due from BSP	-	52,491	52,491
Due from other banks	7,044	493	7,537
Financial assets at FVPL	909	2,379	3,288
AFS securities	70,462	18,950	89,412
Loans and receivables - net	44,636	193,324	237,960
Other resources	1,391	139	1,530
	P 125,321	P 276,723	P 402,044

	Group		
	2013		
	Foreign Currencies	Philippine Pesos	Total
Liabilities:			
Deposit liabilities	P 62,865	P 234,988	P 297,853
Bills payable	37,542	2,353	39,895
Bonds payable	23,317	-	23,317
Accrued interest and other expenses	2,869	1,454	4,323
Other liabilities	762	7,235	7,997
	P 127,355	P 246,030	P 373,385

	Parent Company		
	2014		
	Foreign Currencies	**Philippine Pesos**	**Total**
Resources:			
Cash and other cash items	P 783	P 8,756	P 9,539
Due from BSP	-	37,763	37,763
Due from other banks	15,065	470	15,535
Financial assets at FVPL	12,829	2,233	15,062
Financial assets at FVOCI	25	2,197	2,222
Investment securities at amortized cost	61,899	8,357	70,256
Loans and receivables - net	38,714	166,900	205,614
Other resources	141	642	783
	P 129,456	P 227,318	P 356,774
Liabilities:			
Deposit liabilities	P 65,111	P 182,911	P 248,022
Bills payable	36,832	5	36,837
Bonds payable	23,486	-	23,486
Subordinated debt	-	9,921	9,921
Accrued interest and other expenses	658	2,645	3,303
Other liabilities	636	4,767	5,403
	P 126,723	P 200,249	P 326,972

	Parent Company		
	2013		
	Foreign Currencies	Philippine Pesos	Total
Resources:			
Cash and other cash items	P 746	P 6,817	P 7,563
Due from BSP	-	48,679	48,679
Due from other banks	5,768	444	6,212
Financial assets at FVPL	909	1,449	2,358
AFS securities	65,812	11,070	76,882
Loans and receivables - net	45,891	145,745	191,636
Other resources	1,365	145	1,510
	P 120,491	P 214,349	P 334,840
Liabilities:			
Deposit liabilities	P 57,163	P 186,457	P 243,620
Bills payable	37,054	13	37,067
Bonds payable	23,317	-	23,317
Accrued interest and other expenses	667	2,724	3,391
Other liabilities	1,134	4,168	5,302
	P 119,335	P 193,362	P 312,697

4.3.2 Interest Rate Risk

The interest rate risk inherent in the Group's financial statements arises from re-pricing mismatches between financial resources and financial liabilities. The Group follows a policy on managing its resources and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. ALCO meets at least on a weekly basis to set rates for various financial resources and liabilities and trading products. ALCO employs *interest rate gap analysis* to measure the interest rate sensitivity of those financial instruments.

The *interest rate gap analyses* of resources and liabilities as of December 31 based on re-pricing maturities are shown below. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, are not re-priced;

- Debt securities at amortized cost are bucketed based on their re-pricing profile;

- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,

- For resources and liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

	Group					
	2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 23,638	P 404	P 23	P 15	P 51,704	P 75,784
Investments	5,426	845	7,474	67,895	19,471	101,111
Loans and receivables-net	123,195	36,748	39,747	48,929	12,955	261,574
Other resources	253	236	1,366	80	17,501	19,436
Total resources	152,512	38,233	48,610	116,919	101,631	457,905
Liabilities:						
Deposit liabilities	85,720	22,789	15,320	2,034	189,898	315,761
Bills payable	37,799	1,934	66	-	-	39,799
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	3,356	37	-	-	12,414	15,807
Total liabilities	138,055	24,760	37,613	2,034	202,312	404,774
Equity	-	-	4,883	-	48,248	53,131
Total liabilities and equity	138,055	24,760	42,496	2,034	250,560	457,905
On-book gap	14,457	13,473	6,114	114,885	(148,929)	-
Cumulative on-book gap	14,457	27,930	34,044	148,929	-	-
Contingent resources	20,208	2,546	2,236	-	-	24,990
Contingent liabilities	21,635	2,744	2,236	-	-	26,615
Total gap	(1,427)	(198)	-	-	-	(1,625)
Cumulative off-book gap	(1,427)	(1,625)	(1,625)	(1,625)	(1,625)	-
Periodic gap	13,030	13,275	6,114	114,885	(148,929)	-
Cumulative total gap	P 13,030	P 26,305	P 32,419	P 147,304	(P 1,625)	P -

	Group					
	2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 47,675	P - 227	P - 35	P -	P 21,917	P 69,854
Investments	10,035	1,088	15,386	61,206	5,318	93,033
Loans and receivables-net	115,807	25,450	27,576	28,521	40,606	237,960
Other resources	2,455	278	693	89	17,507	21,022
Total resources	175,972	27,043	43,690	89,816	85,348	421,869
Liabilities:						
Deposit liabilities	78,821	20,539	12,559	4,635	181,299	297,853
Bills payable	38,684	1,197	14	-	-	39,895
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	3,437	24	-	-	12,535	15,996
Total liabilities	120,942	21,760	35,890	4,635	193,834	377,061
Equity	-	-	4,883	-	39,925	44,808
Total liabilities and equity	120,942	21,760	40,773	4,635	233,759	421,869
On-book gap	55,030	5,283	2,917	85,181	(148,411)	-
Cumulative on-book gap	55,030	60,313	63,230	148,411	-	-
Contingent resources	36,297	9,453	1,332	-	-	47,082
Contingent liabilities	36,548	9,473	1,332	-	-	47,353
Total gap	(251)	(20)	-	-	-	(271)
Cumulative off-book gap	(251)	(271)	(271)	(271)	(271)	-
Periodic gap	54,779	5,263	2,917	85,181	(148,411)	-
Cumulative total gap	P 54,779	P 60,042	P 62,959	P 148,140	(P 271)	P -

	Parent Company					
	2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 18,917	P -	P -	P -	P 43,920	P 62,837
Investments	2,066	773	5,902	61,923	24,875	95,539
Loans and receivables-net	115,722	20,528	11,140	46,743	11,481	205,614
Other resources	4	7	742	49	12,138	12,940
Total resources	136,709	21,308	17,784	108,715	92,414	376,930
Liabilities:						
Deposits liabilities	53,201	11,022	14,935	2,034	166,830	248,022
Bills payable	35,756	1,081	-	-	-	36,837
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	466	-	-	-	11,506	11,972
Total liabilities	100,603	12,103	37,162	2,034	178,336	330,238
Equity	-	-	4,883	-	41,809	46,692
Total liabilities and equity	100,603	12,103	42,045	2,034	220,145	376,930
On-book gap	36,106	9,205	(24,261)	106,681	(127,731)	-
Cumulative on-book gap	36,106	45,311	21,050	127,731	-	-
Contingent resources	20,125	2,546	2,236	-	-	24,907
Contingent liabilities	20,838	2,744	2,236	-	-	25,818
Total gap	(713)	(198)	-	-	-	(911)
Cumulative off-book gap	(713)	(911)	(911)	(911)	(911)	-
Periodic gap	35,393	9,007	(24,261)	106,681	(127,731)	-
Cumulative total gap	P 35,393	P 44,400	P 20,139	P 126,820	(P 911)	P -

	Parent Company					
	2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 45,314	P -	P -	P -	P 17,140	P 62,454
Investments	135	1,044	15,033	61,198	9,829	87,239
Loans and receivables-net	110,765	15,749	3,921	22,816	38,385	191,636
Other resources	2	9	82	37	13,631	13,761
Total resources	156,216	16,802	19,036	84,051	78,985	355,090
Liabilities:						
Deposits liabilities	56,741	14,455	9,457	4,635	158,332	243,620
Bills payable	37,067	-	-	-	-	37,067
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	743	-	-	-	11,193	11,936
Total liabilities	94,551	14,455	32,774	4,635	169,525	315,940
Equity	-	-	4,883	-	34,267	39,150
Total liabilities and equity	94,551	14,455	37,657	4,635	203,792	355,090
On-book gap	61,665	2,347	(18,621)	79,416	(124,807)	-
Cumulative on-book gap	61,665	64,012	45,391	124,807	-	-
Contingent resources	36,269	9,453	1,332	-	-	47,054
Contingent liabilities	36,289	9,473	1,332	-	-	47,094
Total gap	(20)	(20)	-	-	-	(40)
Cumulative off-book gap	(20)	(40)	(40)	(40)	(40)	-
Periodic gap	61,645	2,327	(18,621)	79,416	(124,807)	-
Cumulative total gap	P 61,645	P 63,972	P 45,351	P 124,767	(P 40)	P -

The table below summarizes the potential impact on the Group's and Parent Company's annual interest income of parallel rate shifts using the repricing profile shown in the previous pages.

	Changes in Interest Rates (in basis points)			
	(100)	(200)	100	200
December 31, 2014				
Group	**(P 175)**	**(P 350)**	**P 175**	**P 350**
Parent Company	**(375)**	**(750)**	**375**	**750**
December 31, 2013				
Group	(P 200)	(P 400)	P 200	P 400
Parent Company	(208)	(416)	208	416

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVPL or financial assets at FVOCI as of December 31, 2014 and AFS securities as of December 31, 2013 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI, estimate the potential loss and determines the market and position risk requirement on equity securities at FVPL in the computation of the market and position risk requirement for all equity positions.

RCAP uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. RCAP uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Credit and Group Risk Division (CGRD) of CRISMS assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. In performing these functions, the CGRD works hand-in-hand with the business units and with the Corporate Planning Group. The Credit Management Segment (CMS) on the other hand is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits is effectively exercised collectively; (b) business center managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMS of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter.

Impairment provisions are recognized for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in particular industry segments that represent a concentration in the Group's financial instrument portfolio could result in losses that are different from those provided for at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts the Group's exposure to such credit risk, as necessary.

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Parent Company uses its internal credit risk rating system (ICRRS) to determine any evidence of impairment. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings below CCC demonstrating a high probability of counterparty's payment default on financial commitments. Non-current accounts that are rated below CCC are classified based on the characteristics of classified loans per BSP Manual of Regulations for Banks, i.e., Substandard, Doubtful or Loss.

Only impaired accounts with significant amount are subject to specific impairment test. Impaired accounts refer to those accounts which were rated BB+ to lower than CCC and accounts rated as Substandard, Doubtful and Loss. Significant amount is at least P0.5 for sales contract receivables and P15 for all other loan and receivable accounts.

In the process of applying the Parent Company's ICRRS in determining indications of impairment on individually significant items of loans and receivables, the Parent Company analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments

Risk Rating	Rating Description/Criteria
CCC*	Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments
Substandard	Loans past due for over 90 days
Doubtful	Past due clean loans previously classified as Substandard without at least 20% repayment during the succeeding 12 months
Loss	Loans considered absolutely uncollectible

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

The foregoing ICRRS is established by the Parent Company during the first quarter of 2013 in congruent and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual debt issue which is still performing or current in status. The risk ratings determined by the Parent Company for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity/borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time.

4.4.1 Exposure to Credit Risk

The carrying amount of financial resources recognized in the financial statements, net of any allowance for losses, which represents the maximum exposure to credit risk, without taking into account the value of any collateral obtained, as of December 31 follows:

	Group			
	2014		2013	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
Unclassified	P -	P -	P 26	P 1,266
AA to AA-	25	-	-	-
A to A-	24	-	-	-
B to B-	45	-	137	-
CCC+ and below	-	-	27	-
Sub-standard	126	-	49	-
Doubtful	-	-	-	-
Loss	266	-	638	-
Gross amount	486	-	877	1,266
Allowance for impairment	(366)	-	(519)	(1,065)
Carrying amount	120	-	358	201
Collectively Assessed for Impairment				
Unclassified	111,369	-	95,200	-
AA to AA-	437	-	-	-
A to A-	195	-	-	-
BB+ to BB	30,625	-	33,323	-
BB- to B+	70,348	-	38,744	-
B to B-	44,968	-	26,243	-
CCC+ and below	575	-	5,993	-
Sub-standard	2,277	-	1,441	-
Doubtful	-	-	-	-
Loss	520	-	929	-
Gross amount	261,314	-	201,873	-
Unearned interest and discount	(839)	-	(1,405)	-
Allowance for impairment	(4,636)	-	(4,364)	-
Carrying amount	255,839	-	196,104	-
Unquoted debt securities classified as loans	1,326	-	2,665	-
Other receivables	5,421	-	5,518	-
Allowance for impairment	(1,455)	-	(1,248)	-
Carrying amount	5,292	-	6,935	-
Neither Past Due Nor Impaired	323	93,194	34,563	86,197
Total Carrying Amount	P 261,574	P 93,194	P 237,960	P 86,398

	Parent Company			
	2014		2013	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
Unclassified	P -	P -	P -	P 1,266
AA to AA-	-	-	-	-
A to A-	-	-	-	-
B to B-	45	-	113	-
CCC+ and below	-	-	27	-
Sub-standard	126	-	49	-
Doubtful	-	-	-	-
Loss	266	-	638	-
Gross amount	437	-	827	1,266
Allowance for impairment	(353)	-	(519)	(1,005)
Carrying amount	84	-	308	261
Collectively Assessed for Impairment				
Unclassified	62,035	-	66,699	-
AA to AA-	-	-	-	-
A to A-	-	-	-	-
BB+ to BB	29,242	-	33,323	-
BB- to B+	70,348	-	38,744	-
B to B-	40,909	-	26,243	-
CCC+ and below	575	-	1,045	-
Sub-standard	877	-	370	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross amount	203,986	-	166,423	-
Unearned interest and discount	(191)	-	(178)	-
Allowance for impairment	(2,936)	-	(3,452)	-
Carrying amount	200,859	-	162,793	-
Unquoted debt securities classified as loans	1,266	-	2,665	-
Other receivables	4,196	-	4,400	-
Allowance for impairment	(1,316)	-	(650)	-
Carrying amount	4,146	-	6,415	-
Neither Past Due Nor Impaired	525	83,288	22,120	76,181
Total Carrying Amount	P 205,614	P 83,288	P 191,636	P 76,442

The credit risk for cash and cash equivalents such as Due from BSP and Due from Other Banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

4.4.2 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually. Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2014 and 2013.

The Group holds collateral against its loans portfolio in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. An estimate of the fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2014 and 2013 is shown below.

	Group	
	2014	2013
Against individually impaired		
Real property	**P 21**	P 345
Chattels	**49**	50
Against classified accounts but not impaired		
Real property	**75,428**	48,041
Chattels	**5,861**	5,570
Equity securities	**5,244**	1,426
Hold-out deposits	**1,240**	971
Others	**815**	851
Against neither past due nor impaired		
Real property	**113,268**	47,244
Chattels	**32,607**	25,902
Hold-out deposits	**11,484**	11,153
Others	**58,608**	30,212
Total	**P 304,625**	P 171,765

	Parent Company	
	2014	2013
Against individually impaired		
Real property	**P 21**	P 345
Against classified accounts but not impaired		
Real property	**73,227**	46,050
Chattels	**4,143**	4,069
Equity securities	**5,244**	1,426
Others	**541**	595
Against neither past due nor impaired		
Real property	**-**	1,847
Hold-out deposits	**11,484**	11,153
Others	**57,591**	27,877
Total	**P 152,251**	P 93,362

4.4.3 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency.

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 11.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration.

The Group, however, recognizes the inherent limitations of the use of HHI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done in the context of ROC meetings.

4.4.4 Credit Risk Stress Test

To enhance the assessment of credit risk, the Parent Company adopted in 2011 a revised credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability. In addition, both the Parent Company and its major subsidiary, RSB, participated in the initial run of the uniform stress testing exercise for banks initiated by the BSP.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Operational Risk Management Division (ORMD) under the CRISMS Group assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMD's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs);

- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;

- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to Capital Adequacy, is currently under Basic Indicator Approach (see Note 5.2). In 2014, the Parent Bank's BOD approved the acquisition of an Operational Risk System which is expected to go live across the Group in 2015. It is the intention of the Group to eventually migrate to the Advanced Management Approach (AMA) for Operational Risk, subject to approval by the BSP.

The Group has also developed a Business Continuity Plan (BCP) based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Group's BCP is a disaster recovery plan to address the continued functioning of systems, recovery of critical data, and contingency processing requirements in the event of a disaster.

4.5.1 Reputation Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Group's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Group to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels, or processes may generate adverse public opinion such that it seriously affects the Group's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Group adopted a reputation risk monitoring and reporting framework to manage public perception. Central to the said framework is the creation of the RCBC Public Relations Committee chaired by the head of the Parent Company's Corporate Communications Division.

4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguard the integrity of the bank by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the Audit Committee and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Group is required to submit "Covered Transaction Reports" involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 within one banking day. The Group is also required to submit "Suspicious Transaction Reports" to the Anti-Money Laundering Council (AMLC) in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in Republic Act No.10168.

In addition, AMLA requires that the Group safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Group revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Group is required to risk profile its clients to Low, Normal, or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, Group Head approval is necessary.

The Group's procedures for compliance with the AMLA are set out in its MLPP. The Group's Compliance Officer, through the Anti-Money Laundering Department (AMLD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLD requires all banking units to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The AMLD regularly reports to the Anti-Money Laundering Committee, senior management committees and the BOD to disclose results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

The Group's lead regulator, the BSP, sets and monitors the capital requirements of the Group.

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Circular No. 781 is effective on January 1, 2014.

Prior to 2014, the Group was required to maintain a capital adequacy ratio (CAR) of 10% of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk weighted assets, comprised of CET1 Capital.

Under the relevant provisions of the current BSP regulations, the minimum capitalization of the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P5,400, P1,000, P500, P300 and P300, respectively.

In computing for the CAR, the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and Additional Tier 1 (AT1) capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) Common Equity Tier 1 Capital includes the following:

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;
(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains / losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iii) deposit for subscription of Tier 2 capital;

(iv) appraisal increment reserve on – bank premises, as authorized by the Monetary Board;
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans, or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The Group's and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as of December 31, 2014 follows:

	Group	Parent Company
Tier 1 Capital		
CET 1	**P 40,084**	**P 30,573**
AT1	**3**	**3**
	40,087	**30,576**
Tier 2 Capital	**12,005**	**11,602**
Total Qualifying Capital	**P 52,092**	**P 42,178**
Total Risk – Weighted Assets	**P 338,949**	**P 282,546**
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	**15.37%**	**14.93%**
Tier 1 Capital Ratio	**11.83%**	**10.82%**
Total CET 1 Ratio	**11.83%**	**10.82%**

The Group and Parent Company's regulatory capital position under Basel II as of December 31, 2013 is presented as follows:

	Group	Parent Company
Tier 1 Capital	48,807	37,451
Tier 2 Capital	1,744	-
Total Qualifying Capital	P 50,551	P 37,451
Total Risk – Weighted Assets	P 305,920	P 248,079
Capital ratios:		
Total regulatory capital expressed as percentage of total risk – weighted assets	16.52%	15.10%
Total Tier 1 expressed as percentage of total risk – weighted assets	15.95%	15.10%

The foregoing capital ratios comply with the related BSP prescribed ratios.

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk-Weighted Assets

In January 2009, BSP issued Circular No. 639 on the ICAAP and Supervisory Review Process (SRP) covering universal and commercial banks on a group-wide basis. As a supplement to BSP Circular No. 538 on the Risk-Based Capital Adequacy Framework, ICAAP sets out the following principles:

(a) Banks must have a process for assessing capital adequacy relative to their risk profile, operating environment, and strategic/business plans;

(b) The bank's ICAAP is the responsibility of the BOD, must be properly documented and approved and with policies and methodologies integrated into banking operations;

(c) The bank's ICAAP should address other material risks – Pillar 2 risks – in addition to those covered by Pillar 1, with risk measurement methodologies linked to the assessment of corresponding capital requirement both on a business-as-usual (BAU) and stressed scenario;

(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,

(e) The bank's ICAAP document must be submitted to the BSP every January 31 of each year, beginning 2011.

The Group submitted its first ICAAP trial document in January 2009. Subsequent revisions to the trial document were made, and likewise submitted in February 2010 and May 2010 following regulatory review and the Group's own process enhancements. Complementing the ICAAP document submissions were dialogues between the BSP and the Group's representatives, the second of which transpired last November 2010 between a BSP panel chaired by the Deputy Governor for Supervision and Examination, and the members of Parent Company's EXCOM. The Group submitted its final ICAAP document within the deadline set by the BSP. Henceforth up to 2014, the annual submission of an ICAAP document is due every January 31st and every March 31st starting in 2015, as prescribed by the BSP.

The Group identified the following Pillar 2 risks as material to its operations, and consequently set out methodologies to quantify the level of capital that it must hold.

(a) *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Group's credit exposures. Concentration is estimated using a simplified application of the HHI, and translated to risk-weighted assets as suggested by some European central bank practices. The Group plans to continuously build on this concentration assessment methodology, recognizing the inherent limitations of the HHI.

(b) *Liquidity Risk* – The Group estimates its liquidity risk under BAU scenario using standard gap analysis. Stressed liquidity risk on the other hand assumes a repeat of a historical liquidity stress, and estimates the impact if the Group were to partially defend its deposits and partially pay-off by drawing from its reserve of liquid assets.

(c) *Interest Rate Risk in the Banking Book (IRRBB)* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group estimates interest rate risk in the banking book as its NII-at-risk, and accordingly deducts the same from regulatory qualifying capital. Stressed IRRBB is calculated by applying the highest observed market volatilities over a determined timeframe.

(d) *Compliance/Regulatory Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. The Group estimates compliance risk as the sum of regulatory fines and penalties, and forecasts this amount in relation to the level of operating expenses. The resulting figure is treated as a deduction from regulatory qualifying capital. In 2013, the Group decided to henceforth broaden its analysis of this risk to account for regulatory benchmarks and other regulations that the Group has not been in compliance with, as noted by past BSP examinations.

(e) *Reputation Risk* – From the adoption of a theoretical measure, the Group amended its approach to reputation risk in 2011 by adopting instead a reputation risk monitoring and reporting process, run primarily by its Public Relations Committee. The measurement of reputation risk under stress is folded into the Group's assessment of stressed liquidity risk.

(f) *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treats strategic business risk as a catch-all risk, and expresses its estimate as a cap on additional risk-weighted assets given other risks and the desired level of capital adequacy.

(g) *Information Technology Risk* – It is the current and prospective negative impact to earnings arising from failure of IT systems. The Group treats this risk as forming part of Operational Risk.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying amounts and corresponding fair values of those financial assets and financial liabilities presented in the statements of financial position.

	Group			
	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 75,784**	**P 75,784**	P 69,854	P 69,854
Investment securities	**79,795**	**78,911**	-	-
Loans and receivables	**261,574**	**261,574**	237,960	237,976
Other resources	**845**	**845**	1,530	1,530
	417,998	**417,114**	309,344	309,360
At FVPL	**16,458**	**16,458**	3,288	2,358
At FVOCI	**4,537**	**4,537**	-	-
AFS securities	**-**	**-**	89,412	89,412
	P 438,993	**P 438,109**	P 402,044	P 401,130
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**315,761**	**315,761**	297,853	297,853
Bills payable	**39,799**	**39,799**	39,895	39,895
Bonds payable	**23,486**	**24,954**	23,317	25,651
Subordinated debt	**9,921**	**11,042**	-	-
Accrued interest and other expenses	**4,287**	**4,287**	4,323	4,323
Other liabilities	**6,436**	**6,436**	7,997	7,997
	399,690	**402,279**	373,385	375,719
Derivative financial liabilities	**291**	**291**	635	635
	P 399,981	**P 402,570**	P 374,020	P 376,354

	Parent Company			
	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and cash equivalents	**P 62,837**	**P 62,837**	P 62,454	P 62,454
Investment securities	**70,256**	**69,651**	-	-
Loans and receivables	**205,614**	**205,614**	191,636	191,652
Other resources	**783**	**783**	1,510	1,510
	339,490	**338,885**	255,600	255,616
At FVPL	**15,062**	**15,062**	2,358	2,358
At FVOCI	**2,222**	**2,222**	-	-
AFS securities	**-**	**-**	76,882	76,882
	P 356,774	**P 356,169**	P 334,840	P 334,856

	Parent Company			
	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 248,022**	**P 248,022**	P 243,620	P 243,620
Bills payable	**36,837**	**36,837**	37,067	37,067
Bonds payable	**23,486**	**24,954**	23,317	25,651
Subordinated debt	**9,921**	**11,042**	-	-
Accrued interest and other expenses	**3,303**	**3,303**	3,391	3,391
Other liabilities	**5,109**	**5,109**	5,302	5,302
	326,678	**329,267**	312,697	315,031
Derivative financial liabilities	**291**	**291**	635	635
	P 326,969	**P 329,558**	P 313,332	P 315,666

Except for investment securities at amortized cost, bonds payable and subordinated debt with fair value disclosed different from their carrying amounts, management considers that the carrying amounts of other financial assets and financial liabilities presented above which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Group's and Parent Company's investment securities at amortized cost and other financial assets measured at fair value on a recurring basis are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting Financial Assets and Financial Liabilities

The following financial assets presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar arrangements:

	Group				
			Related amounts not set off in the statements of financial position		
	Notes	Gross amounts recognized in the statements of financial position	Financial Instruments	Cash received	Net amount
December 31, 2014					
Loans and receivables – Receivable from customers	11	**P 258,688**	**(P 12,724)**	**P -**	**P 245,964**
Other resources – Margin deposits	15	**96**	**-**	**(96)**	-
December 31, 2013					
Loans and receivables – Receivable from customers	11	P 213,663	(P 12,124)	P -	P 201,539
Other resources – Margin deposits	15	1,293	-	(635)	658

	Parent Company								
	Notes	Gross amounts recognized in the statements of financial position		Related amounts not set off in the statements of financial position – Financial Instruments		Cash received		Net amount	
December 31, 2014									
Loans and receivables – Receivable from customers	11	**P**	**203,417**	**(P**	**11,484)**	**P**	**-**	**P**	**191,933**
Other resources – Margin deposits	15		**96**		**-**	**(**	**96)**		**-**
December 31, 2013									
Loans and receivables – Receivable from customers	11	P	166,832	(P	11,153)	P	-	P	155,679
Other resources – Margin deposits	15		1,293		-	(	635)		658

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

	Group								
	Notes	Gross amounts recognized in the statements of financial position		Related amounts not set off in the statements of financial position – Financial Instruments		Cash received		Net amount	
December 31, 2014									
Deposit liabilities	17	**P**	**315,761**	**(P**	**12,724)**	**P**	-	**P**	**303,037**
Other liabilities – Derivative financial liabilities	22		**291**		**-**	**(**	**96)**		**195**
December 31, 2013									
Deposit liabilities	17	P	297,853	(P	12,124)	P	-	P	285,729
Bills payable	18		39,895	(	10)		-		39,885
Other liabilities – Derivative financial liabilities	22		635		-	(	635)		-

	Parent Company								
	Notes	Gross amounts recognized in the statements of financial position		Related amounts not set off in the statements of financial position – Financial Instruments		Cash received		Net amount	
December 31, 2014									
Deposit liabilities	17	**P**	**248,022**	**(P**	**11,484)**	**P**	**-**	**P**	**236,538**
Other liabilities – Derivative financial liabilities	22		**291**		**-**	**(**	**96)**		**195**
December 31, 2013									
Deposit liabilities	17	P	243,620	(P	11,153)	P	-	P	232,467
Bills payable	18		37,067	(	10)		-		37,057
Other liabilities – Derivative financial liabilities	22		635		-	(	635)		-

For financial assets and liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and its counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits which serve as the Group's collateral enhancement for certain loans and receivables; (b) certain loans and receivables assigned by the Group as collateral for its rediscounting availments from the BSP; and, (c) margin deposits which serve as security for outstanding financial market transactions and other liabilities. The financial instruments that can be set off are only disclosed to the extent of the amounts of the Group's obligations to counterparties.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2014 and 2013.

	Group			
	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL:				
Government bonds	P 10,421	P 271	P -	P 10,692
Corporate debt securities	2,707		-	2,707
Equity securities	1,269	-	329	1,598
Derivative assets	54	1,407	-	1,461
	14,451	1,678	329	16,458
Financial assets at FVOCI – Equity securities	2,290	124	2,123	4,537
Total Resources at Fair Value	**P 16,741**	**P 1,802**	**P 2,452**	**P 20,995**
Derivative liability	**P -**	**P 291**	**P -**	**P 291**
	2013			
	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Government bonds	P 1,108	P 2	P -	P 1,110
Corporate debt securities	371	103	-	474
Equity securities	827	-	-	827
Derivative assets	54	823	-	877
	2,360	928	-	3,288
AFS securities:				
Government bonds	43,834	4,303	-	48,137
Corporate debt securities	36,659	1,360	-	38,020
Equity securities	2,836	79	-	2,915
	83,329	5,742	-	89,072
Allowance for impairment	-	(1,158)	-	(1,158)
	83,329	4,584	-	87,914
Total Resources at Fair Value	P 85,689	P 5,512	P -	P 91,202
Derivative liability	P -	P 635	P -	P 635

Parent Company

2014

	Level 1		Level 2		Level 3		Total	
Financial assets at FVPL:								
Government bonds	P	10,376	P	147	P	-	P	10,523
Corporate debt securities		2,509		-		-		2,509
Equity securities		240		-		329		569
Derivative assets		54		1,407		-		1,461
		13,179		1,554		329		15,062
Financial assets at FVOCI – Equity securities		-		123		2,099		2,222
Total Resources at Fair Value	P	13,179	P	1,677	P	2,428	P	17,284
Derivative liability	P	-	P	291	P	-	P	291

2013

	Level 1		Level 2		Level 3		Total	
Financial assets at FVPL:								
Government bonds	P	1,108	P	2	P	-	P	1,110
Corporate debt securities		371		-		-		371
Derivative assets		54		823		-		877
		1,533		825		-		2,358
AFS securities:								
Government bonds		37,756		3,206		-		40,962
Corporate debt securities		33,926		1,266		-		35,192
Equity securities		164		79		-		243
		71,846		4,551		-		76,397
Allowance for impairment		-		(1,008)		-		(1,008)
		71,846		3,543		-		75,389
Total Resources at Fair Value	P	73,379	P	4,368	P	-	P	77,747
Derivative liability	P	-	P	635	P	-	P	635

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) Government Bonds and Corporate Papers

The fair value of the Group's government bonds and corporate papers categorized within Level 1 is determined directly based on published closing prices available from the electronic financial data service providers which had been based on price quoted or actually dealt in an active market at the end of each of the reporting period. On the other hand, government bonds with fair value categorized within Level 2 is determined based on the prices of benchmark government securities which are also quoted in an active market or bond exchange (i.e., PDEx).

(b) Corporate Debt Securities (excluding Corporate Papers Categorized within Level 1)

The fair value of the Group's corporate debt securities categorized under Level 2 of the hierarchy in 2013, is estimated and determined based on pricing model developed by applying benchmark pricing curves which are derived using the yield of benchmark security with similar maturities (i.e., government bonds or notes). In applying this pricing methodology, the yield of the underlying securities is interpolated between the observable yields to consider any gaps in the maturities of the benchmark securities used to develop a benchmark curve.

(c) Equity Securities

The fair values of equity securities classified as financial assets at FVPL and FVOCI as of December 31, 2014 and AFS securities as of December 31, 2013 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1. On the other hand, for equity securities which are not traded in an active market and categorized within Level 2, their fair value is determined by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties.

Level 2 category also includes the Group's investments in proprietary club shares as their prices are not derived from a market considered as active due to lack of trading activities among market participants at the end of each reporting period.

(d) Derivative Assets and Liabilities

The fair value of the Group's derivative assets categorized within Level 1 is determined directly based on published price quotation available for an identical instrument in an active market at the end of each of the reporting period.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

There were no transfers between levels of hierarchy in 2014 and 2013.

As of December 31, 2013, the Group and the Parent Company has non-marketable/ unquoted equity securities invested in local private companies amounting to P1,572 and P1,563, respectively, which were classified under AFS Securities and were carried at cost as the Group was unable to reliably determine their fair value by reference to comparable instrument or by using any valuation techniques. The Group has reclassified and designated these unquoted equity securities to Financial Assets at FVOCI and Financial Assets at FVPL on January 1, 2014 upon initial adoption of PFRS 9; hence, required to be measured at fair value on a recurring basis. These investments were remeasured by the Group and the Parent Company resulting in an increase of P1,077 and P1,062, respectively, in the carrying amount of investments representing fair value gains as of the initial date of adoption [see Note 2.2(b)]. From its carrying amount at cost as of December 31, 2013, the Group has determined the fair value of these equity investments using valuation technique through discounted cash flows method; hence, categorized as Level 3 in the fair value hierarchy.

The significant assumptions used applied by the Group in determining the fair value of these equity investments include, among others, the following:

- A growth rate ranging from 4.4% to 4.9% in deriving the present value of the continuing/terminal cash flows from the investee companies; and,

- Weighted average cost of capital (WACC) ranging from 7.5% to 13.9% used to determine the present value of the free cash flows for a certain forecast period covered in the cash flow projections.

7.3 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P9,946 and P7,924 in the Group's financial statements and P5,379 and P3,531 in the Parent Company's financial statements as of December 31, 2014 and 2013, respectively. The fair value hierarchy of these properties as of December 31, 2014 and 2013 is categorized as Level 3.

The fair values of the Group's and Parent Company's investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

(b) Fair Value Measurement for Buildings

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change in the valuation techniques during the year.

8. SEGMENT INFORMATION

8.1 Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different geographical markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

(a) *Retail Banking* – principally handles the business centers offering a wide range of financial products and services to the commercial "middle market" customers. Products offered include individual customer's deposits, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products.

(b) *Corporate Banking* – principally handles loans and other credit facilities and deposit and current accounts for corporate, small and medium enterprises and institutional customers.

(c) *Treasury* – principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

(d) *Others* – consists of the Parent Company's various support groups and consolidated subsidiaries.

These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to primary business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

For secondary segments, revenues and expenses are attributed to geographic areas based on the location of the resources producing the revenues, and in which location the expenses are incurred.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2014, 2013 and 2012 follow:

	2014				
	Retail Banking Group	**Corporate Banking Group**	**Treasury Group**	**Others**	**Total**
Statement of profit or loss					
Interest income	P 6,459	P 9,394	P 3,234	P 1,113	P 20,200
Interest expense	(1,962)	(3,275)	(3,071)	3,075	(5,233)
Net interest income	4,497	6,119	163	4,188	14,967
Non-interest income	2,358	1,378	1,677	1,689	7,102
Total revenues	6,855	7,497	1,840	5,877	22,069
Non-interest expense	(6,026)	(1,465)	(495)	(8,759)	(16,745)
Profit (loss) before tax	829	6,032	1,345	(2,882)	5,324
Tax expense	-	-	-	(914)	(914)
Non-controlling interest in net profit	-	-	-	1	1
Net profit (loss)	**P 829**	**P 6,032**	**P 1,345**	**(P 3,795)**	**P 4,411**
Statement of financial position					
Total Resources	**P 247,416**	**P 198,852**	**P 98,490**	**(P 86,853)**	**P 457,905**
Total Liabilities	**P 247,074**	**P 198,852**	**P 98,490**	**(P 139,642)**	**P 404,774**
Other segment information					
Depreciation and amortization	**P 349**	**P 148**	**P 6**	**P 1,074**	**P 1,577**

	2013				
	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
Statement of profit or loss					
Interest income	P 6,698	P 7,662	P 3,369	P 1,095	P 18,824
Interest expense	(2,214)	(3,013)	(3,217)	2,931	(5,513)
Net interest income	4,484	4,649	153	4,025	13,311
Non-interest income	2,495	1,638	2,088	3,589	9,810
Total revenues	6,979	6,287	2,241	7,614	23,121
Non-interest expense	(6,356)	(922)	(611)	(8,639)	(16,528)
Profit (loss) before tax	623	5,365	1,630	(1,025)	6,593
Tax expense	-	-	-	(1,259)	(1,259)
Non-controlling interest in net profit	-	-	-	(13)	(13)
Net profit (loss)	P 623	P 5,365	P 1,630	(P 2,297)	P 5,321
Statement of financial position					
Total Resources	P 213,208	P 174,779	P 99,650	(P 65,768)	P 421,869
Total Liabilities	P 213,208	P 174,779	P 99,650	(P 110,576)	P 377,061
Other segment information					
Depreciation and amortization	P 305	P 6	P 13	P 994	P 1,318

	2012				
	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
Statement of profit or loss					
Interest income	P 8,890	P 7,817	P 3,742	(P 1,692)	P 18,757
Interest expense	(4,031)	(5,247)	(2,892)	4,815	(7,355)
Net interest income	4,859	2,570	850	3,123	11,402
Non-interest income	2,175	1,020	5,888	2,259	11,342
Total revenue	7,034	3,590	6,738	5,382	22,744
Non-interest expense	(5,920)	(1,091)	(664)	(8,368)	(16,043)
Profit (loss) before tax	1,114	2,499	6,074	(2,986)	6,701
Tax expense	-	-	-	(745)	(745)
Non-controlling interest in net profit	-	-	-	(7)	(7)
Net profit (loss)	P 1,114	P 2,499	P 6,074	(P 3,738)	P 5,949
Statement of financial position					
Total Resources	P 210,659	P 159,508	P 83,451	(P 90,279)	P 363,339
Total Liabilities	P 210,659	P 159,508	P 83,451	(P 132,441)	P 321,177
Other segment information					
Depreciation and amortization	P 298	P 13	P 8	P 795	P 1,114

8.3 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2014, 2013 and 2012 follow:

	2014			
	Philippines	**United States**	**Asia and Europe**	**Total**
Statement of profit or loss				
Total revenues	P 21,873	P 3	P 194	P 22,069
Total expenses	17,459	17	183	17,658
Net profit (loss)	**P 4,414**	**(P 14)**	**P 11**	**P 4,411**
Statement of financial position				
Total resources	**P 457,454**	**P 7**	**P 444**	**P 457,905**
Total liabilities	**P 404,448**	**P 8**	**P 318**	**P 404,774**
Other segment information				
Depreciation and amortization	**P 1,575**	**P -**	**P 2**	**P 1,577**

	2013			
	Philippines	United States	Asia and Europe	Total
Results of operations				
Total revenues	P 22,909	P 65	P 147	P 23,121
Total expenses	17,589	43	168	17,800
Net profit (loss)	P 5,320	P 22	(P 21)	P 5,321
Statement of financial position				
Total resources	P 421,327	P 92	P 450	P 421,869
Total liabilities	P 376,691	P 78	P 292	P 377,061
Other segment information				
Depreciation and amortization	P 1,316	P -	P 2	P 1,318

	2012			
	Philippines	United States	Asia and Europe	Total
Results of operations				
Total revenues	P 22,595	P 38	P 111	P 22,744
Total expenses	16,585	26	184	16,795
Net profit (loss)	P 6,010	P 12	(P 73)	P 5,949
Statement of financial position				
Total resources	P 362,907	P 124	P 308	P 363,339
Total liabilities	P 320,882	P 89	P 206	P 321,177
Other segment information				
Depreciation and amortization	P 1,112	P -	P 2	P 1,114

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		Parent Company	
	2014	2013	**2014**	2013
Cash and other cash items	**P 13,085**	P 9,826	**P 9,539**	P 7,563
Due from BSP	**46,099**	52,491	**37,763**	48,679
Due from other banks	**16,600**	7,537	**15,535**	6,212
	P 75,784	P 69,854	**P 62,837**	P 62,454

Cash consists primarily of funds in the form of Philippine currency notes and coins and includes foreign currencies acceptable to form part of the international reserves in the Parent Company's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand), such as checks drawn on other banks or other branches after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Note 17), to serve as clearing account for interbank claims and to comply with existing trust regulations. The balance of Due from BSP also includes short-term special deposit account amounting to P5,538 and P17,049 for the Group and P3,300 and P16,900 for the Parent Company at December 31, 2014 and 2013, respectively, which bear annual interest at 2.00% to 2.50% in 2014 and 2.00% to 3.50% in 2013.

The balance of Due from Other Banks account represents regular deposits with the following:

	Group		Parent Company	
	2014	2013	**2014**	2013
Foreign banks	**P 15,742**	P 6,675	**P 15,030**	P 5,534
Local banks	**858**	862	**505**	678
	P 16,600	P 7,537	**P 15,535**	P 6,212

The breakdown of Due from Other Banks by currency is shown below.

	Group		Parent Company	
	2014	2013	**2014**	2013
Foreign currencies	**P 15,832**	P 7,044	**P 15,065**	P 5,768
Philippine pesos	**768**	493	**470**	444
	P 16,600	P 7,537	**P 15,535**	P 6,212

Interest rates per annum on these deposits range from 0.00% to 1.00% in 2014, 2013 and 2012.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2014	2013	**2014**	2013
Financial assets at FVPL	**P 16,458**	P 3,288	**P 15,062**	P 2,358
Financial assets at FVOCI	**4,537**	-	**2,222**	-
Investment securities at amortized cost	**79,795**	-	**70,256**	-
AFS securities - net	**-**	89,412	**-**	76,882
	P 100,790	P 92,700	**P 87,540**	P 79,240

10.1 Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL is composed of the following:

	Group		Parent Company	
	2014	2013	**2014**	2013
Government securities	**P 10,692**	P 1,110	**P 10,523**	P 1,110
Corporate debt securities	**2,707**	474	**2,509**	371
Equity securities	**1,598**	827	**569**	-
Derivative financial assets	**1,461**	877	**1,461**	877
	P 16,458	P 3,288	**P 15,062**	P 2,358

The carrying amounts of financial assets at FVPL are classified as follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Held-for-trading	**P 14,428**	P 2,411	**P 13,032**	P 1,481
Designated as at FVPL	**569**	-	**569**	-
Derivatives	**1,461**	877	**1,461**	877
	P 16,458	P 3,288	**P 15,062**	P 2,358

Treasury bills and other debt securities issued by the government and other private corporations earn annual interest as follows:

	2014	2013	2012
Peso denominated	**1.63% - 12.38%**	1.63% - 14.38%	4.63% - 12.38%
Foreign currency denominated	**0.05% - 10.63%**	1.25% - 10.63%	2.50% - 10.63%

Equity securities are composed of listed shares of stock traded at the PSE and shares of stock designated as at FVPL.

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year. Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of December 31 both in the Group's and Parent Company's financial statements are shown below.

	2014					
	Notional Amount		Fair Values			
			Assets		Liabilities	
Currency swaps and forwards	P	22,788	P	137	P	118
Interest rate swaps and futures		16,396		60		173
Debt warrants		5,598		54		-
Options		715		7		-
Credit default swaps		89		4		-
Credit linked notes		-		971		-
Principal-protected notes		-		228		-
	P	**45,586**	**P**	**1,461**	**P**	**291**

	2013					
	Notional Amount		Fair Values			
			Assets		Liabilities	
Currency swaps and forwards	P	52,298	P	389	P	338
Interest rate swaps and futures		21,771		172		293
Debt warrants		5,557		54		-
Options		2,638		14		4
Credit default swaps		667		20		-
Principal-protected notes		-		228		-
	P	82,931	P	877	P	635

The derivative liabilities amounting to P291 and P635 as of December 31, 2014 and 2013, respectively, are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The bulk of such derivative liabilities have maturity periods of less than a year.

In 2008, the Parent Company reclassified its CLNs that are linked to ROP bonds, with an aggregate carrying value of P2,946 from AFS Securities to Loans and Receivables. As of December 31, 2013, the aggregate carrying value of the CLNs amounted to P2,665 (see Note 11.3). On January 1, 2014, the Parent Company reclassified its CLNs with an aggregate value of P2,665 from Loans and Receivables to Financial Assets at FVPL as a result of the initial application of PFRS 9 [see Note 2.2(b)]. As of December 31, 2014, the carrying value of the remaining CLNs amounted to P971.

The Group recognized the fair value changes in financial assets at FVPL resulting in an increase of P614 in 2014 and P151 in 2013 in the Group's financial statements; and increase of P455 in 2014 and P167 in 2013 in the Parent Company's financial statements, which were included as part of Trading and Securities Gains account in the statements of profit or loss.

Other information about the fair value measurement of the Group's financial assets at FVPL are presented in Note 7.2.

10.2 Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at FVOCI as of December 31, 2014 consist of:

	Group	Parent
Quoted equity securities	P 2,290	P -
Unquoted equity securities	2,247	2,222
	P 4,537	P 2,222

The Group has designated the above equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2014 are the Parent Company's unquoted equity securities with fair value determined using discounted cash flows method; hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

In 2014, the fair value changes in the Group's and Parent's financial assets at FVOCI amounted to P118 and P56, respectively, which are recognized as an adjustment in other comprehensive income and presented in the 2014 statement of comprehensive income under items that will not be reclassified subsequently to profit or loss. In addition, as a result of RCBC Capital's disposal of certain financial asset at FVOCI in 2014, the related fair value gain amounting to P28 previously recognized in other comprehensive income as a result of the adoption of PFRS 9 on January 1, 2014, was transferred from Revaluation Reserves to Surplus account during the year.

In 2014, the Group and Parent Company recognized dividends on these equity securities amounting to P285 and P108, respectively, which are included as part of Miscellaneous income under the Operating Income account in the 2014 statement of profit or loss (see Note 25.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31, 2014 consist of:

	Group	Parent
Government securities	P 56,995	P 49,481
Corporate debt securities	22,800	20,775
	P 79,795	P 70,256

The breakdown of these investment securities by currency is shown below.

	Group	Parent
Philippine peso	P 13,599	P 8,357
Foreign currencies	66,196	61,899
	P 79,795	P 70,256

In 2014, interest rates per annum on government securities and corporate debt securities range from 1.63% to 12.38% for peso denominated securities and 1.40% to 10.63% for foreign currency denominated securities.

10.4 Available-for-sale Securities

The composition of these financial assets as of December 31, 2013 as to type of investment is shown below.

	Group	Parent Company
Government securities	P 48,137	P 40,962
Corporate debt securities	38,020	35,192
Equity securities	4,598	1,921
	90,755	78,075
Allowance for impairment (see Note 16)	(1,343)	(1,193)
	P 89,412	P 76,882

The breakdown of these investment securities by currency is shown below.

	Group	Parent Company
Philippine peso	P 18,950	P 11,070
Foreign currencies	70,462	65,812
	P 89,412	P 76,882

Interest rates per annum on government securities and corporate debt securities range from 1.70% to 7.60% in 2013 and 1.19% to 12.00% in 2012.

In accordance with PFRS 9 and the Group's business model in managing financial assets, these equity and debt securities outstanding as of December 31, 2013 were reclassified to Financial Assets at FVPL, Financial Assets at FVOCI, Investment Securities at Amortized Cost and Loans and Receivables categories on January 1, 2014 [see Note 2.2(b)].

A reconciliation of the carrying amounts of AFS securities at the beginning and end of 2013 is shown below.

	Group	Parent Company
Balance at beginning of year	P 83,687	P 69,512
Additions	99,837	99,676
Disposals	(93,511)	(92,570)
Fair value losses	(8,150)	(6,982)
Net accretion of discounts	3,633	3,419
Provision for impairment	(567)	(478)
Revaluation of foreign currency investments	4,483	4,305
Balance at end of year	P 89,412	P 76,882

The changes in fair values of AFS securities which were recognized in other comprehensive income and formed part of Revaluation Reserves account in equity amounted to fair value losses of P8,150 in 2013 and fair value gains of P863 in 2012 in the Group's financial statements; and fair value losses of P6,982 in 2013 and fair value gains of P787 in 2012 in the Parent Company's financial statements (see Note 23.6).

Included in corporate debt securities as of December 31, 2013 is a 10-year note from Philippine Asset Growth One, Inc. (PAGO) with a face amount of P731 which is part of the consideration received in relation to the Parent Company's disposal in February 2013 of its non-performing assets (NPAs), consisting of non-performing loans (NPLs) with a carrying amount of P507 and non-performing investment properties with a carrying amount of P1,236 (see Note 14). This note receivable carries a variable interest rate of 1.0% per annum during the first five years, 7.0% per annum in the sixth to seventh year, and 7.5% per annum in the last three years. This note receivable was initially recognized in 2013 at fair value resulting in the recognition of day-one loss of P181 which is included as part of allowance for impairment. On January 1, 2014, as a result of the initial application of PFRS 9, the note was reclassified to Loans and Receivables [see Note 2.2(b)].

In 2013, the Group's equity investment in Roxas Holdings, Inc. (RHI) with a carrying amount of P413 previously classified as an investment in associates, was reclassified into AFS securities and carried at its fair value of P434 as of December 31, 2013 (see Note 12.2). As a result of the initial application of PFRS 9, the Group's equity investment in RHI was reclassified to financial assets at FVPL [see Note 2.2(b)].

Certain government securities are deposited with BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with its trust operations (see Note 27).

The information about the fair value measurement of the Group's trading and investment securities is presented in Note 7.2.

11. LOANS AND RECEIVABLES

This account consists of the following:

	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Receivables from customers:				
Loans and discounts	**P 234,605**	P 189,052	**P 180,307**	P 143,073
Credit card receivables	**10,843**	12,049	**10,843**	12,049
Customers' liabilities on acceptances, import bills and trust receipts	**9,411**	9,814	**9,411**	9,815
Bills purchased	**3,087**	2,077	**3,047**	2,073
Lease contract receivables	**1,339**	1,244	**-**	-
Receivables financed	**242**	832	**-**	-
	259,527	215,068	**203,608**	167,010
Unearned discount	**(839)**	(1,405)	**(191)**	(178)
	258,688	213,663	**203,417**	166,832
Other receivables:				
Accrued interest receivables	**2,846**	2,626	**2,338**	2,183
Accounts receivables	**2,509**	2,891	**1,858**	2,217
Sales contract receivables	**2,273**	1,652	**815**	240
Unquoted debt securities classified as loans	**1,326**	2,665	**1,266**	2,665
Interbank loans receivables	**323**	20,594	**525**	22,120
Accrued rental receivables	**66**	-	**-**	-
	9,343	30,428	**6,802**	29,425
	268,031	244,091	**210,219**	196,257
Allowance for impairment (see Note 16)	**(6,457)**	(6,131)	**(4,605)**	(4,621)
	P 261,574	P 237,960	**P 205,614**	P 191,636

Receivables from customers portfolio earn average annual interest or range of interest as follows:

	2014	2013	2012
Loans and discounts	**6.00%**	6.22%	6.90%
Credit card receivables	**24.24% - 58.00%**	34.90% - 42.00%	38.40% - 42.00%
Lease contract receivables	**8.00% - 21.00%**	10.55% - 22.81%	11.00% - 21.57%
Receivable financed	**10.00% - 25.00%**	10.00% - 25.00%	10.00% - 25.00%

11.1 Credit Concentration, Security and Maturity Profile of Receivables from Customers

The concentration of credit of receivables from customers as to industry follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Real estate, renting and other related activities	**P 57,784**	P 33,011	**P 34,372**	P 19,789
Manufacturing (various industries)	**38,658**	34,537	**38,129**	33,752
Electricity, gas and water	**38,587**	31,550	**38,306**	31,153
Consumer	**29,513**	25,642	**10,843**	12,049
Wholesale and retail trade	**26,051**	20,736	**22,946**	19,046
Other community, social and personal activities	**25,827**	30,488	**22,323**	20,068
Transportation and communication	**21,661**	19,763	**19,963**	16,854
Financial intermediaries	**8,435**	7,658	**7,452**	6,874
Hotels and restaurants	**2,421**	1,398	**2,412**	1,391
Agriculture, fishing and forestry	**1,979**	703	**1,812**	615
Mining and quarrying	**1,389**	4	**1,389**	4
Diversified holding companies	**963**	3,701	**963**	3,701
Others	**5,420**	4,472	**2,507**	1,536
	P 258,688	P 213,663	**P 203,417**	P 166,832

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable. The Group and the Parent Company are in compliance with this loan concentration limit of the BSP as of the end of each reporting period.

The breakdown of the receivables from customers portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Secured:				
Real estate mortgage	**P 64,636**	P 56,201	**P 33,148**	P 28,945
Chattel mortgage	**20,179**	18,730	**278**	293
Hold-out deposit	**12,724**	12,124	**11,484**	11,153
Other securities	**38,031**	32,340	**36,740**	32,340
	135,570	119,395	**81,650**	72,731
Unsecured	**123,118**	94,238	**121,767**	94,101
	P 258,688	P 213,663	**P 203,417**	P 166,832

The maturity profile of the receivable from customers portfolio follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Due within one year	**P 69,191**	P 54,108	**P 47,913**	P 39,364
Due beyond one year	**189,497**	159,555	**155,504**	127,468
	P 258,688	P 213,663	**P 203,417**	P 166,832

11.2 Non-performing Loans and Impairment

Non-performing loans included in the total loan portfolio of the Group and the Parent Company as of December 31, 2014 and 2013 are presented below, net of allowance for impairment in compliance with the BSP Circular 772.

	Group		Parent Company	
	2014	2013	**2014**	2013
Gross NPLs	**P 5,176**	P 6,117	**P 2,140**	P 3,528
Allowance for impairment	**(2,540)**	(3,618)	**(1,534)**	(2,560)
	P 2,636	P 2,499	**P 606**	P 968

Under Section X309 of MORB, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan/receivable shall be considered as non-performing when the total amount of arrearages reaches 10% of the total loan/receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals.

Accounts receivables include claim from the Bureau of Internal Revenue (BIR) relating to the 20% final withholding tax on Poverty Eradication and Allevation Certificates (PEACe) bonds amounting to P199. On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. Subsequently, on March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration and reiterated its arguments with the Supreme Court (see Note 29.3).

Loans and receivables amounting to P10 as of December 31, 2013 both in the Group's and Parent Company's financial statements were assigned as collateral to the BSP as security for rediscounting availments (see Note 18).

A reconciliation of the allowance for impairment of loans and receivables at the beginning and end of 2014 and 2013 is shown below (see Note 16).

	Group		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**P 6,131**	P 10,946	**P 4,621**	P 7,228
Net provisions during the year	**2,255**	1,783	**1,591**	1,099
Accounts written off and others – net	**(1,929)**	(6,598)	**(1,607)**	(3,706)
Balance at end of year	**P 6,457**	P 6,131	**P 4,605**	P 4,621

11.3 Reclassification to and from Loans and Receivables

In 2008, the Parent Company reclassified from AFS Securities to Loans and Receivables, its CLNs that are linked to ROP bonds and certain CDOs with aggregate carrying amount of P5,961 (see Note 10.1) and embedded derivatives financial liability amounting to P308 at reclassification date. The reclassified CDOs were disposed of in 2010. The effective interest rates at reclassification date ranged from 4.25% to 9.50% per annum. The unrealized fair value losses that should have been recognized by the Group and Parent Company in the financial statements under Revaluation Reserves account had the CLNs not been reclassified to Loans and Receivables is P145 as of December 31, 2013. Had the embedded derivatives not been reclassified by the Parent Company, interest income on loans and receivables would have decreased by P214 and P218 for the years ended December 31, 2013 and 2012, respectively, and the additional fair value losses that would have been recognized in profit or loss would have amounted to P92 in 2013 and fair value gains of P111 in 2012. As of December 31, 2013, the carrying amounts and the corresponding fair values of the outstanding reclassified CLNs linked to ROP bonds amounted to P2,665 and P2,947, respectively.

On January 1, 2014, as a result of the initial application of PFRS 9, the Parent Company reclassified its CLNs with an aggregate value of P2,665 from Loans and Receivables to Financial Assets at FVPL [see Note 2.2(b)].

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in subsidiaries and associates are as follows (refer to Note 1.2 for the effective percentage of ownership, line of business, and country of incorporation of subsidiaries and associates):

	Group	
	2014	2013
Acquisition costs of associates:		
HCPI	**P 91**	P 91
LIPC	**57**	53
YCS	**5**	5
	153	149
Accumulated equity in net earnings:		
Balance at beginning of year	**184**	887
Share in net earnings for the year	**24**	243
Share in actuarial losses on defined benefit plan	**(34)**	-
Cash dividends	**(6)**	(284)
Effect of disposals	**-**	(662)
Balance at end of year	**168**	184
Carrying amount	**P 321**	P 333

	Parent Company 2014	Parent Company 2013
Subsidiaries:		
RSB	**P 3,190**	P 3,190
RCBC Capital	**2,231**	2,231
Rizal Microbank	**992**	992
RCBC LFC	**687**	687
RCBC JPL	**375**	375
RCBC Forex	**150**	150
RCBC North America	**134**	134
RCBC Telemoney	**72**	72
RCBC IFL	**58**	58
	7,889	7,889
Associates:		
NPHI	**388**	388
HCPI	**91**	91
LIPC	**57**	53
YCS	**5**	5
	541	537
	8,430	8,426
Allowance for impairment (see Note 16)	**(431)**	(427)
Carrying amount	**P 7,999**	P 7,999

At the end of each reporting period, the Group has no material interest in unconsolidated structured entities.

Also, the Parent Company and its subsidiaries did not enter in any contractual arrangements to provide financial support to any entities under the Group.

12.1 Changes in Investments in Subsidiaries

On January 30, 2012, the BOD approved the acquisition of a total of 448,528,296 common stocks or 97.79% of the outstanding capital stock of First Malayan Leasing and Finance Corporation (FMLFC) from PMMIC, House of Investments, Inc. (HI) and other investors. The sale and purchase of FMLFC stocks were made in accordance with the three share purchase agreements signed by the contracting parties on February 7, 2012 and were conditioned on among others, the receipt of approval of the transaction from the BSP, which was received by the Parent Company on March 12, 2012 (see Note 23.4). After the acquisition, FMLFC was renamed as RCBC LFC.

On August 31, 2011, the BOD approved the acquisition of selected assets and assumption of selected liabilities of JPL Rural Bank through Rizal Microbank, subject to the approval of Philippine Deposit Insurance Corporation (PDIC) and BSP with the following conditions: (a) JPL Rural Bank shall surrender its rural bank license to BSP within 30 days from BSP approval; and, (b) JPL Rural Bank shall likewise cease to accept deposits and change its business name so as to delete the word "bank" therein. Consequently, in 2011, the Parent Company infused P500 worth of capital to Rizal Microbank to support the acquisition of assets and assumption of liabilities of JPL Rural Bank. The application for the acquisition of selected assets and assumption of selected liabilities was approved by PDIC and BSP on January 31, 2012 and March 2, 2012, respectively. In 2012, JPL Rural Bank changed its corporate name to RCBC JPL.

As a result of the continued losses incurred by RCBC JPL until 2012 evidenced by its reported capital deficiency of P406 as of December 31, 2012, the Parent Company recognized an impairment loss of P319 in 2012 in addition to the P56 provision for impairment recognized prior to 2012 to fully impair the carrying amount of its investment in RCBC JPL. Such impairment loss is reported as part of Impairment Losses account in the Parent Company's 2012 statement of profit or loss.

On October 18, 2013, the BOD approved the share purchase agreement entered into by the Group and another third party investor for the sale of the Group's ownership interest in Bankard, Inc. Bankard, Inc.'s total assets, total liabilities and net assets amounted to P1,075, P14 and P1,061 respectively, as at the date of disposal. As a consideration for the sale of the investment, the Group received cash amounting to P225 and a right over an escrow account amounting to P870 established by the buyer investor in settlement of this transaction. Gain on sale recognized related to this transaction amounting to P44 is included as part of Gain on sale of equity investments under Miscellaneous Income account in the Group's 2013 statement of profit or loss (see Note 25.1). Moreover, the disposal of Bankard, Inc. resulted in the reversal and transfer of P233 other reserves recognized in prior years directly to surplus (see Note 23.4).

12.2 Information about Investments in Associates

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI to commit and undertake to vote, as a unit, the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been considered by the Parent Company as an associate despite having only 12.88% ownership interest.

The table below presents the summary of the unaudited financial information of HCPI as of and for the years ended December 31:

	Resources	Liabilities	Revenues	Profit
2014:				
HCPI	**P 4,334**	**P 1,744**	**P 10,412**	**P 449**
2013:				
HCPI	P 3,728	P 1,243	P 9,713	P 270

On July 31, 2013, the BOD approved the sale of a total of 2,130,000 common stocks or 49.00% shareholdings in RCBC Land, Inc. (RLI) to PMMIC and a total of 1,701,771 common stocks and 5,201,771 preferred stocks or 25.00% ownership in RCBC Realty Corporation to PMMIC, HI and RLI. Total consideration received from the said disposal of shares of stock amounted to P4,547 resulting in a gain of P1,336 which was recognized and included as part of Gain on sale of equity investments under Miscellaneous Income account in the Group's 2013 statement of profit or loss (see Note 25.1).

RCBC Capital entered into an agreement with another stockholder of RHI to commit and undertake to vote, as a unit, the shares of stock of RHI, which they own and hold, and to regulate the conduct of the voting and other actions between them with respect to the exercise of the voting rights. As a result of this agreement, RCBC Capital and the Parent Company were able to exercise significant influence over the operating and financial policies of RHI. Thus, notwithstanding RCBC Capital's ownership of only 4.71% and the Parent Company's ownership of only 2.40%, RHI has been considered as an associate of the Group until 2012. In 2013, the agreement with the other stockholder of RHI was terminated resulting in RCBC Capital and the Parent Company losing their significant influence in RHI. Consequently, the Group has ceased to account its investment in RHI under equity method which resulted in the derecognition of the carrying amount of the investment amounting to P413 and recognition of the same investment as part of AFS securities at its fair value of P434, resulting in a gain from this transaction amounting to P21 (see Note 10.4). Such gain is recognized as part of Others under Miscellaneous Income account in the 2013 statement of profit or loss of the Group. In addition, the Group has recognized in other comprehensive income a fair value loss of P20 arising from the remeasurement of such equity investment in RHI at fair value at the end of 2013.

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2014 and 2013 are shown below.

	Group					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2014						
Cost	P 1,297	P 3,070	P -	P 7,291	P 979	P 12,637
Accumulated depreciation and amortization	-	(1,032)	-	(4,574)	-	(5,606)
Net carrying amount	**P 1,297**	**P 2,038**	**P -**	**P 2,717**	**P 979**	**P 7,031**
December 31, 2013						
Cost	P 1,587	P 4,333	P -	P 6,026	P 915	P 12,861
Accumulated depreciation and amortization	-	(976)	-	(3,071)	-	(4,047)
Net carrying amount	P 1,587	P 3,357	P -	P 2,955	P 915	P 8,814
January 1, 2013						
Cost	P 1,486	P 1,767	P 1,600	P 6,272	P 807	P 11,932
Accumulated depreciation and amortization	-	(911)	-	(3,514)	-	(4,425)
Net carrying amount	P 1,486	P 856	P 1,600	P 2,758	P 807	P 7,507

	Parent Company					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2014						
Cost	P 779	P 2,172	P -	P 4,766	P 695	P 8,412
Accumulated depreciation and amortization	-	(798)	-	(3,127)	-	(3,925)
Net carrying amount	**P 779**	**P 1,374**	**P -**	**P 1,639**	**P 695**	**P 4,487**
December 31, 2013						
Cost	P 1,212	P 4,123	P -	P 4,567	P 615	P 10,517
Accumulated depreciation and amortization	-	(737)	-	(2,759)	-	(3,496)
Net carrying amount	P 1,212	P 3,386	P -	P 1,808	P 615	P 7,021
January 1, 2013						
Cost	P 672	P 1,419	P 739	P 3,985	P 669	P 7,484
Accumulated depreciation and amortization	-	(687)	-	(2,364)	-	(3,051)
Net carrying amount	P 672	P 732	P 739	P 1,621	P 669	P 4,433

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2014 and 2013 is shown below.

	Group					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 1,587	P 3,357	P -	P 2,955	P 915	P 8,814
Additions	1	72		529	310	912
Reclassification to Investment Properties (see Note 14)	(259)	(1,265)	-	-	-	(1,524)
Disposals	(32)	(22)	-	(54)	(44)	(152)
Depreciation and amortization charges for the year	-	(104)	-	(713)	(202)	(1,019)
Balance at December 31, 2014 net of accumulated depreciation and amortization	**P 1,297**	**P 2,038**	**P -**	**P 2,717**	**P 979**	**P 7,031**
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 1,486	P 856	P 1,600	P 2,758	P 807	P 7,507
Additions	106	1,007	-	1,308	330	2,751
Reclassifications	-	1,600	(1,600)	-	-	-
Disposals	(5)	(33)	-	(322)	(48)	(408)
Depreciation and amortization charges for the year	-	(73)	-	(789)	(174)	(1,036)
Balance at December 31, 2013 net of accumulated depreciation and amortization	P 1,587	P 3,357	P -	P 2,955	P 915	P 8,814

	Parent Company					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 1,212	P 3,386	P -	P 1,808	P 615	P 7,021
Additions	1	44	-	324	204	573
Reclassification to Investment Properties (see Note 14)	(419)	(1,985)	-	-	-	(2,404)
Disposals	(15)	(3)	-	(22)	-	(40)
Depreciation and amortization charges for the year	-	(68)	-	(471)	(124)	(663)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 779	P 1,374	P -	P 1,639	P 695	P 4,487
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 672	P 732	P 739	P 1,621	P 669	P 4,433
Additions	545	1,998	-	653	123	3,319
Reclassification	-	739	(739)	-	-	-
Disposals	(5)	(32)	-	(18)	(43)	(98)
Depreciation and amortization charges for the year	-	(51)	-	(448)	(134)	(633)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 1,212	P 3,386	P -	P 1,808	P 615	P 7,021

In October 2009, the Parent Company, RSB and Bankard, Inc. entered into an agreement with Malayan Insurance Company, Inc. (MICO), Grepalife Financial, Inc. (Grepalife) and Hexagonland to form a consortium for the pooling of their resources and establishment of an unincorporated joint venture (the "UJV") for the construction and development of a high rise, mixed use commercial/office building, now operated by the Group as RSB Corporate Center. In 2011, the Parent Company acquired the rights and interest of Grepalife in the UJV. Also in 2011, RSB was able to acquire the rights and interest of Hexagonland after the latter's liquidation. On October 2, 2012, the remaining co-venturers executed a memorandum of understanding agreeing in principle to cancel or revoke the UJV, subject to the approval of BSP. As of December 31, 2012, total cash contribution of the Parent Company, RSB and Bankard, Inc. to the UJV amounted to P1,600 which is recorded as Construction in Progress. On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, BSP approved the Parent Company's acquisition of the land contributed to the RSB Corporate Center as well as the rights and interests of its co-venturers (see Note 28.5). As a result, the Parent Company paid its co-venturers a total consideration of P1,200 which is inclusive of compensation at the rate of 5.00% per annum computed from the date of the co-venturers' payment of their respective cash contributions until the date of the actual return or payment by the Parent Company. The total consideration was capitalized and recorded as part of Buildings account. In addition, by virtue of a deed of absolute sale executed between the Parent Company and RSB on April 5, 2013, the latter transferred its ownership and title to the land where the RSB Corporate Center is situated to the Parent Company for a selling price of P529.

In 2014, a portion of the said building including the land where it is located with gross amounts of P1,985 and P419, respectively, in the Parent Company's financial statements was reclassified to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year, including leases to RSB. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is reclassified as part of the Investment Properties account in the 2014 statement of financial position (see Note 14).

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2014 and 2013, the Parent Company and its bank subsidiaries have satisfactorily complied with this BSP requirement.

The gross carrying amount of the Group's and the Parent Company's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P3,503 and P3,026, respectively, as of December 31, 2014 and P3,477 and P2,871, respectively, as of December 31, 2013.

14. INVESTMENT PROPERTIES

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment and properties which are held for rental.

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the end of 2014, 2013 and 2012 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2014						
Cost	P 3,418	P 2,880	P 6,298	P 1,620	P 2,034	P 3,654
Accumulated depreciation	-	(615)	(615)	-	(82)	(82)
Accumulated impairment (see Note 16)	(319)	(9)	(328)	(146)	-	(146)
Net carrying amount	**P 3,099**	**P 2,256**	**P 5,355**	**P 1,474**	**P 1,952**	**P 3,426**
December 31, 2013						
Cost	P 3,238	P 2,649	P 5,887	P 1,373	P 1,085	P 2,458
Accumulated depreciation	-	(526)	(526)	-	(31)	(31)
Accumulated impairment (see Note 16)	(765)	(17)	(782)	(483)	-	(483)
Net carrying amount	P 2,473	P 2,106	P 4,579	P 890	P 1,054	P 1,944
December 31, 2012						
Cost	P 5,343	P 3,244	P 8,587	P 2,972	P 1,452	P 4,424
Accumulated depreciation	-	(660)	(660)	-	(241)	(241)
Accumulated impairment (see Note 16)	(1,111)	(32)	(1,143)	(619)	-	(619)
Net carrying amount	P 4,232	P 2.552	P 6,784	P 2,353	P 1,211	P 3,564

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2014 and 2013 follow:

	Group		Parent Company	
	2014	2013	**2014**	2013
Balance at January 1, net of accumulated depreciation and impairment	**P 4,579**	P 6,784	**P 1,944**	P 3,564
Additions	**834**	690	**18**	16
Reclassification from Bank Premises (see Note 13)	**1,524**	-	**2,404**	-
Disposals/transfers	**(1,116)**	(2,823)	**(813)**	(1,633)
Impairment losses	**(248)**	(48)	**(72)**	-
Depreciation charges for the year	**(218)**	(24)	**(55)**	(3)
Balance at December 31, net of accumulated depreciation and impairment	**P 5,355**	P 4,579	**P 3,426**	P 1,944

As of December 31, 2014 and 2013, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totalling to P834 and P18, respectively, in 2014 and P690 and P16, respectively, in 2013 in settlement of certain loan accounts.

In September 2014, the Parent Company sold to a third party buyer a certain non-performing investment property consisting of land and building with a total carrying amount of P774 for a total consideration of P740 consisting of P35 cash as down payment, P40 accounts receivable and P665 sales contract receivable with no interest and payable in staggered amount for a period of four years. This disposal resulted in a loss of P34 recognized as part of Others under the Miscellaneous Expenses account in the 2014 statement of profit or loss (see Note 25.2). The sales contract receivable was initially recognized at its fair value resulting in the recognition of a day-one loss amounting to P5 which is included as part of allowance for impairment.

In February 2013, the Parent Company sold its NPAs with a total carrying amount of P1,743 including P1,236 non-performing investment properties and P507 NPLs for a total consideration of P2,288 consisting of P1,557 cash and P731 long-term debt security (see Note 10.4). The total gain recognized from this transaction amounted to P364 which is included as part of Gain on assets sold under Miscellaneous Income account in the 2013 statement of profit or loss (see Note 25.2).

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P333 and P18, respectively, in 2014, P696 and P512, respectively, in 2013, and P198 and P101, respectively, in 2012 which is presented as part of Gain on assets sold under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 Income and Expenses from Investment Properties held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P165 and 162, respectively, in 2014, P88 and P84, respectively, in 2013, and P67 and P72, respectively, in 2012. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P63 and P21, respectively, in 2014, P54 and P1, respectively, in 2013 and P47 and P2, respectively, in 2012.

14.3 Valuation and Measurement of Investment Properties

Certain investment properties of the Group and Parent Company were written down to their carrying amount of P258 and P72, respectively, based on management's latest evaluation of recoverable amount computed based on fair value less costs of disposal. The recoverable amount of these properties were computed based on the latest available appraisal reports adjusted for the costs of disposal of 4% of the appraised amounts and/or estimated selling price.

The fair value of investment properties as of December 31, 2014 and 2013, based on the available appraisal reports, amounted to P9,946 and P7,924, respectively, for the Group; and, P5,379 and P3,531 respectively, for the Parent Company (see Note 7.3).

15. OTHER RESOURCES

Other resources consist of the following:

	Group		Parent Company	
	2014	2013	**2014**	2013
Real estate properties for sale (see Note 15.1)	**P 1,564**	P 2,037	**P 960**	P 960
Creditable withholding taxes	**920**	605	**919**	583
Software – net (see Note 15.2)	**822**	874	**664**	682
Inter-office float items	**705**	345	**691**	412
Returned checks and other cash items	**488**	143	**464**	120
Goodwill (see Note 15.3)	**426**	426	**-**	-
Prepaid expenses	**312**	264	**199**	180
Assets held-for-sale (see Note 15.4)	**213**	592	**-**	-
Unused stationery and supplies	**163**	189	**122**	160
Refundable deposits	**142**	137	**140**	135
Foreign currency notes and coins on hand	**113**	98	**85**	82
Margin deposits (see Note 15.5)	**96**	1,293	**96**	1,293
Sundry debits	**88**	43	**88**	28
Deferred tax assets (see Note 26.1)	**84**	62	**-**	-
Branch licenses – net (see Note 15.6)	**57**	108	**-**	-
Input value added tax (VAT)	**55**	-	**-**	-
Post-employment benefit asset (see Note 24.2)	**-**	-	-	32
Miscellaneous	**1,011**	657	**620**	172
	7,259	7,873	**5,048**	4,839
Allowance for impairment (see Notes 15.3 and 16)	**(209)**	(244)	**(21)**	(43)
	P 7,050	P 7,629	**P 5,027**	P 4,796

15.1 Real Estate Properties for Sale

Real estate properties for sale represent those properties held by the Parent Company, by the SPCs of RSB and NPHI that were consolidated in the Group's statements of financial position.

In 2009, in accordance with the letter received by RSB from BSP dated March 26, 2009, RSB reclassified certain investment properties to equity investments as its investment in subsidiaries in its separate financial statements which resulted in the inclusion of the assets, liabilities, income and expenses of the SPCs of RSB in the Group's consolidated financial statements. The approval of the BSP through the MB is subject to the following conditions: (i) RSB should immediately dissolve the SPCs once the underlying dacioned real property assets were sold or disposed of; and, (ii) the equity investments in the SPCs shall be disposed of within a reasonable period of time.

In partial compliance with the requirements of BSP, the management of RSB resolved that certain SPCs be disposed of through the conversion of the SPCs' existing common stock into redeemable preferred stocks which shall be subsequently redeemed. Accordingly, at their special meeting held on September 30, 2013, the respective BOD and the stockholders of the SPCs approved that a portion of the common stocks of the SPCs owned by RSB shall be converted to redeemable preferred stocks and that for such purpose, the Articles of Incorporation of the SPCs below have been amended. The amendment was approved by the SEC on November 28, 2013:

1. Goldpath
2. Eight Hills
3. Crescent Park
4. Niceview
5. Lifeway
6. Gold Place
7. Princeway
8. Greatwings
9. Top Place
10. Crestview
11. Best Value

On December 23, 2013, the BOD of RSB approved the foregoing SPCs' redemption of the SPC's respective preferred stocks for a total consideration of P1,555. This transaction resulted in the recognition of a redemption loss by RSB amounting to P185 which is reported in the 2013 consolidated financial statements of the Group as part of Other Reserves account pending the eventual retirement of these redeemable preferred stocks. On May 30, 2014 and on October 16, 2014, the retirement of the preferred shares were approved by the BOD and SEC, respectively; hence, the retirement of shares was executed by RSB. Consequently, the amount of the redemption loss was transferred directly to Surplus account from Other Reserves account as the redemption of shares of these SPCs is considered transaction between owners within the Group (see Note 23.4).

In relation to the SPC disposal plan and to fully comply with the requirements of the BSP, the BOD of RSB has approved in its meeting held on May 30, 2014 the shortening of the corporate life of these SPCs until December 31, 2015 which was approved by the SEC in various dates during the last quarter of 2014. As the Group is in the process of liquidating the operations of those SPCs, which is expected to be completed within 2015, the carrying amounts of the real properties of those SPCs subject for liquidation are accounted for under PFRS 5; hence, classified as assets-held-for-sale.

15.2 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2014 and 2013 is shown below.

	Group		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**P 874**	P 754	**P 682**	P 569
Additions	**147**	304	**124**	249
Amortization	**(199)**	(184)	**(142)**	(136)
Balance at end of year	**P 822**	P 874	**P 664**	P 682

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Goodwill

The doodwill recognized by the Group as of December 31, 2014 and 2013 pertains to the following.

	2014	2013
RSB	**P 268**	P 268
Rizal Microbank	**158**	158
	426	426
Allowance for impairment	**(158)**	(158)
	P 268	P 268

RSB recognized goodwill arising from its acquisition of the net assets of another bank in 1998 from which it had expected future economic benefits and synergies that will result from combining the operations of the acquired bank with that of RSB.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2014, RSB engaged a third party consultant to perform an independent impairment testing of goodwill.

On the basis of the report of the third party consultant dated January 31, 2015 with valuation date as of the end of 2014, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in 2014.

In addition, the goodwill pertaining to the acquisition of Rizal Microbank was fully provided with impairment in 2011.

15.4 Assets Held-for-Sale

Assets held-for-sale represents properties that are approved by management to be immediately sold other than real estate properties. These mainly include automobiles, equipment and properties foreclosed by RSB and RCBC LFC in settlement of loans.

15.5 Margin Deposits

Margin deposits serve as security for outstanding financial market transactions and other liabilities. These are designed to provide additional credit risk protection for counterparty exposures.

15.6 Branch Licenses

Branch licenses represent the excess of the total cost of investment over the allocated net assets acquired by the Parent Company from JPL Rural Bank (see Note 12.1).

16. ALLOWANCE FOR IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized as follows:

	Notes	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Balance at beginning of year					
AFS securities	10.4	P 1,343	P 776	P 1,193	P 715
Loans and receivables	11	6,131	10,946	4,621	7,228
Investment in subsidiaries and associates	12	-	-	427	627
Investment properties	14	782	1,143	483	619
Other resources	15	244	207	43	19
		8,500	13,072	6,767	9,208
Provisions during the year		2,509	2,054	1,663	1,380
Charge-offs and other adjustments during the year		(4,015)	(6,626)	(3,227)	(3,821)
		(1,506)	(4,572)	(1,564)	(2,441)
Balance at end of year					
AFS securities	10.4	-	1,343	-	1,193
Loans and receivables	11	6,457	6,131	4,605	4,621
Investment in subsidiaries and associates	12	-	-	431	427
Investment properties	14	328	782	146	483
Other resources	15	209	244	21	43
		P 6,994	P 8,500	P 5,203	P 6,767

The total impairment losses on financial and non-financial assets recognized by the Group and Parent Company in 2012 amounted to P2,486 and P1,921, respectively.

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

	Group		Parent Company	
	2014	2013	**2014**	2013
Demand	**P 32,197**	P 28,448	**P 24,391**	P 23,575
Savings	**164,269**	157,065	**142,375**	134,757
Time	**119,295**	112,340	**81,256**	85,288
	P 315,761	P 297,853	**P 248,022**	P 243,620

Included in the time deposits are the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of December 31, 2014 and 2013 as follows:

Issuance Date	Maturity Date	Effective Interest	Outstanding Balance 2014	Outstanding Balance 2013
December 19, 2014	June 19, 2020	4.13%	**P 2,100**	P -
November 14, 2013	May 14, 2019	3.25%	**2,860**	2,860
November 14, 2013	May 14, 2019	3.52%	**1,838**	1,775
May 7, 2012	November 7, 2017	5.25%	**1,150**	1,150
December 29, 2011	June 29, 2017	5.25%	**2,033**	2,033
December 29, 2011	June 29, 2017	5.54%	**1,585**	1,501
May 6, 2010	November 6, 2015	6.50%	**2,854**	2,854
May 6, 2010	November 6, 2015	6.35%	**2,035**	1,912
			P 16,455	P 14,085

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.

The maturity profile of the deposit liabilities follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Within one year	**P 67,692**	P 49,276	**P 45,365**	P 35,675
Beyond one year but within five years	**16,277**	11,855	**16,120**	10,634
Beyond five years	**2,097**	4,635	**2,097**	4,635
Non-maturing	**229,695**	232,087	**184,440**	192,676
	P 315,761	P 297,853	**P 248,022**	P 243,620

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.25% to 0.88% in 2014, 2013 and 2012. Deposit liabilities are stated at amounts they are to be paid which approximate the market value.

Under existing BSP regulations, non-FCDU deposit liabilities, including long-term tax exempt NCTDs, of the Parent Company is subject to reserve requirement equivalent to 20% and 18% in 2014 and 2013, respectively, while RSB and RMB are subject to reserve requirement equivalent to 8% and 6% in 2014 and 2013, respectively. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 6% in 2014 and 3% in 2013. As of December 31, 2014 and 2013, the Group is in compliance with such regulatory reserve requirements.

In 2012, BSP issued Circular No. 753 which excludes cash in vault and regular reserve deposit accounts with BSP as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P40,100 and P30,288 for the Group and P34,462 and P27,088 for the Parent Company as of December 31, 2014 and 2013, respectively.

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2014	2013	**2014**	2013
Foreign banks	**P 30,572**	P 32,572	**P 30,572**	P 31,283
Local banks	**9,155**	5,537	**6,261**	5,771
BSP	**-**	8	**-**	8
Others	**72**	1,778	**4**	5
	P 39,799	P 39,895	**P 36,837**	P 37,067

The maturity profile of bills payable follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Within one year	**P 35,814**	P 38,345	**P 32,897**	P 35,562
Beyond one year but within five years	**1,126**	45	**1,081**	-
More than five years	**2,859**	1,505	**2,859**	1,505
	P 39,799	P 39,895	**P 36,837**	P 37,067

Borrowings from foreign and local banks, which are mainly short-term in nature, are subject to annual fixed interest rates as follows:

	2014	2013	2012
Group			
Peso denominated	**0.08%-5.00%**	1.35%-10.00%	1.31%-5.00%
Foreign currency denominated	**0.08%-3.13%**	0.05%-2.62%	0.20%-3.18%
Parent Company			
Foreign currency denominated	**0.08%-3.13%**	0.05%-2.62%	0.43%-3.18%

The Parent Company's bills payable to the BSP as of December 31, 2013 represent rediscounting availments which were collateralized by the assignment of certain loans amounting to P10 as of December 31, 2013 (see Note 11).

Only bills payable to BSP is collateralized by the assignment of certain loans.

19. BONDS PAYABLE

In February 2010, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$250 bearing an interest of 6.25% per annum, payable semi-annually in arrears every February 9 and August 9 of each year, which commenced on August 9, 2010. The Senior Notes matured on February 9, 2015. As of December 31, 2014 and 2013, the peso equivalent of this outstanding bond issue amounted to P11,180 and P11,143, respectively.

In January 2012, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$275 bearing an interest of 5.25% per annum, payable semi-annually in arrears every January 18 and July 18 of each year, which commenced on July 18, 2012. The Senior Notes, unless redeemed, will mature on January 31, 2017. As of December 31, 2014 and 2013, the peso equivalent of this outstanding bond issue amounted to P12,306 and P12,174.

The interest expense incurred on these bonds payable amounted to P1,333 in 2014, P1,284 in P2013 and P1,199 in 2012. The Group recognized foreign currency exchange losses in relation to these bonds payable amounting to P171 in 2014 and P1,759 in 2013 and foreign exchange gain of P1,465 in 2012 which are presented as part of Foreign exchange gains under Other Operating Income in the statements of profit or loss.

20. SUBORDINATED DEBT

20.1 Tier 2 Notes

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. The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10 billion, are as follows:

(a) The Tier 2 Notes shall mature on September 27, 2024, provided that they are not redeemed at an earlier date.

(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on September 26, 2019, and on any Interest Payment Date thereafter, redeem all of the outstanding Tier 2 Notes at redemption price equal to 100% of its face value together with accrued and unpaid interest thereon. The terms and conditions of the Tier 2 Notes also allow for early redemption upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event.

(c) The Tier 2 Notes shall initially bear interest at the rate of 5.375% per annum from and including June 27, 2014 to but excluding September 27, 2019 and shall be payable quarterly in arrears at the end of each interest period on March 27, June 27, September 27 and December 27 of each year.

(d) Unless the Tier 2 Notes are previously redeemed, the initial interest rate will be reset on September 26, 2019 at the equivalent of the five-year PDST-R2 or the relevant five-year benchmark plus the initial spread of 1.93% per annum. Such reset interest shall be payable quarterly in arrears commencing on September 27, 2019 up to and including September 27, 2024, if not otherwise redeemed earlier.

(e) The Tier 2 Notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions as set out in the terms and conditions of the notes, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. Upon the occurrence of a Non-Viability Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go as low as zero. A Non-Viability Write-Down shall have the following effects:

(i) it shall reduce the claim on the notes in liquidation;
(ii) reduce the amount re-paid when a call or redemption is properly exercised; and,
(iii) partially or fully reduce the interest payments on the notes.

The total interest expense incurred by the Group on the notes amounted to P253 in 2014.

20.2 P4 Billion Notes

On January 26, 2009, the Parent Company's BOD approved the issuance of P4 billion unsecured subordinated notes (the "P4 billion Notes") with the following significant terms and conditions:

(a) The P4 billion Notes shall mature on May 15, 2019, provided that they are not previously redeemed.

(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on May 15, 2014, redeem all of the outstanding notes at redemption price equal to 100% of the face value of the P4 billion Notes together with accrued and unpaid interest thereon.

(c) The P4 billion Notes bear interest at the rate of 7.75% per annum from May 15, 2009 and shall be payable quarterly in arrears at the end of each interest period on August 15, November 15, February 15 and May 15 each year.

(d) Unless the P4 billion Notes are previously redeemed, the interest rate from May 15, 2014 to May 15, 2019 will be increased to the rate equivalent to 80% of benchmark rate as of the first day of the 21st interest period plus the step-up spread. Such stepped up interest shall be payable quarterly in arrears.

The P4 billion Notes were issued on May 15, 2009 and were fully subscribed. On December 26, 2013, the Parent Company redeemed all of the outstanding notes. The total interest expense incurred on the subordinated debt amounted to P310 and P540 for the years ended 2013 and 2012, respectively.

20.3 P7 Billion Notes

On November 26, 2007, the Parent Company's BOD approved the issuance of P7 billion unsecured subordinated notes (the "P7 billion Notes") with the following significant terms and conditions:

(a) The P7 billion Notes shall mature on February 22, 2018, provided that they are not previously redeemed.

(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on February 22, 2013, redeem all of the outstanding notes at redemption price equal to 100% of the face value of the P7 billion Notes together with accrued and unpaid interest thereof.

(c) The P7 billion Notes bear interest at the rate of 7% per annum from February 22, 2008 and shall be payable quarterly in arrears at the end of each interest period on May 22, August 22, November 22 and February 22 each year.

(d) Unless the P7 billion Notes are previously redeemed, the interest rate from 2013 to 2018 will be reset at the equivalent of the five-year Fixed Rate Treasury Note benchmark bid yield as of February 22, 2013 multiplied by 80% plus 3.53% per annum. Such stepped-up interest shall be payable quarterly commencing 2013.

The P7 billion Notes were issued on February 22, 2008 and were fully subscribed. On February 22, 2013, the Parent Company redeemed all of the outstanding notes. The interest expense incurred on the subordinated debt amounted to P75 and P281 for the years ended December 31, 2013 and 2012, respectively.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Accrued expenses	**P 3,283**	P 3,390	**P 2,475**	P 2,519
Accrued interest payable	**1,004**	933	**828**	872
Taxes payable	**384**	214	**195**	158
	P 4,671	P 4,537	**P 3,498**	P 3,549

Accrued expenses represent mainly the accruals for utilities, employee benefits and other operating expenses. Accrued interest payable primarily includes unpaid interest on deposit liabilities, bills payable, bonds payable and subordinated debt at the end of each reporting period.

22. OTHER LIABILITIES

Other liabilities consist of the following:

	Group		Parent Company	
	2014	2013	**2014**	2013
Accounts payable	**P 5,310**	P 6,316	**P 3,343**	P 4,125
Bills purchased – contra	**2,188**	1,263	**2,148**	1,259
Manager's checks	**1,283**	1,238	**905**	742
Outstanding acceptances payable	**388**	233	**388**	233
Post-employment defined benefit obligation (see Note 24.2)	**297**	12	**146**	-
Derivative financial liabilities (see Note 10.1)	**291**	635	**291**	635
Other credits	**220**	255	**163**	199
Withholding taxes payable	**171**	236	**127**	166
Payment orders payable	**155**	153	**137**	144
Deferred income	**143**	220	**65**	173
Deposit on lease contracts	**125**	161	**-**	-
Sundry credits	**108**	140	**93**	107
Guaranty deposits	**83**	57	**83**	57
Due to BSP	**19**	18	**19**	18
Miscellaneous	**355**	522	**566**	529
	P 11,136	P 11,459	**P 8,474**	P 8,387

Accounts payable is mainly composed of debit card balances of customers, settlement billing from credit card operations and Group's capital expenditure purchases which are to be settled within the next reporting period.

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock are as follows:

	Number of Shares		
	2014	2013	2012
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	**342,082**	342,082	2,584,756
Conversion of shares during the year	**(3,791)**	-	(2,242,674)
Balance at end of year	**338,291**	342,082	342,082
Common stock – P10 par value			
Authorized – 1,400,000,000 shares			
Balance at beginning of year	**1,275,658,638**	1,140,857,133	1,140,135,121
Conversion of shares during the year	**1,090**	-	722,012
Issuances during the year	**-**	134,801,505	-
Balance at end of year	**1,275,659,728**	1,275,658,638	1,140,857,133

As of December 31, 2014 and 2013, there are 782 and 796 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% and 95.01%, respectively, of the Parent Company's total issued and outstanding shares. Such listed shares closed at P48.00 per share and P42.50 per share as of December 31, 2014 and 2013, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE. Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month London Interbank Offered Rate (LIBOR) plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

Common shares may be transferred to local and foreign nationals and shall, at all times, not be less than 60% and not more than 40% of the voting stock, be beneficially owned by local nationals and by foreign nationals, respectively.

23.2 Purchase and Reissuance of Treasury Shares and Issuance of Common Shares

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

Also, on September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

On September 29, 2014, the BOD of the Parent Company awarded Cathay Life Insurance Co., Ltd. (Cathay) as the preferred bidder for the proposed acquisition of a 20.00% share block in the Parent Company. The proposed acquisition involves Cathay: (i) subscribing to 124,340,272 primary common shares of the Parent Company at P64.00 per share to raise P7,957 new CET 1 capital for the Parent Company, pursuant to a Share Subscription Agreement; (ii) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares also at P64.00 per share, pursuant to a Sale and Purchase Agreement; (iii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund at P64.00 per share, pursuant to a Sale and Purchase Agreement; and, (iv) entering into a shareholders agreement with PMMIC and the Parent Company. The BSP's approval of the sale and transfer of shares was subsequently received by the Parent Company on February 13, 2015 (see Note 32); hence, this transaction will be recognized on the financial statements of the Parent Company in the next reporting period.

23.3 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date Declared	Dividend Per Share	Dividend Total Amount	Record Date	Date Approved by BOD	Date Approved by BSP	Date Paid/Payable
January 30, 2012	P 0.0649	P 0.03	March 21, 2012	January 30, 2012	February 24, 2012	March 27, 2012
March 26, 2012	0.9000	1,026.77	May 29, 2012	March 26, 2012	April 19, 2012	June 4, 2012
March 26, 2012	0.9000	0.31	May 29, 2012	March 26, 2012	April 19, 2012	June 4, 2012
May 28, 2012	0.0632	0.02	June 21, 2012	May 28, 2012	June 26, 2012	July 3, 2012
July 30, 2012	0.0624	0.02	September 21, 2012	July 30, 2012	September 6, 2012	September 28, 2012
November 26, 2012	0.0593	0.02	December 18, 2012	November 26, 2012	December 21, 2012	January 2, 2013
November 26, 2012	*	201.99	*	November 26, 2012	March 4, 2013	April 27, 2013
November 26, 2012	*	212.56	*	November 26, 2012	September 6, 2013	October 25, 2013
January 28, 2013	0.0578	0.02	March 21, 2013	January 28, 2013	March 4, 2013	March 26, 2013
March 25, 2013	1.0000	1,275.66	May 21, 2013	March 25, 2013	April 29, 2013	May 27, 2013
March 25, 2013	1.0000	0.34	May 21, 2013	March 25, 2013	April 29, 2013	May 27, 2013
April 29, 2013	0.0577	0.02	June 21, 2013	April 29, 2013	June 10, 2013	June 27, 2013
July 29, 2013	0.0575	0.02	September 21, 2013	July 29, 2013	September 6, 2013	September 26, 2013
October 29, 2013	0.0569	0.02	December 21, 2013	October 29, 2013	January 13, 2014	January 15, 2014
October 29, 2013	*	224.01	*	October 29, 2013	February 25, 2014	April 25, 2014
October 29, 2013	*	212.01	*	October 29, 2013	September 15, 2014	October 24, 2014
January 27, 2014	0.0562	0.02	March 21, 2014	January 27, 2014	February 25, 2014	March 27, 2014
March 31, 2014	1.0000	1,275.66	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
March 31, 2014	1.0000	0.34	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
April 28, 2014	0.0570	0.02	June 21, 2014	April 28, 2014	July 25, 2014	July 30, 2014
July 28, 2014	0.0536	0.02	September 30, 2014	July 28, 2014	September 15, 2014	October 10, 2014
October 27, 2014	0.0564	0.02	December 21, 2014	October 27, 2014	December 19, 2014	January 28, 2015
October 27, 2014	*	221.57	*	October 27, 2014	March 20, 2015	April 2015
October 27, 2014	*	221.57	*	October 27, 2014	**	October 2015

* *Pertains to cash dividends on hybrid perpetual securities*
***Pending approval*

A portion of the Group's surplus corresponding to the undistributed profit of subsidiaries and equity in net earnings of certain associates totalling P6,724 and P7,910 as of December 31, 2014 and 2013, respectively, is not currently available for distribution as dividends.

23.4 Other Reserves

On December 23, 2013, the SPCs' BOD approved the redemption of the SPC's respective preferred shares for a total consideration of P1,555. As a result thereof, the Group incurred a redemption loss amounting to P185 and is presented as part of Other Reserves account in the 2013 statement of financial position. On May 30, 2014 and on October 16, 2014, the BOD and SEC approved the execution of the retirement of the preferred shares resulting from the SPC's redemption on December 31, 2014. Consequently, the amount of the redemption loss of P185 previously recognized in the 2013 consolidated statement of changes in equity of the Group, as part Other Reserves account, was transferred directly to Surplus (see Note 15.1).

In 2012, the Parent Company acquired FMLFC. FMLFC was originally a subsidiary of HI which is also a subsidiary of PMMIC. Thus, the acquisition by the Parent Company was accounted for as a common control business combination. However, this is outside the scope of PFRS 3 and there is no other specific PFRS guidance governing the said transaction for financial institutions. In reference to the most relevant and reliable accounting policies, the Parent Company applied the pooling of interests method (also referred to as merger accounting) and applied the following:

(a) the assets and liabilities of FMLFC were recorded at book value rather than at fair value;
(b) no goodwill was recognized; the difference between the Parent Company's cost of investment and FMLFC's equity amounting to P87 was recognized in Other Comprehensive Income upon consolidation in 2012 and formed part of the Other Reserves within equity; and,
(c) comparative financial information were restated as if the acquisition had taken place at the beginning of the earliest comparative period presented.

Prior to the business combination, there have been changes in the NCI's ownership interest in FMLFC. These changes in ownership brought about a decrease of P228 in Other Reserves in 2012. These changes also caused a decrease of P120 in Surplus and P172 in NCI in 2012. The effects of these changes are presented as Net Effect of Change in Ownership over Subsidiaries in the 2012 statement of changes in equity. Upon the effective date of acquisition in 2012, FMLFC was renamed as RCBC LFC (see Note 12.1).

In 2008, the Parent Company's interest in Bankard, Inc.'s net assets increased to 91.69% (representing 66.58% direct ownership and 25.11% indirect ownership through RCBC Capital) as a result of additional capital infusion of P1,000 which was approved by the BSP on February 23, 2007. This change in ownership in Bankard, Inc. did not result in a change in control by the Parent Company. In accordance with the relevant accounting standards, the Parent Company's and NCI (other than RCBC Capital) stocks in Bankard, Inc.'s net assets were adjusted to reflect the changes in their respective interests. The difference between the amount of additional investment made by the Parent Company and the adjustment in the NCI's share in Bankard, Inc.'s net assets amounting to P233 was recognized directly in equity and presented as part of Other Reserves.

In 2013, as a result of the disposal of the Parent Company's and RCBC Capital's ownership interest over Bankard, Inc., Other Reserves arising from the change in ownership recognized in the Group's statement of changes in equity was reversed and directly charged to Surplus (see Note 12.1).

23.5 Hybrid Perpetual Securities

On October 30, 2006, the Parent Company received the proceeds from the issuance of Non-Cumulative Step-Up Callable Perpetual Securities ("Perpetual Securities") amounting to US$98, net of fees and other charges. Net proceeds were used to strengthen the CAR of the Parent Company, repay certain indebtedness and enhance its financial stability and for general corporate purposes. The issuance of the Perpetual Securities was approved by the BOD on June 7, 2006.

The Perpetual Securities represent US$100, 9.875%, non-cumulative step-up callable perpetual securities issued pursuant to a trust deed dated October 27, 2006 between the Parent Company and Bank of New York – London Branch, each with a liquidation preference of US$1 thousand per US$1 thousand in principal amount of the Perpetual Securities. The actual listing and quotation of the Perpetual Securities in a minimum board lot size of US$1 hundred in the Singapore Exchange Securities Trading Limited ("SGX-ST") was done on November 1, 2006. The Perpetual Securities were issued pursuant to BSP Circular No. 503 dated December 22, 2005 allowing the issuance of perpetual, non-cumulative securities up to US$125 which are eligible to qualify as Hybrid Tier 1 Capital.

The significant terms and conditions of the issuance of the Perpetual Securities, among others, follow:

(a) Interest (effectively dividends) will be paid from and including October 27, 2006 (the "issue date") to (but excluding) October 27, 2016 (the "First Optional Redemption Date") at a rate of 9.875% per annum payable semi-annually in arrears from April 27, 2007 and, thereafter at a rate reset and payable quarterly in arrears, of 7.02% per annum above the then prevailing LIBOR for three-month US dollar deposits;

(b) Except as described below, interest (dividends) will be payable on April 27 and October 27 in each year, commencing on April 27, 2007 and ending on the First Optional Redemption Date, and thereafter (subject to adjustment for days which are not business days) on January 27, April 27, July 27, October 27 in each year commencing on January 27, 2016;

(c) The Parent Company may, in its absolute discretion, elect not to make any interest (dividends) payment in whole or in part if the Parent Company has not paid or declared a dividend on its common stocks in the preceding financial year; or determines that no dividend is to be paid on such stocks in the current financial year. Actual payments of interest (dividends) on the hybrid perpetual securities are shown in Note 23.3;

(d) The rights and claims of the holders will be subordinated to the claims of all senior creditors (as defined in the conditions) and the holders of any priority preference stocks (as defined in the conditions), in that payments in respect of the securities are conditional upon the Parent Company being solvent at the time of payment and in that no payments shall be due except to the extent the Parent Company could make such payments and still be solvent immediately thereafter;

(e) The Perpetual Securities are not deposits of the Parent Company and are not guaranteed or insured by the Parent Company or any party related to the Parent Company or the PDIC and they may not be used as collateral for any loan made by the Parent Company or any of its subsidiaries or affiliates;

(f) The Parent Company undertakes that, if on any Interest Payment Date, payment of all Interest Payments scheduled to be made on such date is not made in full, it shall not declare or pay any distribution or dividend or make any other payment on, any junior share capital or any parity security, and it shall not redeem, repurchase, cancel, reduce or otherwise acquire any junior share capital or any parity securities, other than in the case of any partial interest payment, pro rata payments on, or redemptions of, parity securities the dividend and capital stopper shall remain in force so as to prevent the Parent Company from undertaking any such declaration, payment or other activity as aforesaid unless and until a payment is made to the holders in an amount equal to the unpaid amount (if any) of interest payments in respect of interest periods in the twelve months including and immediately preceding the date such interest payment was due and the BSP does not otherwise object; and,

(g) The Parent Company, at its option, may redeem the Perpetual Securities at the fixed or final redemption date although the Parent Company may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and the Holders, redeem all (but not some only) of the securities: (i) on the first optional redemption date; and (ii) on each interest payment date thereafter, at an amount equal to the liquidation preference plus accrued interest.

23.6 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account are shown below.

	Group			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustment on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance at January 1, 2014, as restated [see Note 2.2(b)]	P 689	P 76	(P 225)	P 540
Fair value gain on financial assets at FVOCI	118	-	-	118
Translation adjustments on foreign operation	-	(5)	-	(5)
Actuarial gains on defined benefit plan	-	-	1	1
Other comprehensive income (loss)	118	(5)	1	114
Transfer from fair value losses on financial asset at FVOCI to Surplus	28	-	-	28
Balance as of December 31, 2014	**P 835**	**P 71**	**(P 224)**	**P 682**

	Group			
	Revaluation of AFS Securities	Accumulated Translation Adjustment on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2013	P 3,145	P 72	P 548	P 3,765
Fair value losses on AFS securities	(8,150)	-	-	(8,150)
Translation adjustments on foreign operations	-	4	-	4
Actuarial losses on defined benefit plan	-	-	(773)	(773)
Other comprehensive income (loss)	(8,150)	4	(773)	(8,919)
Balance as of December 31, 2013	(P 5,005)	P 76	(P 225)	(P 5,154)
Balance at January 1, 2012	P 2,282	P 74	(P 612)	P 1,744
Fair value gains on AFS securities	863	-	-	863
Translation adjustments on foreign operations	-	(2)	-	(2)
Actuarial gains on defined benefit plan	-	-	1,160	1,160
Other comprehensive income (loss)	863	(2)	1,160	2,021
Balance as of December 31, 2012	P 3,145	P 72	P 548	P 3,765

	Parent Company		
	Revaluation of Financial Assets at FVOCI	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance at January 1, 2014, as restated [see Note 2.2(b)]	P 768	(P 155)	P 613
Fair value gains on financial assets at FVOCI	56	-	56
Actuarial gains on defined benefit plan	-	80	80
Other comprehensive income	56	80	136
Balance as of December 31, 2014	**P 824**	**(P 75)**	**P 749**

	Revaluation of AFS Securities	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2013	P 2,648	P 600	P 3,248
Fair value losses on AFS securities	(6,982)	-	(6,982)
Actuarial losses on defined benefit plan	-	(755)	(755)
Other comprehensive loss	(6,982)	(755)	(7,737)
Balance as of December 31, 2013	(P 4,334)	(P 155)	(P 4,489)

	Parent Company		
	Revaluation of AFS Securities	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2012	P 1,861	(P 553)	P 1,308
Fair value gains on AFS securities	787	-	787
Actuarial gains on defined benefit plan	-	1,153	1,153
Other comprehensive income	787	1,153	1,940
Balance as of December 31, 2012	P 2,648	P 600	P 3,248

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are shown below.

	Group		
	2014	2013	2012
Short-term employee benefits	**P 3,731**	P 3,585	P 3,597
Post-employment defined benefits	**333**	301	254
	P 4,064	P 3,886	P 3,851

	Parent Company		
	2014	2013	2012
Short-term employee benefits	**P 2,494**	P 2,409	P 2,542
Post-employment defined benefits	**254**	230	190
	P 2,748	P 2,639	P 2,732

24.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by the Parent Company's and RSB's Trust Departments, covering all regular full-time employees. The Parent Company's and RSB's Trust Departments manage the fund in coordination with the Parent Company's Retirement Committee, Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to 1.25 to 2 months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2014 and 2013.

The amounts of post-employment benefit asset (obligation) recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Fair value of plan assets	**P 4,228**	P 4,215	**P 3,667**	P 3,653
Present value of the obligation	**4,525**	4,226	**3,813**	3,620
Excess (deficiency) of plan assets	**(297)**	(11)	**(146)**	33
Unrecognized asset due to asset ceiling	**-**	(1)	**-**	(1)
	(P 297)	(P 12)	**(P 146)**	P 32

The Group's post-employment defined benefit obligation as of December 31, 2014 and 2013 as well as that of the Parent Company as of December 31, 2014 are included as part of Other Liabilities account (see Note 22). On the other hand, the Parent Company's post-employment defined benefit asset as of December 31, 2013 is presented as part of Other Resources account (see Note 15).

The movements in the fair value of plan assets are presented below.

	Group		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**P 4,215**	P 4,755	**P 3,653**	P 4,273
Interest income	**192**	264	**162**	234
Return on plan assets (excluding amounts included in net interest)	**35**	(646)	**43**	(643)
Contributions paid into the plan	**17**	101	**-**	22
Benefits paid by the plan	**(231)**	(259)	**(191)**	(233)
Balance at end of year	**P 4,228**	P 4,215	**P 3,667**	P 3,653

The movements in the present value of the defined benefit obligation follow:

	Group		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**P 4,226**	P 3,805	**P 3,620**	P 3,177
Current service cost	**333**	293	**254**	221
Interest expense	**196**	215	**166**	179
Remeasurements – actuarial losses (gains) arising from changes in:				
Financial assumptions	**(5)**	123	**(32)**	171
Demographic assumptions	**-**	(3)		-
Experience adjustments	**6**	52	**(4)**	105
Benefits paid by the plan	**(231)**	(259)	**(191)**	(233)
Balance at end of year	**P 4,525**	P 4,226	**P 3,813**	P 3,620

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	Group		Parent Company	
	2014	2013	**2014**	2013
Cash and cash equivalents	**P 155**	P 31	**P 20**	P 31
Debt securities:				
Philippine government bonds	**119**	190	**35**	85
Corporate debt securities	**210**	59	**53**	59
Equity securities:				
Quoted equity securities	**3,243**	3,084	**3,145**	3,020
Unquoted long-term equity investments	**330**	365	**330**	365
UITF	**112**	108	**78**	81
Loans and receivables	**36**	10	**1**	7
Investment properties	**6**	6	**6**	6
Other investments	**18**	363	**-**	-
	4,229	4,216	**3,668**	3,654
Liabilities	**(1)**	(1)	**(1)**	(1)
	P 4,228	P 4,215	**P 3,667**	P 3,653

The fair values of the above debt securities and quoted equity securities are determined based on market prices in active markets. Long-term equity investments represent investment in corporations not listed in active and organized markets. Fair values are determined based on the book value per share based on latest audited financial statements of the investee company. The fair value of the UITF is determined based on the net asset value per unit of investment held in the fund.

The returns on plan assets are as follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Interest income	**P 192**	P 264	**P 162**	P 234
Actuarial gains (losses)	**35**	(646)	**42**	(643)
Actual returns	**P 227**	(P 382)	**P 204**	(P 409)

The amounts of post-employment benefit expense recognized in the statements of profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined as follows:

	Group		
	2014	2013	2012
Reported in profit or loss:			
Current service cost	**P 333**	P 293	P 250
Net interest expense (income)	**4**	(49)	19
Past service cost	**-**	-	4
Effect of curtailment	**-**	8	-
	P 337	P 252	P 273

	Group		
	2014	2013	2012
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 5**	(P 123)	(P 130)
Demographic assumptions	**-**	3	16
Experience adjustments	**(6)**	(52)	(130)
Effect of asset ceiling test	**1**	45	(133)
Share in actuarial losses of associates	**(34)**	-	-
Return on plan assets (excluding amounts included in net interest expense/income)	**35**	(646)	1,537
	P 1	(P 773)	P 1,160

	Parent Company		
	2014	2013	2012
Reported in profit or loss:			
Current service costs	**P 254**	P 221	P 190
Net interest expense (income)	**3**	(55)	10
Effect of curtailment	**-**	9	-
	P 257	P 175	P 200
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 32**	(P 171)	(P 88)
Experience adjustments	**4**	(105)	(130)
Changes in effect of asset ceiling	**2**	164	(159)
Return on plan assets (excluding amounts included in net interest expense)	**42**	(643)	1,530
	P 80	(P 755)	P 1,153

Current service costs, including the effect of curtailment and past service cost, form part of the Employee Benefits under Other Operating Expenses account, while net interest expense (income) is presented as part of Interest Expense – Bills Payable and Other Borrowings (Interest Income – Others) in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment obligation, the following ranges of actuarial assumptions were used:

	2014	2013	2012
Group			
Discount rates	**4.52% - 4.98%**	4.09% - 5.47%	5.46% - 6.00%
Expected rate of salary increases	**5.00% - 8.00%**	5.00% - 8.00%	5.00% - 8.00%
Parent Company			
Discount rates	**4.76%**	4.57%	5.63%
Expected rate of salary increases	**5.00%**	5.00%	8.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 1994 GAM table, set back 6 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan assets of the Group are significantly invested in equity and debt securities, while the Group also invests in UITF and other investments. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2014 and 2013:

	Group		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2014			
Discount rate	**+/- 1%**	**(P 241)**	**P 277**
Salary growth rate	**+/- 1%**	**243**	**(217)**
December 31, 2013			
Discount rate	+/- 1%	(P 230)	P 264
Salary growth rate	+/- 1%	235	(210)

	Parent Company		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2014			
Discount rate	**+/- 1%**	**(P 161)**	**P 181**
Salary growth rate	**+/- 1%**	**152**	**(139)**
December 31, 2013			
Discount rate	+/- 1%	(P 163)	P 182
Salary growth rate	+/- 1%	155	(142)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation at the end of each reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Retirement Plan Committee in coordination with the Group's Trust Departments, ensures that the investment positions are managed considering the computed retirement obligations under the retirement plan. This strategy aims to match the plan assets to the retirement obligations due by investing in assets that are easy to liquidate (i.e., government securities, corporate bonds, equities with high value turnover). As the Group's retirement obligations are in Philippine peso, all assets are invested in the same currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, various investments are made in a portfolio that may be liquidated within a reasonable period of time.

A large portion of the plan assets as of December 31, 2014 and 2013 consists of equity securities with the balance invested in fixed income securities and UITF. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P669 for the Group and overfunded by P820 for the Parent Company based on the latest funding actuarial valuations in 2014.

The maturity profile of undiscounted expected benefit payments from the plan within 10 years from the end of each reporting period follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Less than one year	P 161	193	P 148	P 133
More than one year to five years	813	846	674	630
More than five years to 10 years	1,696	1,573	1,469	1,315
	P 2,670	P 2,612	**P 2,291**	P 2,078

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6 to 21.2 years for the Group and 6.3 years for the Parent Company.

The Group expects to contribute P21 to the plan in 2015.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group 2014	Group 2013	Group 2012
Gains on assets sold	14.1	**P 333**	P 696	P 198
Interchange fees		**324**	296	279
Rentals	14.2	**243**	285	257
Dividend income	10.2	**285**	182	298
Recoveries from charged-off assets		**137**	291	46
Discounts earned		**112**	130	126
Gain on sale of equity investments	12	**-**	1,380	-
Share in net earnings of associates	12	**24**	243	357
Others	12	**268**	741	408
		P 1,726	P 4,244	P 1,969

	Notes	Parent Company 2014	Parent Company 2013	Parent Company 2012
Dividend income	10.2	**P 1,682**	P 1,000	P 918
Interchange fees		**324**	296	279
Rentals	14.2	**197**	125	111
Discounts earned		**112**	106	120
Gains on assets sold	14.1	**18**	512	101
Gain on sale of equity investments	12	**-**	1,787	-
Others	12	**335**	382	183
		P 2,668	P 4,208	P 1,712

25.2 Miscellaneous Expenses

	Note	Group 2014	Group 2013	Group 2012
Insurance		**P 614**	P 516	P 567
Credit card-related expenses		**524**	559	497
Communication and information services		**463**	447	425
Management and other professional fees		**444**	475	457
Transportation and travel		**404**	377	386
Advertising and publicity		**269**	327	324
Litigation/assets acquired expenses	14.2	**222**	430	373
Banking fees		**176**	176	130
Representation and entertainment		**152**	157	147
Stationery and office supplies		**127**	165	135
Other outside services		**104**	114	107
Donations and charitable contributions		**55**	69	70
Commissions		**27**	29	23
Membership fees		**18**	22	26
Others		**1,005**	1,309	1,028
		P 4,604	P 5,172	P 4,695

	Notes	Parent Company 2014	2013	2012
Credit card related expenses		**P 511**	P 534	P 497
Insurance		**484**	408	393
Service processing fees	28.5	**479**	460	405
Communication and information services		**288**	279	312
Transportation and travel		**238**	263	262
Management and other professional fees		**220**	218	237
Advertising and publicity		**182**	227	214
Banking fees		**133**	133	103
Other outside services		**92**	98	103
Stationery and office supplies		**85**	121	97
Litigation/assets acquired expense	14.2	**73**	142	247
Representation and entertainment		**72**	82	81
Donations and charitable contributions		**50**	64	64
Membership fees		**14**	18	19
Others		**562**	896	655
		P 3,483	P 3,943	P 3,689

26. INCOME AND OTHER TAXES

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST). In 2003, the Parent Company and its financial intermediary subsidiaries were subjected to VAT instead of GRT. However, effective January 1, 2004 as prescribed under RA No. 9238, the Parent Company and certain subsidiaries were again subjected to GRT instead of VAT. RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

The recognition of liability of the Parent Company and certain subsidiaries for GRT is based on the related regulations issued by the tax authorities.

Income taxes include the regular corporate income tax (RCIT) of 30%, and final tax paid at the rate of 20%, which represents the final withholding tax on gross interest income from government securities and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to certain percentage of interest income subjected to final tax. Minimum corporate income tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against regular income tax liability in the next three consecutive years. In addition, the Group's net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three consecutive years.

Effective May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% gross income tax.

Interest income on deposits with other FCDUs and offshore banking units is subject to 7.5% final tax.

In 2014, 2013 and 2012, the Group opted to continue claiming itemized deductions.

The Parent Company's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

26.1 Current and Deferred Taxes

The tax expense as reported in the statements of profit or loss consists of:

	Group		
	2014	2013	2012
Current tax expense:			
Final tax	**P 434**	P 932	P 481
RCIT	**382**	203	36
MCIT	**122**	147	202
	938	1,282	719
Application of MCIT	**(1)**	-	-
	937	1,282	719
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(23)**	(23)	26
	P 914	P 1,259	P 745

	Parent Company		
	2014	2013	2012
Current tax expense:			
Final tax	**P 391**	P 812	P 355
MCIT	**120**	144	141
RCIT	**77**	11	28
	P 588	P 967	P 524

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	Group		
	2014	2013	2012
Tax on pretax profit at 30%	**P 1,597**	P 1,978	P 2,010
Adjustments for income subjected to lower income tax rates	**(174)**	(245)	(181)
Tax effects of:			
Non-taxable income	**(967)**	(1,005)	(642)
Unrecognized temporary differences	**456**	325	481
FCDU income	**(214)**	(93)	(1,098)
Non-deductible expenses	**202**	298	210
Utilization of NOLCO	-	(1)	(262)
Utilization of MCIT	**(1)**	-	(2)
Others	**15**	2	229
Tax expense	**P 914**	P 1,259	P 745

	Parent Company		
	2014	2013	2012
Tax on pretax profit at 30%	**P 1,520**	P 1,725	P 1,572
Adjustments for income subjected to lower income tax rates	**(118)**	(218)	(137)
Tax effects of:			
Non-taxable income	**(644)**	(944)	(210)
FCDU income	**(214)**	(93)	(1,097)
Non-deductible expenses	**130**	121	204
Unrecognized temporary differences	**(86)**	376	454
Utilization of NOLCO	**-**	-	(262)
Tax expense	**P 588**	P 967	P 524

The net deferred tax assets of the Group recognized and presented as part of Other Resources account in the statements of financial position as of December 31, 2014 and 2013 relate to the operations of certain subsidiaries as shown below (see Note 15).

	2014	2013
Allowance for impairment	**P 64**	P 46
Post-employment defined benefits	**18**	16
Unamortized past service cost	**2**	2
Rent expense differential	**1**	1
Others	**(1)**	(3)
	P 84	P 62

The Parent Company and certain subsidiaries have not recognized deferred tax assets on certain temporary differences since management believes that the Parent Company and certain subsidiaries may not be able to generate sufficient taxable profit in the future against which the tax benefits arising from those deductible temporary differences, NOLCO and other tax credits can be utilized.

The unrecognized net deferred tax assets of the Group relate to the following:

	Group		Parent Company	
	2014	2013	**2014**	2013
Allowance for impairment	**P 1,095**	P 1,269	**P 219**	P 432
NOLCO	**1,053**	1,135	**990**	1,079
MCIT	**470**	444	**405**	379
Unamortized past service cost	**(169)**	(174)	**(176)**	(181)
Advance rental	**2**	(1)	**2**	(1)
	P 2,451	P 2,673	**P 1,440**	P 1,708

Consequently, deferred tax liabilities were also not recognized on certain taxable temporary differences as the settlement of those can be offset by the available deductible temporary differences in the future.

In addition, deferred tax liabilities on accumulated translation adjustments, particularly those relating to its foreign subsidiaries, were not recognized since their reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

The breakdown of the Group's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred and within five years from the year SPV losses were incurred, is shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2014	P 67	P -	P -	P 67	2017
2013	3,341	-	-	3,341	2016
2012	102	-	-	102	2015
2011	339	-	(339)	-	2014
	P 3,849	P -	(P 339)	P 3,510	

The breakdown of the Parent Company's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred and within five years from the year SPV losses were incurred, is shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2013	P 3,299	P -	P -	P 3,299	2016
2011	296	-	(296)	-	2014
	P 3,595	P -	(P 296)	P 3,299	

As of December 31, 2014, the Group and Parent Company have MCIT of P470 and P405, respectively, that can be applied against RCIT for the next three consecutive years after the MCIT was incurred.

The breakdown of the MCIT with the corresponding validity periods follow:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2014	P 122	P -	P -	P 122	2017
2013	147	(1)	-	146	2016
2012	202	-	-	202	2015
2011	95	-	(95)	-	2014
	P 566	(P 1)	(P 95)	P 470	

The breakdown of the Parent Company's MCIT with the corresponding validity periods follow:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2014	P 120	P -	P -	P 120	2017
2013	144	-	-	144	2016
2012	141	-	-	141	2015
2011	94	-	(94)	-	2014
	P 499	P -	(P 94)	P 405	

26.2 Supplementary Information Required under RR 15-2010 and RR 19-2011

The BIR issued RR 15-2010 and RR 19-2011 on November 25, 2010 and December 9, 2011, respectively, which require certain tax information to be disclosed as part of the notes to financial statements. Such supplementary information is, however, not a required part of the basic financial statements prepared in accordance with FRSPB; it is neither a required disclosure under the SEC rules and regulations covering form and content of financial statements under the Securities Regulation Code Rule 68.

The Parent Company presented this tax information required by the BIR as a supplemental schedule filed separately from the basic financial statements.

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company and RSB in fiduciary or agency capacities for their respective customers are not included in the financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P82,552 and P79,172 as of December 31, 2014 and 2013, respectively. The Parent Company's total trust resources amounted to P66,156 and P68,419 as of December 31, 2014 and 2013, respectively (see Note 29.1).

In connection with the trust operations of the Parent Company and RSB, time deposit placements and government securities with a total face value of P872 (Group) and P702 (Parent Company); and P1,038 (Group) and P865 (Parent Company) as of December 31, 2014 and 2013, respectively, are deposited with the BSP in compliance with existing trust regulations. The time deposit placements and government securities are presented in the statements of financial position under Due from BSP (see Note 9) and Trading and Investment Securities (see Note 10), respectively.

In compliance with existing BSP regulations, 10% of the Parent Company's and RSB's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserve for trust business equals 20% of the Parent Company's and RSB's regulatory capital. The surplus reserve is shown as Reserve for Trust Business in the statements of changes in equity.

The Group and the Parent Company transferred from Surplus to Reserve for Trust Business P18 and P14, respectively, in 2014 and P19 and P15, respectively, in 2013.

28. RELATED PARTY TRANSACTIONS

The Group and Parent Company's related parties include its ultimate parent company, subsidiaries, entities under common ownership, key management personnel and others.

A summary of the Group's and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2014 and 2013 is presented below.

		Group			
		2014		2013	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Ultimate Parent Company					
Issuance of shares of stock	23.2	**P -**	**P -**	P 4,074	P 4,074
Stockholders					
Loans and receivables	28.1	**(110)**	**963**	1,073	1,073
Deposit liabilities	28.2	**115**	**1,473**	(1,122)	1,358
Issuance of shares of stock	23.1	**-**	**-**	4,127	4,127
Interest income from loans and receivables	28.1	**52**	**-**	14	-
Interest expense on deposits	28.2	**9**	**-**	12	-
Associates					
Deposit liabilities	28.2	**(146)**	**125**	(366)	271
Interest expense on deposits	28.2	**-**	**-**	6	-
Dividend income	12	**6**	**-**	284	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	**(544)**	**2,507**	1,687	3,051
Deposit liabilities	28.2	**1,007**	**2,878**	11	1,871
Interest income from loans and receivables	28.1	**12**	**-**	15	-
Interest expense on deposits	28.2	**15**	**-**	14	-
Occupancy and equipment-related expense	28.5	**826**	**11**	759	12
Short-term employee benefits	24.1	**164**	**4**	189	3
Miscellaneous expenses – others	25.2	**44**	**-**	29	-
Key Management Personnel					
Loans and receivables	28.1	**6**	**7**	-	1
Deposit liabilities	28.2	**57**	**463**	161	406
Interest income from loans and receivables	28.1	**1**	**-**	-	-
Interest expense on deposits	28.2	**3**	**-**	5	-
Salaries and employee benefits	28.5(e)	**428**	**6**	447	6
Other related interests					
Loans and receivables	28.1	**(415)**	**1,935**	261	2,350
Deposit liabilities	28.2	**304**	**523**	(412)	219
Interest income from loans and receivables	28.1	**130**	**-**	100	-
Interest expense on deposits	28.2	**3**	**-**	1	-

Related Party Category	Notes	Parent Company 2014 Amount of Transaction	Parent Company 2014 Outstanding Balance	Parent Company 2013 Amount of Transaction	Parent Company 2013 Outstanding Balance
Ultimate Parent Company					
Issuance of shares of stock	23.2	**P -**	**P -**	P 4,074	P 4,074
Stockholders					
Loans and receivables	28.1	**(110)**	**963**	1,073	1,073
Deposit liabilities	28.2	**115**	**1,473**	(1,122)	1,358
Issuance of shares of stock	23.2	**-**	**-**	4,127	4,127
Interest income from loans and receivables	28.1	**52**	**-**	14	-
Interest expense on deposits	28.2	**9**	**-**	12	-
Subsidiaries					
Loans and receivables	28.1	**-**	**80**	15	80
Deposit liabilities	28.2	**(1,286)**	**2,039**	2,809	3,325
Purchase of building under construction	28.5(a)	**-**	**-**	809	-
Purchase of land	13	**-**	**-**	529	-
Interest income from loans and receivables	28.1	**12**	**-**	15	-
Interest expense on deposits	28.2	**6**	**-**	8	-
Dividend income	25.1	**1,568**	**-**	678	-
Occupancy and equipment-related expense	28.5(c)	**121**	**34**	14	59
Service processing fees	28.5(d)	**376**	**-**	403	-
Associates					
Deposit liabilities	28.2	**(146)**	**125**	(366)	271
Interest expense on deposits	28.2	**-**	**-**	6	-
Dividend income	12	**6**	**-**	284	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	**(544)**	**2,507**	663	3,051
Deposit liabilities	28.2	**1,007**	**2,878**	11	1,871
Purchase of building under construction	28.5(a)	**-**	**-**	97	-
Interest income from loans and receivables	28.1	**121**	**-**	82	-
Interest expense on deposits	28.2	**15**	**-**	14	-
Occupancy and equipment-related expense	28.5(c)	**826**	**11**	759	12
Short-term employee benefits	24.1	**164**	**4**	189	3
Miscellaneous expenses – others	25.2	**44**	**-**	29	-
Key Management Personnel					
Loans and receivables	28.1	**7**	**7**	-	-
Deposit liabilities	28.2	**57**	**463**	161	406
Interest income from loans and receivables	28.1	**1**	**-**	-	-
Interest expense on deposits	28.2	**3**	**-**	5	-
Salaries and employee benefits	28.5	**193**	**-**	283	-

Related Party Category	Notes	Parent Company 2014 Amount of Transaction	Parent Company 2014 Outstanding Balance	Parent Company 2013 Amount of Transaction	Parent Company 2013 Outstanding Balance
Other Related Interests					
Loans and receivables	28.1	**P 115**	**P 1,788**	(P 484)	P 1,673
Deposit liabilities	28.2	**374**	**476**	(259)	102
Interest income from loans and receivables	28.1	**130**	**-**	100	-
Interest expense from deposits	28.2	**2**	**-**	-	-

28.1 Loans and Receivables

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2014 and 2013 are as follows:

Related Party Category	Group 2014 Issuances	Repayments	Interest Income	Loans Outstanding
Stockholders	P -	P 110	P 52	P 963
Related parties under common ownership	475	1,019	121	2,507
Key management personnel	8	2	1	7
Other related interests	735	620	130	1,935
Total	**P 1,218**	**P 1,751**	**P 304**	**P 5,412**

Related Party Category	Group 2013 Issuances	Repayments	Interest Income	Loans Outstanding
Stockholders	P 1,100	P 27	P 14	P 1,073
Related parties under common ownership	2,411	1,748	82	3,051
Key management personnel	-	1	-	1
Other related interests	513	997	100	1,824
Total	P 4,024	P 2,773	P 196	P 5,949

Related Party Category	Parent Company 2014 Issuances	Repayments	Interest Income	Loans Outstanding
Stockholders	P -	P 110	P 52	P 963
Subsidiaries	8,956	8,956	12	80
Related parties under common ownership	475	1,019	121	2,507
Key management personnel	8	1	1	7
Other related interests	735	620	130	1,788
Total	**P 10,174**	**P 10,706**	**P 316**	**P 5,345**

Related Party Category	Parent Company 2013 Issuances		Repayments		Interest Income		Loans Outstanding
Stockholders	P	1,100	P	27	P	14	P 1,073
Subsidiaries		1,495		1,480		15	80
Related parties under common ownership		2,411		1,748		82	3,051
Other related interests		513		997		100	1,673
Total	P	5,519	P	4,252	P	211	P 5,877

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

Under current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Group and Parent Company and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Group and Parent Company. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2014 and 2013, the Group and the Parent Company is in compliance with these regulatory requirements.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	Group		Parent Company	
	2014	2013	**2014**	2013
Total outstanding DOSRI loans	**P 5,412**	P 6,475	**P 5,345**	P 6,403
Unsecured DOSRI	**415**	547	**400**	530
Past due DOSRI	**1**	526	**1**	526
Non-accruing DOSRI	**1**	526	**1**	526
Percent of DOSRI loans to total loan portfolio	**2.09%**	3.03%	**2.63%**	3.84%
Percent of unsecured DOSRI loans to total DOSRI loans	**7.67%**	8.45%	**7.48%**	8.27%
Percent of past due DOSRI loans to total DOSRI	**0.02%**	8.12%	**0.02%**	8.21%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.02%**	8.12%	**0.02%**	8.21%

The Group and Parent Company did not recognize any impairment loss on these loans in 2014 and 2013.

28.2 Deposit Liabilities

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2014 and 2013 are as follows:

Group

Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
	2014			
Stockholders	P 57,682	P 57,567	P 9	P 1,473
Associates	10,555	10,701	-	125
Related parties under common ownership	559,264	558,257	15	2,878
Key management personnel	1,259	1,202	3	463
Other related interests	53,285	52,911	3	523
Total	**P 682,045**	**P 680,638**	**P 30**	**P 5,462**

Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
	2013			
Stockholders	P 51,667	P 52,789	P 12	P 1,358
Associates	49,890	50,256	6	271
Related parties under common ownership	61,484	61,473	14	1,871
Key management personnel	2,619	2,458	5	406
Other related interests	46,600	46,859	1	219
Total	P 212,260	P 213,835	P 38	P 4,125

Parent Company

Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
	2014			
Stockholders	P 57,682	P 57,567	P 9	P 1,473
Subsidiaries	1,297,402	1,298,688	6	2,039
Associates	10,555	10,701	-	125
Related parties under common ownership	559,264	558,257	15	2,878
Key management personnel	1,259	1,202	3	463
Other related interests	53,285	52,911	2	476
Total	**P 1,979,447**	**P 1,979,326**	**P 35**	**P 7,454**

Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
	2013			
Stockholders	P 51,667	P 52,789	P 12	P 1,358
Subsidiaries	1,396,021	1,393,212	8	3,325
Associates	49,890	50,256	6	271
Related parties under common ownership	61,484	61,473	14	1,871
Key management personnel	2,619	2,458	5	406
Other related interests	46,600	46,859	-	102
Total	P 1,608,281	P 1,607,047	P 45	P 7,333

28.3 Deposits

As of December 31, 2014 and 2013, certain related parties have deposits with the Parent Company and certain bank subsidiaries. These deposits are made on the same terms as deposits with other individuals and businesses.

28.4 Retirement Fund

The Parent Company's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the Parent Company's and RSB's Trust Departments in accordance with the respective trust agreements covering the plan.

The retirement funds have transactions with the Group and Parent Company as of December 31, 2014 and 2013 as follows:

	2014			
	Group		Parent Company	
Nature of Transactions	**Net Amount of Transaction**	**Outstanding Balance**	**Net Amount of Transaction**	**Outstanding Balance**
Investment in common shares of Parent Company	(P 567)	P 2,723	P 311	P 2,716
Investment in corporate debt securities	(1)	55	(1)	50
Deposits with the Parent Company	(106)	107	-	-
Trading gain	1,266	-	1,266	-
Dividend income	57	-	57	-
Interest income	6	-	3	-

	2013			
	Group		Parent Company	
Nature of Transactions	Net Amount of Transaction	Outstanding Balance	Net Amount of Transaction	Outstanding Balance
Investment in common shares of Parent Company	P 138	P 3,290	P 137	P 2,405
Investment in corporate debt securities	6	56	1	51
Deposits with the Parent Company	215	213	-	-
Trading gain	1,260	-	954	-
Dividend income	59	-	57	-
Interest income	2	-	3	-

The carrying amount and the composition of the plan assets as of December 31, 2014 and 2013 are disclosed in Note 24.2. Investment in corporate debt securities include long-term negotiable certificates of deposit issued by the Parent Company.

The information on the Group's and Parent Company's contributions to the retirement fund and benefit payments through the fund are disclosed in Note 24.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stocks covered by any restriction and liens.

28.5 Other Related Party Transactions

(a) Joint Development Agreement

On October 1, 2009, the Parent Company entered into a Joint Development Agreement (Agreement) with RSB, Bankard, Inc., MICO, Grepalife and Hexagonland (all related parties, collectively referred to as the Consortium) and with the conformity of Goldpath, the parent company of Hexagonland, whereby the Consortium agreed to pool their resources and enter into an unincorporated joint venture arrangement for the construction and development of a high rise, mixed use commercial/office building referred to by the Consortium as the RSB Building Project (the Project).

In 2011, pursuant to the Agreement, RSB acquired the ownership of the land through Goldpath after Hexagonland's liquidation and partial return of capital to Goldpath. RSB, accordingly, contributed the land amounting to P383 to the Project. Also, in 2011, the Parent Company's BOD approved its assumption of rights and interest of its co-partner, Grepalife, in the Project.

On October 2, 2012, the Consortium executed a memorandum of understanding agreeing in principle to cancel or revoke the Agreement, subject to the approval of the BSP. On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, the BSP approved the Parent Company's acquisition of the land contributed by RSB to the Project as well as the rights and interests of its co-venturers.

On April 5, 2013, the Parent Company returned the total cash contributions of RSB, Bankard, Inc. and MICO amounting to P763, P294 and P97, respectively, and paid liquidated damages of P46 to RSB (see Note 13).

(b) Lease Contracts with RRC

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC. Rental expense incurred by the Group related to this lease arrangements are included as part of Occupancy and Equipment-related account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2015.

(c) Lease Contract on RSB Corporate Center

In October 2013, the Parent Company and RSB entered into a lease agreement covering certain office and parking spaces of RSB Corporate Center at a monthly rental fee of P6.4. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties.

(d) Service Agreement with RBSC

In December 2013, RBSC entered into a Special Purchase Agreement (the Purchase Agreement) with Bankard, Inc. to transfer Bankard, Inc's credit card servicing operations to RBSC. In accordance with the Purchase Agreement, the BOD of the Parent Company approved the assignment of the Service Agreement (the Agreement) previously with Bankard, Inc. to RBSC. Under the Agreement, RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. The total service processing fees incurred by the Parent Company is recognized as part of the Service processing fees under the Miscellaneous Expenses account in the statement of profit or loss (see Note 25.2).

(e) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2014	2013	2012
Short-term employee benefits	**P 414**	P 436	P 401
Post-employment defined benefits	**14**	11	78
	P 428	P 447	P 479

	Parent Company		
	2014	2013	2012
Short-term employee benefits	**P 193**	P 283	P 246
Post-employment defined benefits	**-**	-	41
	P 193	P 283	P 287

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 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 December 31, 2014 and 2013:

	Group		Parent Company	
	2014	2013	**2014**	2013
Trust department accounts	**P 82,552**	P 79,172	**P 66,156**	P 68,419
Outstanding guarantees issued	**25,328**	25,976	**25,328**	25,976
Derivative assets	**23,432**	38,648	**23,432**	38,648
Derivative liabilities	**22,154**	44,283	**22,154**	44,283
Unused commercial letters of credit	**12,095**	11,778	**12,038**	11,684
Spot exchange sold	**6,515**	7,737	**6,062**	7,737
Spot exchange bought	**6,055**	7,744	**6,055**	7,744
Inward bills for collection	**724**	874	**724**	874
Late deposits/payments received	**630**	881	**581**	735
Outward bills for collection	**147**	131	**146**	129
Others	**1**	1	**1**	1

29.2 Purchase of Bankard, Inc. Shares

In June 2003, RCBC Capital filed an arbitration claim with the International Chamber of Commerce (ICC) against Equitable PCI Bank (Equitable) (now BDO Unibank, Inc. or BDO) relating to RCBC Capital's acquisition of Bankard, Inc. shares from Equitable in May 2000. The claim was based on alleged deficiencies in Bankard, Inc.'s accounting practices and non-disclosure of material facts in relation to the acquisition. RCBC Capital sought a rescission of the sale or damages of approximately P810, including interest and expenses. The arbitration hearings were held before the ICC Arbitral Tribunal, being the body organized by the ICC.

On October 1, 2013, RCBC Capital and BDO, with a view to a renewal of business relations, reached a complete and final settlement of their respective claims arising from the sale of BDO's (as successor-in-interest of Equitable) 67% stake in Bankard, Inc. RCBC Capital and BDO agreed to jointly terminate and dismiss the various cases filed in connection with their claims and counterclaims against each other.

29.3 Poverty Eradication and Alleviation Certificates (PEACe) Bonds

In October 2011, the Parent Company filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Parent Company subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 in October 2011 from the Parent Company on the interest on its PEACe bonds holdings. The amount was recognized and is presented as part of Accounts receivables under the Loans and Receivables account in the statements of financial position (see Note 11).

On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. On March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition "deposit substitutes" the PEACe Bonds since there was only one lender at the primary market, and the subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax. The Parent Company also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital/Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed.

The Parent Company also reiterated its arguments that the tax imposed on the PEACe Bonds constitutes double taxation, violates the non-impairment clause of the Constitution, and is a breach of the obligations by the Bureau of Treasury when it issued the PEACe Bonds. The Office of the Solicitor General also filed a Motion for Reconsideration and Clarification, reiterating the BIR's right to withhold 20% as final withholding tax and asking for clarification on the effect of the ruling on other government securities.

29.4 Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased Iligan Plant Assets (Plant Assets) of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Parent Company and RCBC Capital, to deliver the Plant Assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant Assets and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80, as and by way of lost opportunity to make profits and (b) P1,403 representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI filed an appeal on September 1, 2014.

In the meantime, the secured creditors' application for the issuance of consequential orders relating to the discharge of the injunction, costs and other matters, the purpose of which is to allow the secured creditors to obtain complete relief from the SIAC Partial Award, was heard and granted by the Singapore High Court on November 17, 2014. In particular, the Singapore High Court confirmed that the injunctions issued in 2008 and that embodied in the Partial Award have been discharged, so that the secured creditors may now compel GSPI and GIHI to comply with their obligations under the Omnibus Agreement/Asset Purchase Agreement and take legal action upon GSPI's and GIHI's failure to do so. The Singapore High Court likewise granted the secured creditors' claim for the payment of legal costs, the amount of which shall be subject to further submissions. As a result of the ruling of the Singapore High Court that the injunctions previously issued have been discharged, the secured creditors, applying the principle of legal set-off, directed the release of GSPI and GIHI's installment payment by the Facility Agent. Accordingly, the Parent Company and RCBC Capital received their respective share in the funds previously held in escrow.

The Singapore Court of Appeals heard GSPI and GIHI's appeal on January 26, 2015. On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court insofar as it set aside (a) the monetary award of US$80 and P1,403 representing lost opportunity to make profit and the value of the Lost Land Claim in favor of GSPI and GIHI, and (b) the deferment of GSPI and GIHI's obligation to pay the purchase price of the Plant Assets. The Singapore Court of Appeals ruled that (a) the issue of lost opportunity to make profit was not properly brought before the SIAC Arbitral Tribunal, and the award in issue is unsupported by evidence; (b) the SIAC Arbitral Tribunal erred in putting a value on the Lost Land, since the secured creditors did not, at any point, concede that they will be unable to deliver the same to GSPI and GIHI by October 15, 2012; and (c) the dispute relating to GSPI and GIHI's payment obligation is an obligation under the Omnibus Agreement, which is beyond the ambit of arbitration, so that the SIAC Arbitral Tribunal could not properly order the Parent Company, RCBC Capital and the other secured creditors to defer holding GSPI and GIHI in default. The Singapore Court of Appeals further held that it is prepared to hear the parties on costs and on any consequential orders that may be needed.

The Parent Company's exposure is approximately P246 in terms of estimated property taxes and transfer costs due on the Plant Assets, while it has a receivable from Global Steel of P535. On account of the full provisioning already made by the Parent Company, the aforesaid share is currently classified in the books of the Parent Company as an unquoted debt security classified as loans with zero net book value. In February 2015, the Parent Company received the amount of P49 as installment payment recently released from escrow. The Parent Company's exposure, however, may be varied should Iligan City agree to enter into another tax agreement with NSC on its outstanding tax obligation.

29.5 Verotel Merchant Services B.V. Case

In 2011, Verotel Merchant Services B.V. (VMS), a corporation domiciled in Netherlands, and Verotel International Industries, Inc. (VII), a Philippine corporation civilly sued the Parent Company, Bankard, Inc., Grupo Mercarse Corp., CNP Worldwide, Inc. (CNP) 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 on-line adult entertainment and on-line gambling, in addition to the sale of pharmaceuticals over the internet.

While the court ruled that jurisdiction was obtained over the Parent Company and Bankard, Inc., despite the fact that none of the Parent Company, Bankard, Inc. or any of the plaintiffs do business in California, the Parent Company and Bankard, Inc. believe that the case has no merit and will be ruled in their favor on the following basis:

(a) The plaintiffs have no legal standing to sue. VII ended its corporate existence in 2008 and had no capacity to sue in 2011 when the case was filed. There is also no evidence that VMS is the parent company of VII, neither does VMS has any contract with Bankard, Inc.

(b) All the monies due to VII have been remitted by Bankard, Inc. to Mercarse PA, the agent designated by VII to receive its monies. In addition, VII never gave notice to Bankard, Inc. that it was not receiving payments from their agent.

(c) There is no accounting of the claim of US$1.5, and no basis for the same. Based on Bankard, Inc.'s records of this claim (which was remitted to Mercarse), only US$0.5 belonged to VII and US$1 belonged to another merchant.

(d) Even under the worst possible scenario, the Parent Company/Bankard, Inc.'s US counsel opined that the ruling against the Parent Company/Bankard, Inc. would not be material since there is no basis to find the Parent Company/Bankard, Inc. liable for fraud.

On December 4, 2014, the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive/clearance from her court.

The aforementioned plaintiffs' counsel likewise did not confer with the Parent Company's US counsel for the said setting. Consequently, the court issued an Order to Show Cause upon the plaintiffs' counsel as to why the matter should not be referred to the California State Bar for misconduct, especially after the counsel issued a declaration casting aspersions on the court and her staff and the veracity of the Minute Order denying that the court ordered the parties to proceed to mandatory settlement conference. The matter was heard on March 30, 2015, at which occasion the judge immediately discharged the Order to Show Cause after the plaintiff's counsel admitted to using inappropriate language in his explanation.

The case has been ordered for re-assignment to another judge. Based on the latest update of the US counsel, the case was raffled to another judge, who set the Motion to vacate the orders denying the Parent Company and Bankard, Inc.'s motions for summary judgment for hearing on May 12, 2015. In the meantime, the trial for the main case is tentatively scheduled in January 2016.

29.6 Lease Commitments

(a) Parent Company as a Lessor

In September 2013, the Parent Company has entered into a five year lease agreement with RSB for the latter's lease of certain office and parking spaces in RSB Corporate Center at a monthly rental fee of P6.4. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. Rental income recognized by the Parent Company in 2014 amounted P95 and is presented as part of Rental under the Other Operating Income account in the 2014 statement of profit or loss (see Notes 15 and 28.5).

The Parent Company's future minimum rental receivables under this non-cancellable operating lease arrangement are as follows:

	2014	2013
Within one year	**P 82**	P 78
After one year but not more than five years	**246**	328
	P 328	P 406

(b) Group as Lessee

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices and branches/business centers. The Group's rental expense (included as part of Occupancy and Equipment-related account in the statements of profit or loss) amounted to P754, P809 and P739 in 2014, 2013 and 2012, respectively. The lease periods are from one to 25 years. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

As of December 31, 2014, future minimum rental payables under these non-cancellable operating leases follow:

	Group	Parent Company
Within one year	P 912	P 514
After one year but not more than five years	1,784	969
More than five years	724	678
	P 3,420	P 2,161

30. EARNINGS PER SHARE

The following reflects the profit and per share data used in the basic and diluted EPS computations (figures in millions, except EPS data):

	Group		
	2014	2013	2012
Basic EPS			
a. Net profit attributable to Parent Company's shareholders	**P 4,411**	P 5,321	P 5,949
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends	**(442)**	(418)	(414)
	3,969	4,903	5,535
b. Weighted average number of outstanding common stocks	**1,276**	1,240	1,141
c. Basic EPS (a/b)	**P 3.11**	P 3.95	P 4.85
Diluted EPS			
a. Net profit attributable to Parent Company's shareholders (net of amount allocated for preferred and HT 1 dividends)	**P 3,969**	P 4,903	P 5,535
b. Weighted average number of outstanding common stocks	**1,276**	1,240	1,141
c. Diluted EPS (a/b)	**P 3.11**	P 3.95	P 4.85

	Parent Company		
	2014	2013	2012
Basic EPS			
a. Net profit	**P 4,479**	P 4,782	P 4,716
Allocated for preferred and HT 1 dividends	**(442)**	(418)	(414)
	4,037	4,364	4,302
b. Weighted average number of outstanding common stocks	**1,276**	1,240	1,141
c. Basic EPS (a/b)	**P 3.16**	P 3.52	P 3.77

	2014	2013	2012
Diluted EPS			
a. Net profit (net of amount allocated for preferred and HT1 dividends)	**P 4,037**	P 4,364	P 4,302
b. Weighted average number of outstanding common stocks	**1,276**	1,240	1,141
c. Diluted EPS (a/b)	**P 3.16**	P 3.52	P 3.77

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following basic indicators and ratios measure the financial performance of the Group and Parent Company:

	Group		
	2014	2013	2012
Return on average equity:			
Net profit / Average total equity	**9.23%**	12.18%	16.07%
Return on average resources:			
Net profit / Average total resources	**1.04%**	1.39%	1.70%
Net interest margin:			
Net interest income / Average interest earning resources	**4.30%**	4.22%	3.93%
Profit margin:			
Net profit / Revenues	**19.98%**	23.07%	26.19%
Debt-to-equity ratio:			
Total liabilities / Total equity	**7.62**	8.42	7.62

	Group		
	2014	2013	2012
Resources-to-equity ratio:			
Total resources / Total equity	**8.62**	9.42	8.62
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**2.02**	2.27	1.91

	Parent Company		
	2014	2013	2012
Return on average equity:			
Net profit / Average total equity	**10.80%**	12.96%	15.64%
Return on average resources:			
Net profit / Average total resources	**1.27%**	1.49%	1.59%
Net interest margin:			
Net interest income / Average interest earning resources	**3.71%**	3.75%	3.44%
Profit margin:			
Net profit / Revenues	**26.82%**	27.46%	27.56%
Debt-to-equity ratio:			
Total liabilities / Total equity	**7.07**	8.07	7.40
Resources-to-equity ratio:			
Total resources / Total equity	**8.07**	9.07	8.40
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**2.16**	2.27	1.85

32. EVENTS AFTER THE END OF REPORTING PERIOD

32.1 Issuance of Senior Notes

On January 21, 2015, the Parent Company issued unsecured US$ denominated Senior Notes amounting to US$200 maturing on January 22, 2020 (the "2020 Senior Notes"). The 2020 Senior Notes bear interest at 4.25% per annum payable semi-annually and was issued out of the Parent Company's US$1,000 Medium Term Note Programme. On February 10, 2015, the Parent Company reopened its 2020 Senior Notes and issued a second tranche amounting to US$43. The second tranche was a further issuance of, and was consolidated and formed part of a single series with the earlier issuance bringing the aggregate amount outstanding of the 2020 Senior Notes to US$243. The 2020 Senior Notes were used to finance operations and for general corporate purposes, including the refinancing of the Parent Company's US$250 6.25% Senior Notes due on February 9, 2015. This issuance was approved by the Parent Company's BOD on November 24, 2014.

32.2 Sale and Transfer of Parent Company's Shares

On February 13, 2015, the BSP has approved the Parent Company's proposed sale and transfer of shares held by Hexagon Investments B.V. and IFC Capitalization Fund to Cathay relating to the latter's proposed acquisition of the 20.00% share block in the Parent Company (see Note 23.2).

RIZAL COMMERCIAL BANKING CORPORATION
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2014

Statement of Management's Responsibility for the Financial Statements

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

Supplementary Schedules to Financial Statements (Form 17-A, Item 7)

Reconciliation of Retained Earnings Available for Dividend Declaration

Schedule of Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2014

Schedule of Financial Indicators as of December 31, 2014 and 2013

Map Showing the Relationship Between and Among the Parent Company and its Related Entities

Proceeds and Expenditures for the Recent Public Offering

Details of Transactions with DOSRI

RCBC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Rizal Commercial Banking Corporation and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Financial Reporting Standards in the Philippines for Banks (FRSPB).

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

RCBC

HELEN Y. DEE
Chairperson, Board of Directors

LORENZO V. TAN
President & Chief Executive Officer

RAUL B. TAN
FSVP, Acting Head-Treasury Group

FLORENTINO M. MADONZA
SVP, Head-Controllership Group

APR 1 4 2015

SUBSCRIBED AND SWORN TO BEFORE ME, this ___ day of _______, 2015 at Makati City, Philippines, affiants exhibited to me their valid identifications, to wit:

Name	*ID No.*	*Date/Place of Issue*
Helen Y. Dee	Passport No. EB9694250	11/27/2013, Manila
Lorenzo V. Tan	CTC No. 02444383	01/14/2015, Makati
Raul B. Tan	CTC No. 10051877	01/22/2015, Makati
Florentino M. Madonza	CTC No. 02422463	01/14/2015, Makati

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-80 (2015-2016)
Until 31 December 2016
PTR No. 4753340; 01-06-15; Makati City
IBP No. 0983781; 01-06-15; Makati City
ROLL No. 40145
21st Floor Yuchengco Tower II, RCBC Plaza
Ayala Avenue, Makati City

Notary Public

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Rizal Commercial Banking Corporation and Subsidiaries
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December 31, 2014

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4	Map Showing the Relationship Between the Parent Company and its Related Entities
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6	Details of Transactions with DOSRI*

*In compliance with the Securities Regulation Code Rule 68, these supplementary information are not required to be covered by the independent auditor's report.

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
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Schedule A
Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
RIZAL COMMERCIAL BANKING CORPORATION				
At Fair Value Through Profit or Loss				
Debt Securities				
FXTN 03-20	P 50,000,000	P 49,650,013	P 49,650,013	P 148,958
FXTN 05-68	364,000	368,204	368,204	3,094
FXTN 07-47	400,000,000	407,412,123	407,412,123	3,629,167
FXTN 07-49	50,000,000	53,614,399	53,614,399	884,722
FXTN 07-56	100,000,000	101,997,348	101,997,348	419,792
FXTN 10-45	251,190,000	267,625,853	267,625,853	6,189,915
FXTN 10-59	1,537,458,089	1,564,067,735	1,564,067,735	23,077,887
FXTN 10-59	53,345,000	54,268,272	54,268,272	800,731
FXTN 20-17	250,000,000	347,931,299	347,931,299	9,000,000
FXTN 20-17	20,000,000	27,834,504	27,834,504	720,000
FXTN 20-17	50,000,000	69,586,260	69,586,260	1,800,000
FXTN 20-18	8,420,000	9,439,882	9,439,882	204,740
FXTN 20-20	841,712,000	794,535,896	794,535,896	8,475,572
FXTN 20-20	50,000,000	47,197,610	47,197,610	503,472
P-FXTN 20-16	18,775,000	26,315,868	26,315,868	155,155
RTB 10-03	3,400,000	3,712,111	3,712,111	38,557
RTB 20-01	78,789,000	90,287,889	90,287,889	385,738
RTB 25-01	65,050,000	78,304,182	78,304,182	741,525
RTB 25-01	300,000,000	361,126,127	361,126,127	3,419,792
TBILL 02.04.15	7,890,000	7,875,623	7,875,623	-
TBILL 03.04.15	100,000,000	99,673,845	99,673,845	-
FXTN 20-17	303,000,000	421,692,734	421,692,734	10,908,000
RTB 10-04	10,400,000	9,893,393	9,893,393	43,189
FXTN 07-56	150,000,000	152,996,021	152,996,021	629,688
RTB 10-04	450,000	428,080	428,080	1,869
BAHAY 11/17	134,571	146,447	146,447	852
BAHAY 11/17	134,436,857	146,300,577	146,300,577	851,358
FMIC 2-17	1,000,000	1,004,889	1,004,889	5,675
GTCAPH 4.8371 02/20	200,000	192,247	192,247	914
SMPM 5.2958 05/21	35,100,000	34,820,776	34,820,776	216,863
SMPM 5.6125 05/24	500,000	491,326	491,326	3,274
AC 05-21	50,000	53,330	53,330	463
ACPM 6.875 05/27	400,000	421,382	421,382	3,819
EDC 05-23	50,000,000	44,012,622	44,012,622	381,124
EDCPM 4.1583 05/20	100,000	93,121	93,121	670
GLOPM 4.8875 07/20	330,000	317,333	317,333	3,315
MERPM 4.375 12/20	130,000	125,496	125,496	300
PETRON 7% 11/17	30,000,000	30,759,880	30,759,880	297,500
SMBPM 6.00 04/24	100,000	95,665	95,665	1,483
TELPM 5.225 02/21	850,000	841,829	841,829	6,785
P-PETRON 7% 11/17	500,000,000	512,664,662	512,664,662	4,958,333
ROP GPN 3.9% 11/22	100,000,000	97,564,000	97,564,000	379,167
P-ROP GPN 6.25% 01/36	3,000,000	3,370,890	3,370,890	86,979

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A
Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
P-ROP 34	P 1,341,600	P 1,795,987	P 1,795,987	P 16,155
ROP 16N	3,130,400	3,360,860	3,360,860	115,477
ROP 17	268,319	313,171	313,171	11,390
ROP 37	20,302,880	23,729,397	23,729,397	473,734
ROP 24	1,386,186	2,057,072	2,057,072	25,606
ROP 21	17,485,520	18,928,250	18,928,250	322,510
ROP 15	1,162,720	1,183,195	1,183,195	29,811
ROP 24 01/24	15,249,520	16,531,852	16,531,852	284,658
ROP 16N	670,800	720,184	720,184	24,745
ROP 34	3,980,080	5,328,093	5,328,093	47,927
ROP 30	447,200	724,741	724,741	17,583
ROP 16 EURO	14,178,358	15,108,458	15,108,458	708,918
PSALM 7.25 05/19	5,813,600	6,942,659	6,942,659	39,808
P-H-PSALM 7.39 12/24	223,600	291,594	291,594	1,331
PSALM 7.25 05/19	447,200	534,051	534,051	3,062
P-SMPM 4.250 10/19	223,600,000	222,455,168	222,455,168	1,953,395
SMPM 4.875 06/24	65,291,200	64,441,109	64,441,109	185,672
P-JGSPM 4.375 01/23	145,026,960	141,618,826	141,618,826	2,784,719
P-SMPM 4.250 10/19	35,776,000	35,592,827	35,592,827	312,543
P-ICTPM 5.875 09/25	15,473,120	15,854,068	15,854,068	262,613
P-ATPM 6.5 03/17	313,040	319,268	319,268	5,652
P-ICTPM 4.625 01/23	17,664,400	17,452,074	17,452,074	374,449
P-ICTPM 5.875 09/25	12,745,200	13,058,987	13,058,987	216,314
NPC (A) 9.625 05/28	178,880	272,297	272,297	2,200
NPC 6.875 11/16	1,341,600	1,464,786	1,464,786	15,116
P-H-BSP 27	357,760	499,748	499,748	1,368
INDOGB 8.375 03/24	118,800,000	122,601,600	122,601,600	2,968,359
P-INDON 4.875 05/21	3,667,040	3,880,498	3,880,498	27,808
USTSY 2.25 11/24	134,160,000	134,212,406	134,212,406	391,918
USTSY .50 11/16	4,472,000,000	4,456,103,440	4,456,103,440	1,965,715
GS 2.125 09/24	53,705,900	55,782,170	55,782,170	290,784
MS 1.875 03/23	80,558,850	83,004,617	83,004,617	384,862
FPFL 6.375 09/20	39,398,320	42,995,124	42,995,124	648,841
WILSP 4.1 01/19	201,713,400	206,670,507	206,670,507	3,625,315
IOCLIN 5.75 08/23	307,450,000	334,167,405	334,167,405	7,365,990
P-ASH 4.75 8/2022	223,600,000	222,621,750	222,621,750	4,012,378
ALLISON 2019 LOAN	109,127,156	108,241,044	108,241,044	10,609
GENPACT 2019 LOAN	109,960,890	108,998,732	108,998,732	993,885
WINDSTREAM 2 8/19	94,666,643	93,284,631	93,284,631	137,186
WINDSTREAM 2020 NEW	109,564,000	107,235,765	107,235,765	158,764
DEVPHI 5.5 03/21	4,472,000	4,858,917	4,858,917	65,589
BDOPM 4.5 02/17	804,960	833,495	833,495	13,584
BDOPM 3.875 04/16	4,472,000	4,539,527	4,539,527	33,214
KOREA EX 4.3750 09/16	5,370,590	5,697,927	5,697,927	61,798
BPCLIN 4.625 10/22	134,160,000	135,820,901	135,820,901	1,137,565
P-BPCLIN 4.625 10/22	223,600,000	226,368,168	226,368,168	1,895,942
PERTIJ 4.3 05/23	44,720,000	42,915,548	42,915,548	219,004
Subtotal		P 13,032,524,638	P 13,032,524,638	P 114,026,300

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Name of issuing entity and association of each issue		Number of shares or principal amount of bonds and notes		Amount shown in the balance sheet		Valued based on market quotation at end of reporting period		Income received and accrued
Derivative Assets								
Currency swaps and forwards		22,787,250,055		136,673,864		136,673,864		-
Interest rate swaps/futures		16,396,286,196		60,187,135		60,187,135		-
Debt warrants		5,598,183,760		54,424,821		54,424,821		-
Options		714,687,400		7,383,522		7,383,522		-
Credit default swap		89,440,000		4,258,208		4,258,208		-
Credit linked notes		894,400,000		970,870,608		970,870,608		
Principal-protected notes		223,600,000		226,844,129		226,844,129		-
Subtotal				1,460,642,288		1,460,642,288		39,589,929
Equity Securities								
Roxas and Company, Inc.		3,048,161	P	8,839,667	P	8,839,667	P	-
Roxas Holdings Inc.		34,476,000		230,989,200		230,989,200		-
Isuzu Phils.		150,000,000		329,229,632		329,229,632		-
Subtotal				569,058,499		569,058,499		-
Total		-	**P**	**15,062,225,425**	**P**	**15,062,225,425**	**P**	**153,616,229**
At Amortized Cost								
Debt Securities								
P-ROP 34	P	1,386,320,000	P	1,864,273,949	P	1,864,273,949	P	16,693,603
P-ROP 37		1,654,640,000		1,955,422,167		1,955,422,167		38,608,267
P-FXTN 20-17		330,000,000		464,858,774		464,858,774		11,880,000
P-FXTN 20-17		1,970,000,000		2,850,167,892		2,850,167,892		70,920,000
FXTN 03-20		320,000,000		318,849,019		318,849,019		953,333
FXTN 05-69N		190,000,000		193,343,069		193,343,069		878,750
FXTN 07-48		13,000,000		13,550,440		13,550,440		389,278
FXTN 07-47		119,011,000		121,184,920		121,184,920		1,079,777
FXTN 10-36		1,900,000		1,919,972		1,919,972		82,947
RTB 05-09		3,004,000		3,047,272		3,047,272		20,590
RTB 05-10		25,000,000		25,856,629		25,856,629		116,667
RTB 07-01		30,000,000		32,054,716		32,054,716		40,833
FXTN 10-44		15,000,000		14,984,109		14,984,109		413,333
ROP 24 01/24		178,880,000		194,626,402		194,626,402		3,339,093
P-ROP 25		2,738,295,040		4,321,939,250		4,321,939,250		84,858,622
P-ROP 37		3,574,380,160		4,224,279,420		4,224,279,420		83,402,204
ROP 34		4,248,400,000		5,662,479,612		5,662,479,612		51,157,817
ROP 34		1,341,600,000		1,811,380,894		1,811,380,894		16,155,100
P-ROP 34		1,609,920,000		2,123,364,349		2,123,364,349		19,386,120
ROP 30		447,200,000		728,861,224		728,861,224		17,583,655
P-ROP 25		894,400,000		1,411,660,325		1,411,660,325		27,717,083
P-ROP 21		2,012,400,000		2,113,742,838		2,113,742,838		37,117,600
ROP 19N		1,341,600,000		1,705,441,816		1,705,441,816		4,369,517

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
ROP 21	P 1,341,600,000	P 1,455,254,084	P 1,455,254,084	P 24,745,067
P-H-NPC 6.875 11/16	1,520,480	1,524,435	1,524,435	17,132
P-NPC (A) 9.625 05/28	44,720	52,017	52,017	550
MERPM 4.875 12/25	416,800,000	416,800,000	416,800,000	1,072,392
MERPM 4.375 12/20	573,670,000	573,670,000	573,670,000	1,324,620
P-FLIPM 6.2731 06/19	94,640,000	94,640,000	94,640,000	379,300
P-MEGPM 4.25 04/23	2,236,000,000	2,235,834,570	2,235,834,570	19,533,945
FDCPM 4.25 04/20	667,624,880	667,821,749	667,821,749	7,014,697
P-FDCPM 4.25 04/20	2,236,000,000	2,236,488,189	2,236,488,189	23,493,528
P-ATPM 6.5 03/17	1,118,000,000	1,112,173,076	1,112,173,076	20,186,111
P-EDCPM 6.5 01/21	1,171,664,000	1,286,335,753	1,286,335,753	34,059,621
P-ICTPM 4.625 01/23	2,884,440,000	2,933,168,397	2,933,168,397	61,144,119
P-INDON 3.75 04/22	449,436,000	471,046,659	471,046,659	3,089,873
P-MEX 6.750 09/34	223,600,000	316,848,466	316,848,466	3,940,950
P-INDON 3.375 04/23	249,179,840	248,061,653	248,061,653	1,775,406
INDON 6.75 01/44	447,200,000	561,704,773	561,704,773	13,919,100
INDOIS 4.35 09/24	1,073,280,000	1,085,673,250	1,085,673,250	14,395,368
P-INDON 3.375 04/23	447,200,000	445,193,204	445,193,204	3,186,300
CGB 1.4 08/16	86,538,000	86,609,547	86,609,547	451,420
CGB 2.56 06/17	21,634,500	21,634,482	21,634,482	4,552
INDON LOAN NS	212,364,097	199,455,167	199,455,167	112,119
INDON LOAN NS	96,718,750	92,342,846	92,342,846	51,063
P-PSALM 7 YEARS	250,000,000	257,600,464	257,600,464	3,713,542
BAHAY 11/17	140,851,429	140,851,429	140,851,429	891,980
BAHAY 11/17	173,148,571	173,148,571	173,148,571	1,096,511
PSALM 7.39 12/24	447,200,000	587,112,589	587,112,589	2,662,207
P-PSALM 7.39 12/24	2,464,116,720	3,243,018,101	3,243,018,101	14,669,024
P-BSP 27	89,440,000	133,038,785	133,038,785	341,859
BSP TIERS 06/17	378,865,588	380,792,364	380,792,364	1,642,666
P-BSP 27	1,431,934,400	2,130,575,316	2,130,575,316	5,473,172
P-WHEELK 4.75 02/17	3,577,600	3,687,805	3,687,805	60,422
LPL 2019 LOAN	110,064,292	110,154,675	110,154,675	9,936
FORD 3.664 09/24	447,200,000	447,871,053	447,871,053	5,143,198
P-DHI 4.375 09/22	670,800,000	688,107,923	688,107,923	8,641,208
P-MDC 5.625 02/20	223,600,000	244,428,056	244,428,056	5,240,625
VZ 3.00 11/21	447,200,000	445,267,404	445,267,404	2,310,533
AA 5.125 10/24	447,200,000	469,726,192	469,726,192	6,302,725
VIDEOCON 2015 LOAN	233,662,000	233,661,188	233,661,188	625,659
ACCUDYNE LOAN 2019	61,557,122	61,807,031	61,807,031	6,839
ARAMARK 2019 LOAN	66,576,900	64,837,646	64,837,646	6,010
AVIS 2 2019 LOAN	87,180,764	87,179,959	87,179,959	7,265
AVIS 2019 LOAN	101,725,884	101,726,044	101,726,044	8,477
CBRE 2021 USD LOAN	66,237,286	66,246,460	66,246,460	165,737
DUPONT 2020 LOAN	125,054,378	125,900,368	125,900,368	13,026
DUPONT AXALTA 2020	44,158,332	44,546,814	44,546,814	4,600
FSHCN 06/20	88,881,000	89,817,025	89,817,025	8,641
FSHCN 3	43,602,000	44,074,059	44,074,059	4,239
GENERAC LOAN 2020	164,775,828	162,765,106	162,765,106	1,368,555
HEINZ 2020 LOAN	134,174,973	135,010,906	135,010,906	13,045
HOUGHTON 2019 USD LOAN	110,115,129	110,380,098	110,380,098	12,235

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KAR 2017 LOAN	P 44,234,361	P 44,089,749	P 44,089,749	P 4,301
NRG 2018 USD LOAN	220,569,610	220,425,363	220,425,363	16,849
SPECTRUM 2019 USD LOAN	154,698,602	154,927,277	154,927,277	255,683
SPIRIT 2019 LOAN	88,304,974	87,173,324	87,173,324	135,524
SS&C 2019 LOAN B3	1,772,279	1,765,446	1,765,446	160
SS&C 2019 LOAN B3 NEW	3,555,520	3,532,901	3,532,901	321
SS&C 2019 LOAN B4	17,132,038	17,063,465	17,063,465	1,546
SS&C 2019 LOAN B4 NEW	34,370,029	34,151,379	34,151,379	3,103
TRANSDIGM 02/20	64,839,772	65,252,500	65,252,500	6,754
TRANSDIGM 2017 USD LOAN	110,794,092	110,278,554	110,278,554	11,541
USPI 2019 LOAN	44,158,192	44,481,979	44,481,979	5,827
WENDYS 2019 USD LOAN	110,123,000	110,408,929	110,408,929	9,942
WESCO 2019 LOAN	11,192,009	10,893,257	10,893,257	3,498
CNOOC 3.00 05/23	223,600,000	213,587,573	213,587,573	968,933
OGIMK 4.4 03/23	1,788,800,000	1,861,694,494	1,861,694,494	24,486,685
NTPCIN 4.375 11/24	447,200,000	445,408,363	445,408,363	1,902,153
PWGRIN 3.875 01/23	178,880,000	176,754,771	176,754,771	3,157,729
PGASIJ 5.125 05/24	670,800,000	693,939,932	693,939,932	4,297,313
PERTIJ 4.3 05/23	447,200,000	441,649,473	441,649,473	2,190,038
P-PEMEX 6.625 06/35	223,600,000	279,388,993	279,388,993	658,378
P-JGSPM 5.2442 02/21	750,000,000	750,000,000	750,000,000	13,547,517
P-JGSPM 4.375 01/23	2,441,712,000	2,459,696,660	2,459,696,660	46,884,262
P-SMPM 4.875 06/24	447,200,000	447,186,515	447,186,515	1,271,725
P-SMPM 4.875 06/24	626,080,000	626,488,646	626,488,646	1,780,415
SMPM 4.875 06/24	293,363,200	293,354,354	293,354,354	834,252
P-NPC 5.875 12/16	800,000,000	835,950,328	835,950,328	1,566,667
P-BT-IR TR1 SERIES F	90,933,490	88,063,167	88,063,167	-
P-BT-IR TR2 SERIES F	92,270,817	89,484,447	89,484,447	-
P-BT-IR TR2 SERIES G	92,270,817	83,607,967	83,607,967	-
P-BT-IR TR1 SERIES G	90,933,490	82,128,432	82,128,432	-
Total		**P 70,255,783,041**	**P 70,255,783,041**	**P 885,506,470**

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At Fair Value Through Other Comprehensive Income							
Equity Securities							
GPL Holdings, Inc.	19,989,240	P	932,657,689	P	932,657,689	P	-
MICO Equities, Inc	338,118		599,608,342		599,608,342		-
VISA	27,414		7,719,003		7,719,003		-
Asean Finance Corp.	500,000		16,809,450		16,809,450		-
CARLOS, DANTE	100		3,321,955		3,321,955		-
CMC (DEWEY DEE)	12,499		1		1		-
PHIL. ELECTRICAL CORPORATION	149,278,289		1		1		-
ALFA INTEGRATED, INC.	33,950,000		1		1		-
PHILEX MINING (SL OROSA & SONS)	185,874		9,294		9,294		-
LEPANTO CONS. MINING CORP. (SL OROSA/JOHN MCSWEENEY)	5,377		-		-		-
(SQUIRES BINGHAM MFG. CORP.)	180		1,800		1,800		-
DMG INDUSTRIES INC. TOTAL STOCKS 11,151.47	2,815		1		1		-
GREAT MANDARIN (UNIVERSAL LEISURE CLUB)	1		-		-		-
UPTOWN INDUSTRIAL SALES,INC.	1		-		-		-
MARKET DEVELOPERS, INC.	8		-		-		-
WOO CHANG CO,INC./HYONG HO PARK	1		-		-		-
PLDT	87,700		877,000		877,000		-
Pilipinas Shell	150,000,000		512,957,330		512,957,330		-
Phil. Dealing system	7,300,000		7,300,000		7,300,000		-
LGU Guarantee	5,000,000		5,000,000		5,000,000		-
Bancnet	5,000,000		5,000,000		5,000,000		-
Phil. Depository and Trust Corp.	3,169,000		3,169,000		3,169,000		-
Phil. Clearing House	2,100,000		2,100,000		2,100,000		-
New Pacific Resources Inc.	1,595,187		1,595,187		1,595,187		-
PCEV (formerly PILTEL)	63,000		63,000		63,000		-
Integrated Properties & Dev.	140,000		140,000		140,000		-
Davao Light & Power	25,120		25,120		25,120		-
Visayan electric	15,515		15,515		15,515		-
Cruz Telepono	15,000		15,000		15,000		-
Leyte Elec. Coop.	12,788		12,788		12,788		-
Manila Golf & Country Club	100		70,000,000		70,000,000		-
CANLUBANG GOLF	3		2,250,000		2,250,000		-
MAKATI SPORTS CLUB	2		600,000		600,000		-
CLUB FILIPINO	1		180,000		180,000		-
VALLEY GOLF CLUB	1		180,000		180,000		-
STA ELENA PROPERTY	2		6,000,000		6,000,000		-
METRO CLUB	1		280,000		280,000		-
WACK WACK GOLF &COUNTRY CLUB	1		14,500,000		14,500,000		-
APO GOLF AND COUNTRY CLUB	3		40,460		40,460		-
TAT INTERNATIONAL	1		555,500		555,500		-
CAP HILLS GOLF &COUNTRY CLUB	3		90,000		90,000		-
MANILA-POLO CLUB	2		23,000,000		23,000,000		-
CAMP JOHN HAY GOLF	1		120,000		120,000		-
BRS-ILO-ILO GOLF & CTRY CLUB	1		2,500		2,500		-
CEBU COUNTRY CLUB	2		5,000,000		5,000,000		-
BRS-MIMOSA GOLF & CNTRY CLUB	1		120,000		120,000		-
BRS-ALTA VISTA GOLF CLUB	1		270,000		270,000		-
Total		**P**	**2,221,585,936**	**P**	**2,221,585,936**	**P**	**-**

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RCBC SAVINGS BANK								
At Fair Value Through Profit or Loss								
Debt Securities								
PETRON 7% 11/17	P	200,000,000	P	205,065,865	P	205,065,865	P	1,983,333
FXTN 07-48		11,808		12,369		12,369		354
USTSY 2.25 11/24		89,440,000		44,754,938		44,754,938		261,278
Total			**P**	**249,833,172**	**P**	**249,833,172**	**P**	**1,983,687**
At Amortized Cost								
Debt Securities								
FXTN 03-20	P	170,000,000	P	168,173,058	P	168,173,058	P	506,458
FXTN 04-20		10,000,000		10,160,727		10,160,727		216,667
FXTN 03-20		50,000,000		49,462,664		49,462,664		148,958
FXTN 10-48		11,300,000		12,038,773		12,038,773		326,288
FXTN 10-58		75,000,000		81,267,482		81,267,482		208,333
FXTN 20-18		125,000,000		151,681,965		151,681,965		3,039,497
RTB 20-01		1,000,000,000		1,257,732,255		1,257,732,255		4,895,833
RTB 25-01		125,000,000		165,185,290		165,185,290		1,424,913
FXTN 10-58		75,000,000		81,267,482		81,267,482		208,333
FXTN 20-18		125,000,000		151,681,965		151,681,965		3,039,497
ROP GPN 6.25% 01/36		1,000,000,000		1,181,627,634		1,181,627,634		28,993,056
RTB 20-01		1,000,000,000		1,257,732,255		1,257,732,255		4,895,833
RTB 25-01		125,000,000		165,185,290		165,185,290		1,424,913
BDOPM 3.875 04/16		223,600,000		228,321,950		228,321,950		1,660,696
EDCPM 6.5 01/21		58,136,000		63,313,734		63,313,734		1,689,981
ICTSI 7.375 03/20		268,320,000		304,705,007		304,705,007		5,716,707
JGSPM 4.375 01/23		223,600,000		222,986,526		222,986,526		4,293,431
MEGPM 6.75 04/18		380,120,000		411,726,329		411,726,329		5,416,710
SMPM 4.250 10/19		44,720,000		45,154,540		45,154,540		390,679
SMPM 4.875 06/24		89,440,000		88,800,309		88,800,309		254,345
TRAVPH 6.9 11/17		313,040,000		336,606,712		336,606,712		3,479,961
NPC (A) 9.625 05/28		313,040,000		483,489,031		483,489,031		3,849,957
BSP 27		138,095,360		138,095,360		138,095,360		527,831
PLN 7.75 10/16		268,320,000		268,320,000		268,320,000		4,274,487
PLNIJ 5.25 10/42		357,760,000		357,760,000		357,760,000		3,495,613
ROP 31		201,240,000		298,982,072		298,982,072		7,234,858
ROP 34		223,600,000		295,529,472		295,529,472		2,692,517
ROP 31		201,240,000		298,982,072		298,982,072		7,234,858
ROP 34		223,600,000		295,529,472		295,529,472		2,692,517
ROP 16 EURO		53,705,900		55,493,660		55,493,660		2,685,295
Total			**P**	**8,926,993,087**	**P**	**8,926,993,087**	**P**	**106,919,020**

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
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Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
RCBC CAPITAL CORPORATION				
At Fair Value Through Profit or Loss				
Debt Securities				
BT-IR Notes F	P 63,396,701	P 62,830,505	P 62,830,505	P -
BT-IR Notes G	63,396,701	61,562,391	61,562,391	-
Subtotal		P 124,392,896	P 124,392,896	P -
Equity Securities				
China Bank Corporation	108,000	5,076,000	5,076,000	-
Phil. National Bank	50,490	4,039,200	4,039,200	-
Metro Bank & Trust	80,000	6,640,000	6,640,000	-
Rizal Commercial Banking Corp.	26,000	1,248,000	1,248,000	-
Manila Water Company	1,830,200	53,075,800	53,075,800	-
Engineering Equipment Inc.	51,300	559,170	559,170	-
Megawide Construction	727,350	6,466,142	6,466,142	-
Roxas & Co., Inc.	3,318,849	9,624,662	9,624,662	-
Century Peaks Metals Holdings	524,810	477,577	477,577	-
Travellers International	100,000	820,000	820,000	-
House of Investments	3,875,000	23,831,250	23,831,250	-
SMPrime Holdings Corp	1,000,000	17,040,000	17,040,000	-
Top Frontier Investment Holdings, Inc	2,000	248,000	248,000	-
Uniwide Holdings, Inc.	2,729,000	368,415	368,415	-
Ayala Land, Inc.	1,000,000	33,700,000	33,700,000	-
Filinvest Land Inc.	1,000,000	1,530,000	1,530,000	-
8990 HOLDINGS IN	1,280,500	9,117,160	9,117,160	-
Megaworld Corporation	5,000,000	23,400,000	23,400,000	-
Petro Energy Resources Corp.	4,150,000	25,730,000	25,730,000	-
Phoenix Semiconductor Phils. Inc	1,600,000	4,480,000	4,480,000	-
Philippine Stock Exchange	250,608	74,631,062	74,631,062	-
Engineering Equipment Inc.	10,500,000	114,450,000	114,450,000	-
Jollibee Foods Corporation	336,984	72,451,560	72,451,560	-
Ayala Land, Inc.	278,929	9,399,907	9,399,907	-
Aboitiz Equity Venture	300,000	15,810,000	15,810,000	-
Roxas Holdings	43,214,652	289,538,168	289,538,168	-
Seafront Resources	300,000	789,000	789,000	-
Petro Energy Resources Corp.	15,370,071	95,294,440	95,294,440	-
DoubleDragon	2,000,000	15,000,000	15,000,000	-
Harbor Star Shipping	2,352,000	3,504,480	3,504,480	-

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Name of issuing entity and association of each issue		Number of shares or principal amount of bonds and notes		Amount shown in the balance sheet		Valued based on market quotation at end of reporting period		Income received and accrued
SMC Preferreds Series 2(A)		669,000	P	50,576,400	P	50,576,400	P	-
SMC Preferreds Series 2(B)		241,600		18,881,040		18,881,040		-
SMC Preferreds Series 2(C)		466,700		36,402,600		36,402,600		-
Forum Pacific, Inc.		80,000		25,200		25,200		-
Unioil res & hldgs		4,000		1,200		1,200		-
Victorias Milling Inc.		5,820		26,656		26,656		-
RFM Corporation		2,008		10,060		10,060		-
8990 Holdings, Inc.		50,000		356,000		356,000		-
Megaworld Corporation		200,000		936,000		936,000		-
Oriental Petroleum & Mineral Corp.-A		80,278		1,044		1,044		-
Premium Leisure Corp.		90,000		191,700		191,700		-
Vulcan Industrial & Mining		21,000		36,330		36,330		-
SSI Group, Inc.		44		436		436		-
Marcventures Holdings, Inc.		23		154		154		-
Intergrated Micro		500,000		3,385,000		3,385,000		-
Subtotal				1,029,169,813		1,029,169,813		-
Total			**P**	**1,153,562,710**	**P**	**1,153,562,710**	**P**	**-**
At Amortized Cost								
Debt Securities								
ABS-CBN FIXED RATE RETAIL BONDS	P	10,440,000	P	10,440,000	P	10,440,000	P	78,905
JGS FIXED RATE BONDS 5.5 YR		1,000,000		1,000,000		1,000,000		18,311
JGS FIXED RATE BONDS 7 YR		4,000,000		4,000,000		4,000,000		73,419
PLDT FIXED RATE BONDS		530,000		530,000		530,000		4,231
VLL HOME BUILDER BONDS		261,540,000		261,540,000		261,540,000		1,214,708
MERALCO PM		10,000,000		9,999,981		9,999,981		240,868
AYALA CORPORATE BONDS		22,000,000		22,000,000		22,000,000		-
EDC FIXED RATE BONDS		9,000,000		9,000,000		9,000,000		-
Total			**P**	**318,509,981**	**P**	**318,509,981**	**P**	**1,630,441**

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At Fair Value Through Other Comprehensive Income							
Equity Securities							
Phil. National Reinsurance Inc.	24,435,000	P	21,991,500	P	21,991,500	P	-
Petron Corporation Preferred	1,397,200		142,234,960		142,234,960		-
Auto Equities Inc. *	181		1		1		-
Bonifacio Land Corp. - Common	15,994		3,116,180		3,116,180		-
Bonifacio Land Corp. - Preferred	1,737		274,351		274,351		-
Marcopper Mining	72		72		72		-
Philtown Properties Inc.	1,386		5,897		5,897		-
Reynolds (Phils.), Inc.	71,988		10,798		10,798		-
Universal Rightfield Property Holdings	400,000		15,200		15,200		-
PDS Holding Corp	4,030		522,800		522,800		-
Makati Sports Club "B"	1		330,000		330,000		-
Orchard Golf and Country Club	1		350,000		350,000		-
Philippine Columbian	2		60,000		60,000		-
PLDT-10% Preferred Stock Series A	15		150		150		-
PLDT-10% Preferred Stock Series C	15		158		158		-
Manila Electric Co.	220,630		56,481,280		56,481,280		-
San Miguel Purefoods Preferred	6,200		6,255,800		6,255,800		-
Alliance Global Inc.	3,170,000		71,483,500		71,483,500		-
COSCO Capital Inc.	4,000,000		34,600,000		34,600,000		-
Metro Pacific Investment	3,141,500		14,450,900		14,450,900		-
Puregold Price	2,540,000		97,917,000		97,917,000		-
Petron Corp.	500,000		5,300,000		5,300,000		-
Double Dragon	500,000		3,750,000		3,750,000		-
Discovery World Corp.	14,047,000		25,284,600		25,284,600		-
First Gen. Corporation Preferred	10,000,000		1,150,000,000		1,150,000,000		-
First Gen. Corp. Pref. (Series G)	2,747,050		293,934,350		293,934,350		-
San Miguel Purefoods Preferred	208,370		210,245,330		210,245,330		-
San Miguel Pure Foods Co., INC	30,000		30,270,000		30,270,000		-
San Miguel Corp - Series 2C	135,900		10,600,200		10,600,200		-
San Miguel Corp - Series 2A	953,116		72,055,570		72,055,570		-
Petron Corporation-Pref	99,900		10,169,820		10,169,820		-
Globe preferred shares	60,000		29,760,000		29,760,000		-
Total		**P**	**2,291,470,417**	**P**	**2,291,470,417**	**P**	**-**

Rizal Commercial Banking Corporation and Subsidiaries
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Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
RCBC FOREX				
At Amortized Cost				
Pag-ibig Bond	288,000,000	P 289,019,835	P 289,019,835	P 9,456,391
RIZAL MICROBANK				
At Fair Value Through Other Comprehensive Income				
Bancnet		P 24,219,673	P 24,219,673	P -
RCBC IFL				
At Fair Value Through Other Comprehensive Income				
Manila Golf Club Shares		P 171,783	P 171,783	P -
RCBC NORTH AMERICA				
At Amortized Cost				
Private Corporation Debt Securities		P 580,830	P 580,830	P -
RCBC TELEMONEY				
At Amortized Cost				
Private Corporation Debt Securities		P 3,866,825	P 3,866,825	P -
Elimination of intercompany transactions		(P 7,658,614)	(P 7,658,614)	-
CONSOLIDATED TOTAL AMOUNT		**P 100,790,164,099**	**P 100,790,164,099**	**P 1,159,112,239**

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule B
DOSRI and Receivable from Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Rizal Commercial Banking Corporation							
Loans Receivable							
Maibarara Geothermal	P 1,464,683,515	P 100,000,000	P 64,683,515	P -	*Not applicable*		1,500,000,000
RCBC Realty Corp.	1,300,000,000	-	293,139,357	-	*Not applicable*		1,006,860,643
Pan Malayan Management and Investment Corp.	1,072,500,000	-	110,000,000	-	*Not applicable*		962,500,000
Malayan Colleges Inc.	602,000,000	-	86,000,000	-	*Not applicable*		516,000,000
EEI Power Corp	575,458,000	-	57,545,800	-	*Not applicable*		517,912,200
Luisita Industrial Park (with full provision)	524,300,000	-	-	524,300,000	*Not applicable*		-
House of Investment	500,000,000	-	100,000,000	-	*Not applicable*		400,000,000
Masagana Holdings	115,427,000	845,000	-	-	*Not applicable*		116,272,000
EEI Corp	73,654,800	-	678,040	-	*Not applicable*		72,976,760
Accrain Holdings	22,400,000	-	22,400,000	-	*Not applicable*		-
RCBC Forex	-	80,000,000	-	-	*Not applicable*		80,000,000
Honda Cars Philippines	-	44,106,670	-	-	*Not applicable*		44,106,670
Credit Card Receivables							
Bankard (Officers)	1,727,298	-	596,312	-	*Not applicable*		1,130,985.99
RCBC Savings Bank							
Loans Receivable							
Adalia, Harold	1,203,405	-	1,203,405	-	*Not applicable*		-
Garcia, Edwin L.	-	164,886	-	-	*Not applicable*		164,886
Yap, Al Jan G.	-	449,134	-	-	*Not applicable*		449,134
Valencia, Hector N.	-	253,645	-	-	*Not applicable*		253,645
Parde, Rustom D.	-	498,390	-	-	*Not applicable*		498,390
Santiago, Walter	-	684,681	-	-	*Not applicable*		684,681
Bacolot, Franklin C.	-	166,783	-	-	*Not applicable*		166,783
Bullos, Fatima	-	226,292	-	-	*Not applicable*		226,292
Romero, Angelo	-	151,995	-	-	*Not applicable*		151,995
Employee loans	48,701,691	-	2,269,425	-	*Not applicable*		46,432,266
RCBC Capital Corporation							
Employee Loans	3,757,762	-	874,061	-	*Not applicable*		2,883,701
Credit Card Receivables							
RCBC Bankard (Officers)	22,047,788	-	22,047,788	-	*Not applicable*		-
RCBC Leasing and Finance, Corp.							
Loans Receivable							
Employee Loans	1,012,314	-	697,707	-	*Not applicable*		314,607

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule C
DOSRI Eliminated During the Consolidation of Financial Statements

Name and Designation of debtor	Balance at beginning of period		Additions		Deductions				Classification		Balance at end of period	
					Amounts collected		Amounts written off		Current	Not Current		
Rizal Commercial Banking Corporation												
Loans and Discounts												
RCBC Forex	P	82,940,426	P	-	P	3,182,976	P	-	*Not applicable*		P	79,757,450

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule D
Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Deductions			Ending Balance
			Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	
Goodwill	P 268,655,069	P -	P -	P -	P -	P 268,655,069
Branch licenses	107,825,870	-	50,876,629	-	-	56,949,240
Software	873,599,335	147,162,701	199,031,005	-		821,731,031
Trading rights	570,349	-	-	-	-	570,349

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Schedule E
Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	
Rizal Commercial Banking Corporation				
US$ 250,000,000 Senior Notes				
Interest Rate: 6.25% Fixed Rate				
Maturity Date: 2/9/2015				
Number of periodic installments: Not applicable	US$ 250,000,000	Not applicable	P	11,180,000,000
US$ 200,000,000 Senior Notes				
Interest Rate: 5.25% Fixed Rate				
Maturity Date: 1/31/2017				
Number of periodic installments: Not applicable	US$ 200,000,000	Not applicable	P	8,924,445,270
US$ 75,000,000 Senior Notes				
Interest Rate: 5.25% Fixed Rate				
Maturity Date: 1/31/2017				
Number of periodic installments: Not applicable	US$ 75,000,000	Not applicable	P	3,381,879,647
PHP 10,000,000,000 Unsecured Subordinated Debt				
Interest Rate: 5.375% Fixed Rate				
Maturity Date: 9/26/2019				
Number of periodic installments: Not applicable	PHP 10,000,000,000	Not applicable	P	9,921,053,172

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule F
Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable

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Schedule G
Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

Not applicable

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Schedule H

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees
Preferred Shares[1] *voting, non-cumulative, non-redeemable, participating convertible into common shares*	200,000,000	338,291	-	-	-
Common Shares[2]	1,400,000,000	1,275,659,728	-	792,104,907	59,070,744

[1] On July 8, 2011, preferred shares amounting to P180,823,110 or 18,082,311 shares were converted to 5,820,000 common shares in 2011.

On September 30, 2011, an additional 28,011 preferred shares with P10 par value from unissued portion were converted into 9,018 common shares having P10 par value, and accounting the difference as additional paid in capital in the amount of P190,000.

On February 21, 2012, preferred shares amounting to P1,830 or 183 shares were converted to 58 common shares.

On March 7, 2012, preferred shares amounting to P21,756,450 or 2,175,645 shares were converted to 700,441 common shares.

On March 30, 2012, preferred shares amounting to P666,240 or 66,624 shares were converted to 21,449 common shares.

[2] On June 28, 2010, the Parent Company's stockholders owning or representing more than 2/3 of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or purchase any shares of any class, by amending its Articles of Incorporation. The increase in authorized capital stock of the Parent Company was approved by BSP and SEC on August 24, 2011 and September 16, 2011, respectively, totalling 1,600,000,000 shares.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprised of 50,427,931 treasury shares (with total cost of P771,207,492) and 23,020,344 unissued shares (with total par value of P230,203,440), to International Finance Corporation for a total consideration of P2,130,000,000 representing 7.2% ownership interest. The issuance resulted to recognition of APIC amounting to P1,128,589,043.

Also, on July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On March 15, 2013, the Parent Company issued 63,650,000 comoon shares from the unissued capital stock (with total cost of P636,500,000) to Pan Malayan Management that is equivalent to approximately 5.3% The issuance resulted to recogntiion of APIC amounting to P3,437,100,000.

On April 26, 2013, the Parent Company issued 71,151,505 common shares from the unissued capital stock (with total cost of P711,515,050) to International Finance Corporation that is equivalent to approximately 5.6%.
The issuance resulted to recognition of APIC amounting to P3,415,272,250.

On September 30, 2014 preferred shares amounting to P37,910 or 3,791 shares were converted to 1,090 common shares.

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule of Recent Public Offerings

2008 - P7,000,000,000 Subordinated Debt

Gross Proceeds: P7,000,000,000 (Issue Price: 100.00%)
Related Expenses: P60,424,572
Use of Proceeds: To raise additional Lower Tier 2 supplementary capital, redeem its existing Peso-denominated Lower Tier 2 capital and further increase and strengthen its capital base.

2009 - P4,000,000,000 Subordinated Debt

Gross Proceeds: P4,000,000,000 (Issue Price: 100.00%)
Related Expenses: P30,352,644
Use of Proceeds: To raise additional Tier 2 capital and to further increase and strengthen the Bank's capital base.

2010 - US$ 250,000,000 Senior Note

Gross Proceeds: US$250,000,000 (Issue Price: 100.00%)
Related Expenses: US$1,705,578
Use of Proceeds: To be used for general banking and re-lending purposes.

2011 - P3,850,000,000 Long Term Negotiable Certificates of Time Deposit

Net Proceeds: P3,389,382,206 (Issue Price: 100.00% for P2,033,210,000 notes and 74.05% for P1,816,790,000 notes)
Use of Proceeds: To be used for general banking and re-lending purposes.

2012 - US$ 275,000,000 Senior Note

Gross Proceeds: US$270,000,000 (Issue Price: US$ 250,000 @ 100.00% and US$75,000,000 @ P102)
Related Expenses: US$1,193,825.35
Use of Proceeds: To be used for general banking and re-lending purposes.

2013 - P5,000,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Net Proceeds: P4,626,797,247.90 (Issue Price: 100.00% for P2,860,260,000 Fixed Rate LTNCDs and 82.5585% for P2,139,740,000 Zero Coupon LTNCDs)
Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P2,100,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Gross Proceeds: P2,100,000,000 (Issue Price: 100.00%)
Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P10,000,000,000 Tier 2 Unsecured Subordinated Notes

Gross Proceeds: P10,000,000,000 (Issue Price: 100.00%)
Use of Proceeds: To strengthen the Bank's capital base and capital adequacy ratio (CAR) and support asset growth as well as expand the bank's long-term funding base

Rizal Commercial Banking Corporation and Subsidiaries
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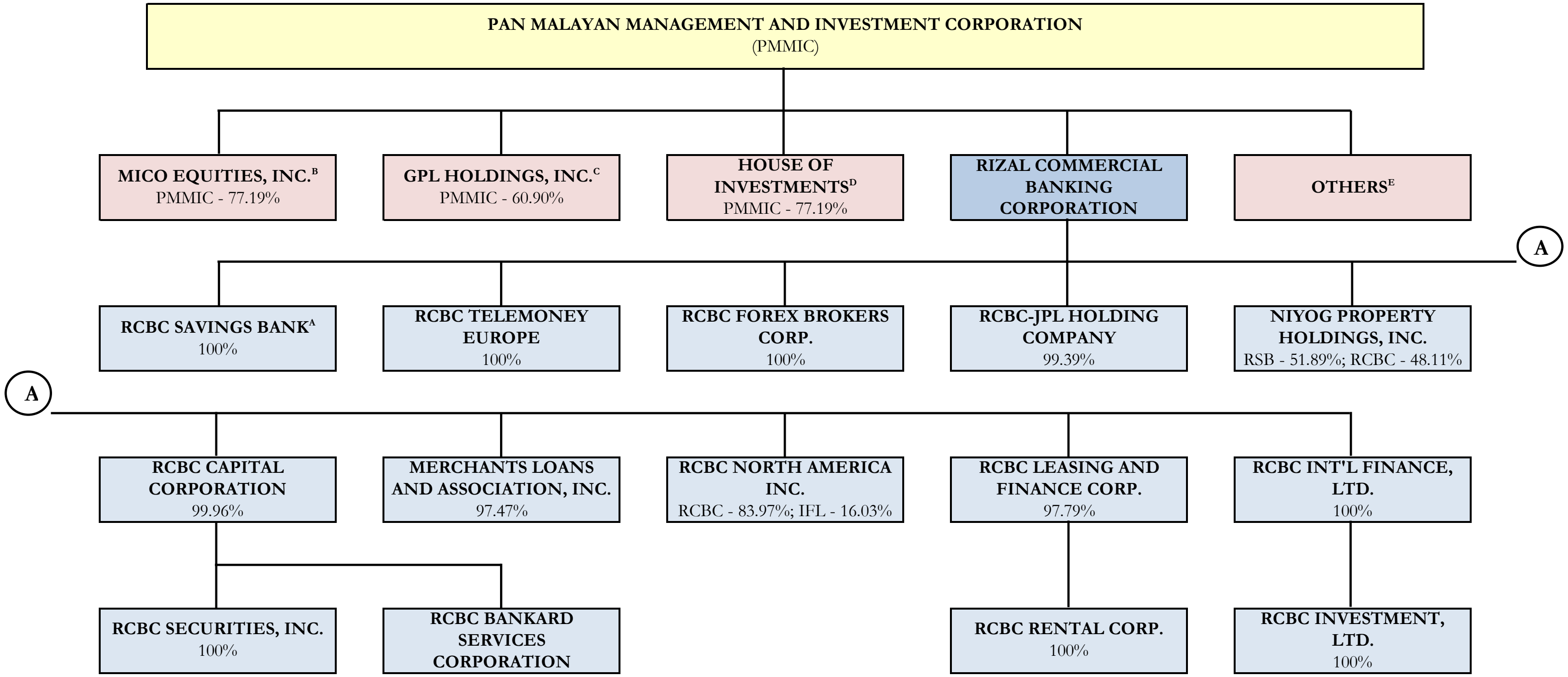
Schedule of Financial Indicators

	2014	2013	2012
			wsihh
Return on average equity	**9.23%**	12.18%	16.07%
Return on average resources	**1.04%**	1.39%	1.70%
Net interest margin	**4.30%**	4.22%	3.93%
Profit margin	**19.98%**	23.07%	26.19%
Capital adequacy ratio	**15.37%**	16.52%	17.61%
Cost to income ratio	**64.51%**	61.21%	59.61%
Liquidity ratio	**0.49**	0.42	0.45
Debt-to-equity ratio	**7.62**	8.42	7.62
Resources-to-equity ratio	**8.62**	9.42	8.62
Interest rate coverage ratio	**2.02**	2.20	1.91


PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION
(PMMIC)
MICO EQUITIES, INC.[B]
PMMIC - 77.19%
GPL HOLDINGS, INC.[C]
PMMIC - 60.90%
HOUSE OF INVESTMENTS[D]
PMMIC - 77.19%
RIZAL COMMERCIAL BANKING CORPORATION
OTHERS[E]
A
RCBC SAVINGS BANK[A]
100%
RCBC TELEMONEY EUROPE
100%
RCBC FOREX BROKERS CORP.
100%
RCBC-JPL HOLDING COMPANY
99.39%
NIYOG PROPERTY HOLDINGS, INC.
RSB - 51.89%; RCBC - 48.11%
A
RCBC CAPITAL CORPORATION
99.96%
MERCHANTS LOANS AND ASSOCIATION, INC.
97.47%
RCBC NORTH AMERICA INC.
RCBC - 83.97%; IFL - 16.03%
RCBC LEASING AND FINANCE CORP.
97.79%
RCBC INT'L FINANCE, LTD.
100%
RCBC SECURITIES, INC.
100%
RCBC BANKARD SERVICES CORPORATION
RCBC RENTAL CORP.
100%
RCBC INVESTMENT, LTD.
100%

SUBSIDIARIES:

Company	Country of Incorporation	RCBC's Effective Ownership
A. RCBC Savings Bank, Inc. (RSB) and subsidiaries		
Stockton Realty Development Corporation	Philippines	**100.00**
Top Place Properties Development Corporation	Philippines	**100.00**
Goldpath Properties Development Corporation	Philippines	**100.00**
Best Value Property and Development Corporation	Philippines	**100.00**
Crescent Park Property and Development Corporation	Philippines	**100.00**
Crestview Properties Development Corporation	Philippines	**100.00**
Eight Hills Property and Development Corporation	Philippines	**100.00**
Fairplace Property and Development Corporation	Philippines	**100.00**
Gold Place Properties Development Corporation	Philippines	**100.00**
Greatwings Properties Development Corporation	Philippines	**100.00**
Happyville Property and Development Corporation	Philippines	**100.00**
Landview Property and Development Corporation	Philippines	**100.00**
Lifeway Property and Development Corporation	Philippines	**100.00**
Niceview Property and Development Corporation	Philippines	**100.00**
Princeway Properties Development Corporation	Philippines	**100.00**

Company	Country of Incorporation	MICO's Effective Ownership
B. MICO Equities, Inc. and Subsidiaries		
Malayan International Insurance Corporation Limited (Malayan International) and Subsidiaries	Bahamas	**100.00**
Malayan Insurance Company (U.K.) Limited	United Kingdom	**100.00**
Malayan Insurance Company (H.K.) Limited	Hongkong	**100.00**
ASIA-PAC Reinsurance Company, Limited	British Virgin Islands	**100.00**
Malayan Securities Corporation	Philippines	**100.00**
The First Nationwide Assurance Corporation	Philippines	**45.30**
Malayan Insurance Co., Inc. and subsidiaries and joint venture	Philippines	**88.70**
Bankers Assurance Corporation (BAC), formerly Malayan-Zurich Insurance Company, Inc.	Philippines	**88.70**

Company	Country of Incorporation	GPL's Effective Ownership
C. GPL Holdings, Inc. and Subsidiaries		
Grepa Realty Holdings Corporation	Philippines	**75.00**
Sun Life Grepa Financial, Inc. (formerly Grepalife Financial, Inc.) (Sunlife Grepa)	Philippines	**51.00**
Grepalife Asset Management Corporation (GAMC)	Philippines	**51.00**
Great Life Financial Assurance Corporation (GLFAC)	Philippines	**51.00**

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Landev Corporation and Subsidiaries	Philippines	**100.00**
Greyhounds Security and Investigation Agency Corporation	Philippines	**100.00**
Hexagon Lounge, Inc.	Philippines	**100.00**
Blackhounds Security and Investigation Agency	Philippines	**100.00**
Investment Managers, Inc.	Philippines	**100.00**
Zamboanga Realty and Development Corporation	Philippines	**100.00**
Zamboanga Carriers, Inc.	Philippines	**100.00**
Xamdu Motors, Inc.	Philippines	**100.00**
iPeople, Inc. and Subsidiaries	Philippines	**67.34**
Malayan Colleges, Inc. (MCI) (Operating Under the Name of Mapua Institute of Technology, Inc. and Subsidiaries	Philippines	**62.62**
Mapua Information Technology Center, Inc.	Philippines	**67.34**
Mapua Techserv, Inc.	Philippines	**67.34**
San Lorenzo Ruiz Institute of Health Services, Inc.	Philippines	**67.34**
Malayan High School of Science, Inc.	Philippines	**67.34**
Malayan Colleges Laguna, Inc. led by Mapua School of Engineering	Philippines	**67.34**
People eServe Corporation	Philippines	**67.34**
Pan Pacific Computer Center, Inc.	Philippines	**67.34**
Honda Cars Kalookan, Inc.	Philippines	**71.58**
EEI Corporation (EEI Corp.) and Subsidiaries	Philippines	**50.09**
EEI (BVI) Limited and Subsidiaries	British Virgin Islands	**50.09**
Clear Jewel Investments, Ltd.	Hongkong	**50.09**
EEI Nouvelle Caledonie	New Caledonia	**50.09**
Nimaridge Investments, Limited and Subsidiary	British Virgin Islands	**50.09**
EEI (PNG) Ltd.	Papua New Guinea	**50.09**
EEI Construction and Marine Corporation	Philippines	**50.09**
EEI Power Construction (EEI Power)	Philippines	**50.09**
EEI Realty Corporation (EEI Realty)	Philippines	**50.09**
EEI Corporation (Guam) Inc.	United States of America	**50.09**
EEI Subic Corporation	Philippines	**50.09**
Equipment Engineers, Inc.	Philippines	**50.09**

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Gulf Asia International Corporation and Subsidiaries (GAIC)	Philippines	**50.09**
GAIC Manpower Services, Inc.	Philippines	**50.09**
GAIC Professional Services, Inc.	Philippines	**50.09**
Philrock Construction and Services, Inc.	Philippines	**50.09**
Philmark, Inc.	Philippines	**50.09**
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	**50.09**
Zamboanga Industrial Financing Corporation	Philippines	**50.01**

Company	Country of Incorporation	PMMIC's Effective Ownership
E. Others		
Y Realty	Philippines	**100.00**
Grepaland	Philippines	**48.25**
RCBC Land	Philippines	**100.00**
RCBC Realty Corporation (RCBC Realty)	Philippines	**55.30**
Pan Malayan Express	Philippines	**100.00**
Philippine Integrated Advertising Agency, Inc (PIAA)	Philippines	**100.00**
Principal Business Marketing Co., Inc.	Philippines	**100.00**
Philippine Overseas Tankers Transport, Inc. (PO Tankers)	Philippines	**65.00**
Skanfil Shipping, Inc .	Philippines	**81.25**
Luisita Industrial Park Corporation (LIPCo)	Philippines	**59.73**
Transport System of the Philippines, Inc.	Philippines	**100.00**

ASSOCIATES:

Company	Country of Incorporation	PMMIC's Effective Ownership
Under PMMIC		
Enrique T. Yuchengo, Inc. (ETY)	Philippines	**41.96**
Pan Malayan Realty	Philippines	**20.09**
Seafront Resources Corporation (Seafront)	Philippines	**20.10**

Company	Country of Incorporation	RCBC's Effective Ownership
Under RCBC		
YGC Corporate Services, Inc. (YCSI)	Philippines	**40.00**
Luisita Industrial Park Co. (LIPC)*	Philippines	**35.00**
Honda Cars Philippines, Inc. (HCPI)	Philippines	**12.88**

* *Refer to Section E for PMMIC's total ownership*

Company	Country of Incorporation	HI's Effective Ownership
Under House of Investments		
La Funeraria Paz Sucat, Inc.	Philippines	**30.00**
T'boli Agro-Industrial Development, Inc.	Philippines	**28.47**
Hi-Eisai Pharmaceutical, Inc.	Philippines	**50.00**
Al Rushaid Construction Corporation	Philippines	**49.00**
Manila Memorial Park Cemetery, Inc. (Manila Memorial)	Philippines	**25.98**
Lo-oc Limestone Development Corporation (Lo-oc Limestone)	Philippines	**25.00**
ECW Joint Venture Inc.	Philippines	**50.00**
Petroenergy	Philippines	**20.00**

RIZAL COMMERCIAL BANKING CORPORATION
Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen Gil Puyat Avenue, Makati City

Parent Company Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2014
(Amounts in Millions of Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year, As Previously Stated		P 9,521
Effect of initial application of PFRS 9, Financial Instruments		(457)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, As Restated		9,064
Net Profit Realized during the Year		
Net profit per audited financial statements		4,479
Non-actual/unrealized income		
Fair value gain on financial assets at fair value through profit or loss		(455)
		4,024
Other Transactions During the Year		
Dividends declared	(P 1,718)	
Appropriation of retained earnings to trust reserves	(14)	(1,732)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 11,356**

Rizal Commercial Banking Corporation and Subsidiaries
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✔		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✔		
Practice Statement Management Commentary			✔	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✔		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✔		
	Amendment to PFRS 1: Government Loans	✔		
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✔		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✔		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✔		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets [d]	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition [d]	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
PFRS 8	Operating Segments	✔		
PFRS 9	Financial Instruments (2009, 2010 and 2013 versions) [a]	✔		
	Financial Instruments (2014) [b] *(effective January 1, 2018)*			✔
PFRS 10	Consolidated Financial Statements	✔		
	Amendment to PFRS 10: Transition Guidance	✔		
	Amendment to PFRS 10: Investment Entities	✔		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception [b] *(effective January 1, 2016)*			✔
PFRS 11	Joint Arrangements	✔		
	Amendment to PFRS 11: Transition Guidance	✔		
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendment to PFRS 12: Transition Guidance	✔		
	Amendment to PFRS 12: Investment Entities	✔		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception [b] *(effective January 1, 2016)*			✔
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts [b] *(effective January 1, 2016)*			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendment to PAS 1: Disclosure Initiative [b] *(effective January 1, 2016)*			✔
PAS 2	Inventories			✔
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Revised)	Employee Benefits	✔		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions [b] *(effective July 1, 2014)*			✔
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation	✔		
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✔		
PAS 27 (Revised)	Separate Financial Statements	✔		
	Amendment to PAS 27: Investment Entities	✔		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✔		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception [b] *(effective January 1, 2016)*			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 32: Classification of Rights Issues	✔		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
PAS 36	Impairment of Assets	✔		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
PAS 39 [d]	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✔		
	Amendments to PAS 39: The Fair Value Option	✔		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✔		
	Amendment to PAS 39: Eligible Hedged Items	✔		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✔		
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities [c]	✔		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [c]	✔		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9 [d]	Reassessment of Embedded Derivatives	✔		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✔		
IFRIC 10	Interim Financial Reporting and Impairment	✔		
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes	✔		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction [c]	✔		
IFRIC 16 [d]	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners [c]	✔		
IFRIC 18	Transfers of Assets from Customers [c]	✔		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments [c]	✔		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✔		
IFRIC 21	Levies	✔		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✔		
SIC-15	Operating Leases - Incentives	✔		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders [c]	✔		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services [c]	✔		
SIC-32	Intangible Assets - Web Site Costs [c]	✔		

[a] PFRS 9 (2009, 2010 and 2013 versions) is effective January 1, 2018 but the Group opted to early adopt with January 1, 2014 as the date of initial application.

[b] These standards will be effective for periods subsequent to 2014 and are not early adopted by the Group.

[c] These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

[d] PAS 39 and all related amendments, improvements and interpretations thereto were applied by the Group prior to January 1, 2014. These were superseded by PFRS 9 (2009, 2010 and 2013 versions) effective January 1, 2014.

RCBC

A YGC Member

15 April 2015

DIRECTOR JUSTINA F. CALLANGAN
Corporate Governance and Finance Department
Securities and Exchange Commission
SEC Building, EDSA, Greenhills,
Mandaluyong City

RE: *Annual Corporate Governance Report: Consolidated Changes for the Calendar Year 2014*

Dear Madame:

In compliance with SEC Advisory dated 12 March 2015, we are re-submitting herewith the ACGR: Consolidated Changes for the Calendar Year 2014 ("2014 ACGR"). Below is the summary of the changes/updates in the 2014 ACGR. Additional changes/updates from the time of the first submission of the 2014 ACGR pertain to data available in the SEC 17-A and Notes to Audited Financial Statements.

1. Board of Directors (p.4-5)
2. Corporate Governance Policy (pp. 5-6)
3. Directorship in the Company's Group (pp. 7-10)
4. Directors' Shareholding in the Company (pp. 12-13)
5. Changes in the Board of Directors (p.17)
6. Voting Result of the Last Annual General Meeting (p. 21)
7. Orientation and Education Program (pp.21-23)
8. Company's Policies on Conflict of Interest (p.23)
9. Dissemination and Compliance with Code of Conduct (p.28-29)
10. Policy on Related Party Transactions (pp. 29-31)
11. Shareholder Agreements (p.33)
12. Board Meetings and Attendance (p.34)
13. Access to Information (p.35)
14. External Advice (pp. 37-38)
15. Change in Existing Policies (p.39)
16. Remuneration Matters (pp. 41,42-43)
17. Board Committees (p.43, 45)
18. Board Committee Members (pp.45-49)
19. Changes in Committee Membership (p. 49)
20. Work Done and Issues Addressed (p.50-54)
21. Committee Program (pp.54-55)
22. Risk Management System (p. 55-62)
23. Internal Audit and Control: Resignation, Re-assignment and Reasons (p.64)

24. Audit Control Policies and Procedures (p. 65)
25. Role of Stakeholders (p.p. 66-68)
26. Data relating to health, safety, and welfare (p. 69)
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34. Stockholders Attendance (pp.82-83)
35. Definitive Information Statements and Management's Report (p. 85)

The copy of the ACGR as of 31 December 2014 is also available in the Bank's website.

Very truly yours,

ATTY. MARIA CELIA H. FERNANDEZ-ESTAVILLO
Corporate Secretary

Ma. Fe P. Salamatin

FVP MA. FE P. SALAMATIN
Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **Consolidated Changes for the Calendar Year 2014**

2. Exact Name of Registrant as Specified in its Charter **RIZAL COMMERCIAL BANKING CORPORATION**

Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave. cor. Gil Puyat Avenue, Makati City	**0727**
3. Address of Principal Office	Postal Code

4. SEC Identification Number **17514**

5. (SEC Use Only)
Industry Classification Code

6. BIR Tax Identification Number **320-000-599-760**

(02) 8949000
7. Issuer's Telephone number, including area code

N/A
8. Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	15

Actual number of Directors for the year	15

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Amb. Alfonso T. Yuchengco	NED	N/A	Corporate Governance Committee	Honorary Chairman (May 27, 2002-June 2004; June 2005)	June 30, 2014	Annual SH Meeting June 30, 2014	11 years
Helen Y. Dee	NED	N/A	Corporate Governance Committee	Board Chairperson (June 2005) Director (March 2005)	June 30, 2014	Annual SH Meeting June 30, 2014	9 years
Lorenzo V. Tan	ED	N/A	Corporate Governance Committee	Director / President and CEO (February 1 2007/April 1, 2007)	June 30, 2014	Annual SH Meeting June 30, 2014	7 years
Cesar E.A. Virata	NED	N/A	Corporate Governance Committee	Director (1995) Corporate Vice-Chairman (June 22, 2000)	June 30, 2014	Annual SH Meeting June 30, 2014	19 years
Atty. Teodoro D. Regala	NED	N/A	Corporate Governance Committee	June 28, 1999	June 30, 2014	Annual SH Meeting June 30, 2014	15 years
Atty. Wilfrido E. Sanchez	NED	N/A	Corporate Governance	Director March 27,	June 30, 2014	Annual SH Meeting	8 years

[1] Reckoned from the election immediately following January 2, 2012.

			Committee	2006		June 30, 2014	
Atty. Ma. Celia H. Fernandez-Estavillo	ED	N/A	Corporate Governance Committee	Director (June 2005) Corporate Secretary (February 2005)	June 30, 2014	Annual SH Meeting June 30, 2014	9 years
Medel T. Nera	NED	N/A	Corporate Governance Committee	July 25, 2011	June 30, 2014	Annual SH Meeting June 30, 2014	3 years
Minki Brian Hong	NED	Hexagon Investments B.V.	Corporate Governance Committee	June 27, 2011	June 30, 2014	Annual SH Meeting June 30, 2014	3 years
Tze Ching I. Chan	NED	Hexagon Investments B.V.	Corporate Governance Committee	November 28, 2011	June 30, 2014	Annual SH Meeting June 30, 2014	3 years
Francis G. Estrada	NED	N/A	Corporate Governance Committee	December 17, 2012	June 30, 2014	Annual SH Meeting June 30, 2014	11/2 years
Richard G. A. Westlake	NED	IFC	Corporate Governance Committee	September 29, 2014	September 29, 2014	Regular Meeting of the Board, September 2014	3 mos.
Armando M. Medina	ID	N/A	Eduardo S. Lopez / not related	Independent Director (February 26, 2003 to present)	June 30, 2014; 2 years	Annual SH Meeting June 30, 2014	11 years
Francisco C. Eizmendi, Jr.	ID	N/A	Eduardo S. Lopez / not related	Independent Director May 26, 2006	June 30, 2014; 2 years	Annual SH Meeting June 30, 2014	8 years
Antonino L. Alindogan, Jr.	ID	N/A	Eduardo S. Lopez / not related	Independent Director September 24, 2007	June 30, 2014; 2 years	Annual SH Meeting June 30, 2014	7 years

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and

board responsibilities.

The latest revised Corporate Governance Manual was approved by the Board of Directors last 28 July 2014, a copy of which is attached hereto as Annex "A" and made an integral part hereof. The Manual was also submitted to the SEC and posted in the Bank's website. The revised Manual incorporates provisions from SEC Memorandum Circular No. 9, series of 2014 amending SEC's Revised Code of Corporate Governance to include references to stakeholders, BSP Circular No. 749 as amended by Circular No. 757 re: "*Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions*," other applicable laws and regulatory issuances, as well as principles from the "*Principles for Enhancing Corporate Governance*" issued by the Basel Committee on Banking Supervision and the Maharlika Board listing and disclosure rules.

As a policy statement under the Bank's Corporate Governance Manual, the Bank has structured itself to ensure that men and women who comprise it adhere to the basic principles of good governance, namely:

a. **Transparency** or the availability of information through expansion of public disclosure requirements;
b. **Accountability** which involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of the company; and
c. **Fairness/equity** which implies that the rights of all concerned parties are protected. Directors shall not only promote the interest of stockholders but also that of other stakeholders such as depositors, investors and borrowers.

As a policy, the Board of Directors shall insist on strict adherence to the Bank's Corporate Governance Manual, which shall guide all relations with the Bank's major and other stakeholders and with the general public.

The Manual provides for the powers and authority, general responsibility, duties and functions of the Board and the duties and responsibilities of the individual director which are based on regulations and international best practices.

Under Section II.A.2.2.5 of the Manual, it is the responsibility of the Board of Directors to identify the Bank's major and other stakeholders (i.e. shareholders, depositors, investors, borrowers, clients, other relevant stakeholders and market participants) and formulate a clear policy on communicating or relating with them through an effective investor relations program. The Board shall be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants. The objective of transparency in the area of corporate governance is to provide these parties, consistent with national law and supervisory practice, with key information necessary to enable them to assess the effectiveness of the Board and senior management governing the Bank. The Board shall ensure the disclosure of relevant and useful information that supports the following key areas of corporate governance:

(1) Board practices
(2) Senior management
(3) Risk management and internal controls
(4) Compensation
(5) Complex or opaque corporate structures
(6) Disclosure and transparency

Such disclosure should be proportionate to the size, complexity, structure, economic significance and risk profile of the Bank.

The Board's commitment to fully disclose material information dealings at all times and to cause the timely filing of all required information for the interest of the stakeholders is reiterated and spelled out further under Section III.G of the Manual.

Under Section III.H of the Manual, the Board shall respect the rights of the shareholders as provided for in the Corporation Code, namely:

1. Right to vote on all matters that require their consent or approval;
2. Right to inspect the books and records of the Bank;

3. Right to information;
4. Right to dividends; and
5. Appraisal right.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

(c) How often does the Board review and approve the vision and mission?

The Vision and Mission statements are meant to guide the Bank over a long term period. The frequency of review and approval are dependent on changes in the environment and the over-all strategic view of the Board. Accordingly, the Vision is reviewed every time there is a presentation to the Board or Board Committee regarding strategic plans or proposals.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Amb. Alfonso T. Yuchengco	• Pan Malayan Management and Investment Corporation (PMMIC) • YGC Corporate Services, Inc. • Luisita Industrial Park Corporation • Y Realty Corporation • RCBC Land, Inc. • RCBC Realty Corporation • ET Yuchengco, Inc. • Pan Malayan Realty Corporation • House of Investments, Inc. • EEI Corporation (EEI) • Honda Cars Kalookan Inc. • Malayan Colleges Inc. • Malayan Colleges Laguna Inc. • GPLHoldings, Inc. • Sun Life Grepa Financial, Inc. • MICO Equities Inc. (MEI) • Malayan Insurance Company, Inc. (MICO) • Malayan Insurance Co. (HK) Ltd.	• Executive, Chairman and Chief Executive • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Executive, Chairman and CEO • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Vice-Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	• Malayan Securities Corporation • Philippine Integrated Advertising Agency, Inc. • Yuchengco Museum, Inc. • AY Foundation, Inc. • Yuchengco Center, Inc.	• Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman
Ms. Helen Y. Dee	• Pan Malayan Management and Investment Corporation (PMMIC) • RCBC Forex Brokers Corporation • RCBC Savings Bank (RSB) • RCBC Leasing and Finance Corporation (RLFC) • YGC Corporate Services, Inc. • Isuzu Philippines Corporation • Honda Cars Phils. Inc. • Luisita Industrial Park Corporation • Y Realty Corporation • RCBC Realty Corporation • ET Yuchengco, Inc. • Seafront Resources Corporation • Philippine Integrated Advertising Agency, Inc. • Pan Malayan Express, Inc. • Pan Malayan Realty Corporation • House of Investments, Inc, (HOI) • EEI Corporation (EEI) • Landev Corporation • Manila Memorial Park Cemetery, Inc. • La Funeraria Paz Sucat, Inc. • Honda Cars Kalookan Inc. • Xamdu Motors, Inc. • Hi-Esai Pharmaceutical, Inc. • iPeople Inc. • Pan Pacific Computer Center Inc. • Malayan Colleges Inc. • Mapua Information Technology Center Inc. • Malayan High School of Science Inc. (formerly Pandacan Properties Inc.)	• Non-Executive, Vice Chairperson • Non-Executive • Non-Executive, Chairperson • Non-Executive, Chairperson • Executive, President • Non-Executive • Non-Executive • Non-Executive, Co-Chairperson • Non-Executive • Non-Executive • Non-Executive • Non-Executive, Chairperson • Non-Executive • Non-Executive • Executive, President • Non-Executive, Chairperson • Non-Executive, Vice Chairperson • Non-Executive, Chairperson • Non-Executive, Chairperson • Non-Executive, Chairperson • Non-Executive • Non-Executive, Chairperson • Non-Executive, Chairperson • Non-Executive • Non-Executive, Chairperson • Non-Executive • Non-Executive, Chairperson • Non-Executive, Chairperson

	• GPLHoldings, Inc. • Sun Life Grepa Financial, Inc. ("Sun Life Grepa"; formerly Grepalife Financial, Inc.) • Grepa Realty Holdings Corporation • PetroEnergy Resources Corporation • MICO Equities Inc. (MEI) • Malayan Insurance Company, Inc. (MICO)	• Executive, President • Non-Executive • Executive, President & Chairperson • Non-Executive, Chairperson • Non-Executive • Non-Executive, Chairperson
Mr. Lorenzo V. Tan	• RCBC Capital Corporation (RCAP) • RCBC Forex Brokers Corporation • RCBC Savings Bank (RSB) • Merchants Savings and Loan Association, Inc./Rizal Microbank • RCBC Leasing and Finance Corporation (RLFC) • RCBC Rental Corporation • RCBC Telemoney Europe SpA • RCBC International Finance, Ltd. (RIFL) • RCBC Investments, Ltd. • Niyog Property Holdings, Inc. • YGC Corporate Services, Inc.	• Non-Executive • Non-Executive • Non-Executive, Vice Chairman • Non-Executive, Chairman • Non-Executive, Vice Chairman • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive
Mr. Cesar E.A. Virata	• RCBC Bankard Services Corporation • RCBC Forex Brokers Corporation • RCBC Savings Bank (RSB) • RCBC International Finance, Ltd. (RIFL) • RCBC Investments, Ltd. • Niyog Property Holdings, Inc. • YGC Corporate Services, Inc. • Luisita Industrial Park Corporation • RCBC Land, Inc. • RCBC Realty Corporation • Malayan Colleges Inc. • Malayan Insurance Company, Inc. (MICO) • AY Foundation, Inc.	• Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive • Non-Executive • Non-Executive • Non-Executive • Non-Executive, Vice Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive • Non-Executive • Non-Executive, Director
Atty. Teodoro D. Regala	• MICO Equities Inc. (MEI) • Malayan Insurance Company, Inc. (MICO)	• Non-Executive • Non-Executive
Atty. Wilfrido E. Sanchez	• House of Investments, Inc.	• Non-Executive

	• EEI Corporation	• Non-Executive
Atty. Ma. Celia H. Fernandez-Estavillo	• YGC Corporate Services, Inc. • Philippine Integrated Advertising Agency, Inc. • Luisita Industrial Park Corporation • Yuchengco Center	• Non-Executive • Non-Executive • Non-Executive • Trustee
Mr. Medel T. Nera	• RCBC Forex Brokers Corporation • YGC Corporate Services, Inc. • RCBC Realty Corporation • Seafront Resources Corporation • House of Investments, Inc. • EEI Corporation (EEI) • EEI Realty Corporation • Al Rushaid Construction Corporation • Landev Corporation • Greyhounds Security and Investigation Corporation • Zamboanga Industrial Finance Corp. • Honda Cars Kalookan Inc. • Xamdu Motors, Inc. • Hi-Esai Pharmaceutical, Inc. • iPeople Inc. • Malayan Colleges Laguna Inc. • Investment Managers, Inc. • Hexagon Lounge, Inc. • Manila Memorial Park Cemetery, Inc,	• Executive, Treasurer • Non-Executive • Executive, President • Non-Executive • Executive, President and CEO • Non-Executive • Non-Executive, Chairman • Non-Executive • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Executive, President • Executive, President • Non-Executive • Non-Executive • Non-Executive • Non-Executive • Non-Executive, Chairman • Non-Executive
Mr. Francis G. Estrada	• EEI Corporation	• Non-Executive
Mr. Armando M. Medina	• RCBC Savings Bank • RCBC Capital Corporation • Malayan Insurance Company, Inc.	• Independent • Independent • Independent
Mr. Antonino L. Alindogan, Jr.	• RCBC Bankard Services Corporation • RCBC Forex Brokers Corporation • House of Investments, Inc. • Great Life Financial Assurance Corporation	• Independent • Independent • Independent • Independent
Mr. Francisco C. Eizmendi, Jr.	• Sun Life Grepa Financial, Inc. • Great Life Financial Assurance Corporation	• Independent • Independent

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Helen Y. Dee	Philippine Long Distance Telephone Company	Non-Executive Director
	National Reinsurance Corporation of the Philippines	Non-Executive, Chairperson
Cesar E.A. Virata	Lopez Holdings Corporation	Independent Director
	Belle Corporation	Independent Director
Wilfrido E. Sanchez	LT Group, Inc.	Independent Director
	Universal Robina Corporation	Independent Director
Medel T. Nera	National Reinsurance Corporation of the Philippines	Non-Executive Director
Francis G. Estrada	Ayala Land Inc.	Independent Director
Francisco C. Eizmendi, Jr.	Makati Finance Corporation	Independent Director
Antonino L. Alindogan, Jr.	PAL Holdings, Inc.	Independent Director
	LT Group, Inc.	Independent Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Amb. Alfonso T. Yuchengco	Pan Malayan Management and Investment Corporation	Chairman and Chief Executive
Ms. Helen Y. Dee	Pan Malayan Investment and Management Corporation	Vice Chairperson

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Section II.A.2.4 of the Corporate Governance Manual provides that the Chief Executive Officer and other executive directors may submit themselves to an indicative limit on membership in other corporate Boards. The same limit may apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence and	Section II.A.2.4 of the Corporate Governance Manual provides that directors shall limit their outside board seats to six (6), unless there is good justification for a greater number of outside board seats and these do not interfere with the amount and quality of time and attention of the director to the bank.

	efficiency shall not be compromised. Section 5.9.c of the Bank's Corporate Governance Committee Charter provides: The Committee shall consider the following guidelines in the determination of the number of directorships of a nominee for the Board: c.1 The nature of the business of the Corporations which he is a director; c.2 Age of the Director; c.3 Number of directorships/active memberships and officerships in other corporations or organizations; and c.4 Possible conflict of interest. The optimum number shall be related to the capacity of a director to perform his duties diligently in general.	
Non-Executive Director	See discussion under Executive Director. For independent directors, the limits prescribed under SEC Memorandum No. 9, s. 2011 shall apply. See discussion under A.4.	See discussion under Executive Director.
CEO	See discussion under Executive Director.	See discussion under Executive Director.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Alfonso T. Yuchengo	3,997	72,108 –RCBC Sec.	0.006%%
Helen Y. Dee	438	212,731-RCBC Trust /PMMIC	0.02%

Cesar E. A. Virata	167	50,000-RCBC Trust	0.00%
Lorenzo V. Tan	5	-	0.00%
Teodoro D. Regala	1	-	0.00%
Antonino L. Alindogan Jr.	1	-	0.00%
Minki Brian Hong	1	-	0.00%
Ma. Celia Fernandez-Estavillo	14	379,200 – RCBC Trust 100,000 - Abacus Sec	0.04%
Francisco Eizmendi	1		0.00%
Armando M. Medina	195	-	0.00%
Wilfrido E. Sanchez	1	30,000- RCBC Sec.	0.00%
Medel T. Nera	1	-	0.00&
Francis G. Estrada	3	-	0.00%
Richard G.A. Westlake	1	-	0.00%
Tze Ching Chan	1	-	0.00%

*As of 31 December 2014

2) **Chairman and CEO**

(a) **Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.**

Yes [√] No [**(v)**]

Identify the Chair and CEO:

Chairman of the Board	Ms. Helen Y. Dee
CEO/President	Mr. Lorenzo V. Tan

(b) **Roles, Accountabilities and Deliverables**

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Article IV, Section 1.d. of the Bank's By-Laws provides that the Chairman, and in his absence or ability, the Corporate Vice Chairman of the Board of Directors, shall preside at all meetings of the stockholders. Article V, Section 9 of the Bank's By-Laws provides that the Chairman, and in his absence or ability, the Corporate Vice Chairman, shall be the Presiding Officer of the Board of Directors and shall decide on all matters to be included in the Agenda.	Article VIII, Section 1 of the Bank's By-Laws provides that the President shall be the Chief Executive Officer of the Bank and shall execute and administer the policies approved by the Board. He shall have direct and immediate supervision over the operations and management of the Bank, and in general perform all duties incident to the office of the President and Chief Executive Officer. He shall be a member of the Executive Committee and of all major management committees. He shall also exercise such other powers as may be vested upon

		him by the Board not incompatible with law or the By-Laws.
Accountabilities	Section II.A.3.1.1 of the Bank's Corporate Governance Manual provides that the Chairperson shall assist in ensuring compliance with and performance of the corporate governance policies and practices. Section II.A.3.2 of the Bank's Manual provides that the Chairperson shall have the following duties and responsibilities: 3.2.1 Mainly responsible for the proper governance of the Bank through the Board of Directors. 3.2.2. Provide leadership in the Board of directors. The Chairperson shall be responsible for the efficient functioning of the Board including maintaining a relationship of trust with the members of the Board. The Chairperson will decide on all matters to be included in the agenda and preside at meetings of the stockholders and Board of Directors. 3.2.3. Ensure that the Board takes an informed decision. (a) Ensure active participation and sufficiently deep professional involvement of all members of the Board of Directors. (b) Encourage and actively solicit views and opinions of other members of the Board in the process of arriving at a decision. (c) Ensure that all members of the Board are given sufficient information and time to enable them to study carefully and responsibly issues that come up to the Board. (d) Allow for, and even encourage, the expression of independent views that may be different from those proposed by top management. 3.2.4. Ensure that the meetings of the Board are held in	Section II.A.3.4 of the Bank's Corporate Governance Manual provides that the Chief Executive Officer (CEO) will be in-charge of and will exercise general management responsibilities over management development, public relations and advertising relations with the BSP and other offices, agencies and instrumentalities on the Philippine government, relations with the Bankers' Association of the Philippines and other industry associations, and relations with other ASEAN countries. He will be a member of the Executive Committee and of all major management committees, and will exercise such other powers and perform such other duties as the Board of Directors may prescribe from time to time. He shall ensure that, and be accountable for, the business and affairs of the Bank are managed in a sound and prudent manner and that operational, financial and internal control are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts. The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Bank's performance, financial condition, results of operations prospects on a regular basis.

	accordance with the By-laws and annual schedule approved by the Board or as the Chairperson may deem necessary. 3.2.5. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors. 3.2.6. Ensure and maintain quality and timely lines of communication and flow of information between the Board and Management. 3.2.7. Ensure that the Board has free access to people who can answer their questions, preventing the need for back channels.	
Deliverables	As discussed above.	As discussed above.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Under Section 5.4 of the Bank's Corporate Governance Committee Charter, it is the Corporate Governance Committee that makes recommendations to the Board regarding the succession plan for the Board members and senior officers, and their remuneration commensurate with corporate and individual performance.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. Under Section II.A.2.3.1 of the Bank's Corporate Governance Manual, one of the duties and functions of the Board of Directors is to implement a process of selection from a broad pool of qualified candidates to ensure a mix of competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. The selection process shall ensure that a sufficient number of qualified non-executive members are elected to promote the independence of the board from the views of senior management.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Section II.A.1.3 of the Bank's Corporate Governance Manual provides that non-executive directors shall posses such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	The Bank's Corporate Governance Manual defines executive directors as those who are part of the day to day management of banking operations.	The Bank's Corporate Governance Manual defines non-executive directors as those who are not part of the day to day management of banking operations and includes independent directors.	The Bank's Corporate Governance Manual defines independent directors as directors who, apart from their fees and shareholdings, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out their responsibilities as directors.
Accountabilities	The general responsibilities, duties and functions of the Board and the duties and responsibilities of the individual directors under the Bank's Corporate Governance Manual attached as Annex "A" hereto apply.	The general responsibilities, duties and functions of the Board and the duties and responsibilities of the individual directors under the Bank's Corporate Governance Manual attached as Annex "A" hereto apply.	The general responsibilities, duties and functions of the Board and the duties and responsibilities of the individual directors under the Bank's Corporate Governance Manual attached as Annex "A" hereto apply.
Deliverables	-do-	-do-	-do-

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independence is defined as independence from management and freedom from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out responsibilities as executive directors.

The Bank's independent directors possess all the qualifications and none of the disqualifications provided under SEC and BSP issuances.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Independent directors serve as such in accordance with the term limits prescribed in SEC Memorandum Circular No. 9. Series of 2011 re: Term Limits for Independent Directors. Under the said circular, ID's can serve as such for five (5) consecutive years, after which the ID shall be ineligible for election in the same company as such unless he has undergone a two (2) year cooling off period. An ID re-elected as such in the same company after the two (2) year cooling off period can serve for another five (5) consecutive years. After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company.

5) **Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

(a) **Resignation/Death/Removal**

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Yvonne S. Yuchengco	Director	20 September 2014	Election of Mr. Richard G. A. Westlake, IFC nominee

(b) **Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	In accordance with Section 5.9.a. of the Bank's Corporate Governance Committee Charter, to the extent practicable, the members of the Board are selected from a broad pool of qualified candidates. The Committee pre-screens and shortlists all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications enumerated in the Bank's Corporate Governance Manual. The nominees for directors are reported to the shareholders in the Information Statement. Under Section 2, Article V of the By-Laws, directors shall be elected at the annual meeting of the stockholders, each of whom shall hold office for a term of one (1) year or until his successor shall have been chosen and qualified. The fifteen candidates	In accordance with Section II.A.2.3.1 of the Corporate Governance Manual, the members of the Board must be chosen from broad pool of qualified candidates to ensure a mix of competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Under Section 2, Article V of the By-Laws, no person shall be qualified or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that of the corporation, its subsidiaries or affiliates, as may be determined by the Board of Directors, in the exercise of its judgment in good faith, by at least a majority vote. A person is deemed to be so engaged based on the qualifications provided in the By-Laws.

	receiving the highest number of votes shall be elected.	
(ii) Non-Executive Directors	See discussion above.	Section II.A.2.3.1 of the Corporate Governance Manual, the selection process shall ensure that a sufficient number of qualified non-executive members are elected to promote the independence of the board from the views of senior management.
(iii) Independent Directors	The Bank complies with the procedure set forth under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.	In addition to the discussion above, the independent directors shall possess all of the qualifications and none of the disqualifications provided for under applicable laws and regulations as well as the Bank's Corporate Governance Manual.
b. Re-appointment		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.
c. Permanent Disqualification		
(i) Executive Directors	The Bank complies with Section X143.3 of the BSP Manual of Regulations for Banks (MORB) as amended by BSP Circular No. 758, s. of 2012 which provides that directors of the Bank are subject to Monetary Board confirmation. A director who possesses any disqualification as provided for in the MORB shall not be confirmed and shall be removed from office even if he/she has assumed the position to which he/she was elected/appointed. The Bank likewise complies with Section X143.4 of the MORB on the disqualification procedures of directors. A copy of X143.4 of the MORB is attached hereto as Annex "B" and made an integral part hereof.	The Bank complies with the provisions of Sec. X143.1.a of the MORB and the SEC Revised Code of Corporate Governance on grounds for permanent disqualification of a director. Section II.B.3.1 of the Bank's Corporate Governance Manual attached as Annex "A" hereto provides for grounds for permanent disqualification.
(ii) Non-Executive Directors	See discussion above.	See discussion above.

(iii) Independent Directors	See discussion above.	Section II.B.4 of the Bank's Corporate Governance Manual provides for the following qualifications of an independent director: 4.1 Is not or has not been an officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election; 4.2 Was not a regular director who resigned or whose term ended within the last two (2) years. 4.3 Was not appointed the Chairman "Emeritus", "Ex-Officio" Directors/Officers or Members of any Executive Advisory Board, or otherwise, appointed in a capacity to assist the Board in the performance of its duties and responsibilities within the last one (1) year. 4.4 Is not a director or officer of the related companies of the Bank's majority stockholder; 4.5 Is not a stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies; 4.6 Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common law of any director, officer or shareholder holding shares of stock sufficient to elect one seat in the Board of the Bank or any of its related companies;[3] 4.7 Is not acting as a nominee or representative of any director, officer or substantial shareholder of

[3] This has been amended by BSP Circular 793, s. 2013 dated 05 July 2013. The amendment reads "An independent director shall mean a person who xxx (4) Is not a relative, legitimate or common-law of any director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law;"

		the Bank or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement; 4.8 Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment; and 4.9 Is not a director, officer, principal stockholder, among others, of securities brokers-dealers. However, this does not apply to brokers-dealers of fixed income securities.
d. Temporary Disqualification		
(i) Executive Directors	In accordance with Section II.B.3.2 of the Bank's Corporate Governance Manual, a temporarily disqualified director shall, within sixty (60) days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	The Bank complies with the provisions of Sec. X143.1.b of the MORB and the SEC Revised Code of Corporate Governance on grounds for temporary disqualification of a director. Section II.B.3.2 of the Bank's Corporate Governance Manual attached as Annex "A"

		hereto provide for the grounds for temporary disqualification.
(ii) Non-Executive Directors	See discussion above.	See discussion above
(iii) Independent Directors	See discussion above.	See discussion above.
e. Removal		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.
f. Re-instatement		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.
g. Suspension		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Please see reply below.	Please see reply below.

During the last annual shareholders' meeting held on 30 June 2014, all of the directors received votes of stockholders representing a total of 940,919,864 common and preferred shares of stocks or 73.76 % of the Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote.

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

Newly-appointed directors attend a seminar on corporate governance within six (6) months from the date of their election and/or appointment, in compliance with the BSP requirement.

(b) State any in-house training and external courses attended by Directors and Senior Management[4] for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Directors	November 28, 2011	AML Training (Functions of the AMLC; Covered and suspicious transactions; Updated AML Rules and	Speaker: Atty. Richard David Funk II, Deputy Director and Head of the Compliance and Investigation Group of the

[4] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

		Regulations (BSP Circular No. 706); Frequently asked questions involving Politically Exposed Persons (PEPs); Responsibility of the Board of Directors of the Bank on AML Compliance; and Other Highlights of BSP Circular No. 706_	AMLC Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC
Directors and Senior Officers	August 27, 2013	SEC Corporate Governance Initiatives/Trends in Regulatory Framework	Speakers: SEC Chairperson Teresita J. Herbosa – brief remarks; SEC Corporate Governance and Finance Department Dir. Justina Callangan – seminar proper Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC
Directors and Senior Officers	September 30, 2013	Updates on the Anti-Money Laundering Act of 2013, as amended	Speaker: Mr. Arnold Frane of the Legal Services Group, Anti-Money Laundering Council Secretariat, BSP Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC
Directors and Senior Officers	October 29, 2013	Basel III and Financial Regulatory Reform	Speaker: Mr. Christian G. Lauron, Partner, Financial Services Risk Management, SGV&Co. Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC
Directors and Senior Officers	November 25, 2013	Evaluating Risks in Project Finance Transactions	Speaker: Atty. Laurence Rogero, Consultant for local and international water and power companies and former consultant for the Asian Development Bank and World Bank Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC
Directors and Officers SVP's and Up of RCBC and RCBC Subsidiaries; Directors and key officers of RCBC	March 22, 2014	Corporate Governance **pursuant to SEC Memorandum Circular No. 20 effective January 1, 2014*	SGV & Co.

affiliates *SVP's who failed to attend the March 22, 2014 seminar were required to attend training seminars provided by accredited training institutions during the year.			

(c) **Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

Name of Director/Officer	Date of Training	Program	Name of Training Institution
		Please see reply in item (b) above.	

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The Bank has approved its revised Policy on Related Party Transactions last 26 September 2014 and 29 October 2014 requiring directors to disclose potential related party transactions as well as details of their other directorships and any shareholdings owned by them or members of their family.	The Bank's Code of Conduct sets forth the policy on conflict of interests which covers all employees. As a policy, all employees are prohibited from competing with or unduly benefiting from the Bank or any of the companies in the conglomerate and from allowing business dealings on behalf of RCBC be influenced by personal or family interests.	Please see discussion under Senior Management.

	Under Section II.B.1.2 of the Bank's Corporate Governance Manual, one of the duties of the director is as follows: 1.2 To conduct fair business transactions with the Bank and to ensure that his personal interest does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.		
(b) Conduct of Business and Fair Dealings	See discussion above.	The Bank's Code of Conduct provides that employees should strive to build good working relationships with shareholders and	Please see discussion under Senior Management.

		suppliers, They should be treated in the same manner as co-associates – with utmost courtesy and respect as they are also expected to achieve the highest standards of service quality to clients.	
(c) Receipt of gifts from third parties	See discussion above.	Under the Bank's Code of Conduct, generally, employees can accept if it is unsolicited and not given to influence one's judgment. Otherwise, employees should decline it and explain RCBC's policy to the gift-giver. The Bank does not allow solicitation of gifts, directly or indirectly, from customers or suppliers. Under no circumstance do employees accept, directly or indirectly, payments, loans, kickbacks, special privileges or services in exchange for favors.	Please see discussion under Senior Management.
(d) Compliance with Laws & Regulations	Under Section B. 1.8 of the Bank's Corporate Governance Manual, directors are required to have a working knowledge of the statutory and regulatory requirements affecting the Bank and its operations, including the contents of its Articles of Incorporation and By-laws, the rules and regulations of the SEC and BSP, and where applicable, the requirements of other regulatory agencies having jurisdiction over the Bank, and keep abreast with industry developments and	Under the Bank's Code of Conduct, all employees must ensure understanding of and compliance with all Bank policies and Philippine laws directly affecting his/her employment. As a banking institution, the Bank is governed by special laws as well as regulation issued by the BSP, SEC, PSE, DOLE and by the Government of the Republic of the Philippines as a whole. It is the duty of all employees to abide by the provisions thereof lest sanctions be imposed by the Bank. Questions regarding any provision of law may be address to the	Please see discussion under Senior Management.

	business trends. Section II.A.2.3.4 of the Corporate Governance Manual further provides that it is the responsibility of the Board of Directors to ensure that the Bank complies with all relevant laws, regulations and endeavors to adopt best business practices.	respective Group Head or the Legal Affairs Division.	
(e) Respect for Trade Secrets/Use of Non-public Information	Under Section II.B.1.9 of the Bank's Corporate Governance Manual, one of the duties and responsibilities of a director is as follows: 1.9 To observe and safeguard confidentiality of non-public information acquired by reason of his position as a director. A director may not disclose said information to any other person without the authority of the Board.	Under the Bank's Code of Conduct, all employees are mandated to protect the Bank's assets and to use the same for authorized business purposes only. Guidelines for the treatment of bank assets include guidelines on proprietary information which includes confidential and material non-public information. As a general rule, proprietary information shall not be disclosed unless authorized by the Bank and the law.	Please see discussion under Senior Management.
(f) Use of Company Funds, Assets and Information	See discussion above.	All bank associates, which include the Senior Management, are governed by the Bank's Code of Conduct. Under the Code, they are mandated to protect bank funds, assets and information, and to use the same for authorized business purposes only. All employees are responsible for safe-guarding and making proper and efficient use of Bank funds and assets. Guidelines for the treatment of bank assets are divided into	Please see discussion under Senior Management.

		four (4) major categories: (1) Proprietary Information; (2) Bank Funds and Property; (3) Bank Records; and (4) Goodwill and Reputation.	
(g) Employment & Labor Laws & Policies	See discussion under Compliance with Laws and Regulations.	Please see discussion under Compliance with Laws and Regulations.	Please see discussion under Compliance with Laws and Regulations.
(h) Disciplinary action	Disciplinary action is based on grounds and procedures under applicable laws and regulations issued by regulatory authorities, particularly the BSP, PSE, and SEC.	The Bank has a Code of Discipline which sets forth the types of penalties which may be imposed for violation of the Code of Conduct ranging from reprimand, suspension, termination depending on the gravity of offenses which may be minor, serious or grave offenses, after observance of due process.	Please see discussion under Senior Management.
(i) Whistle Blower	Under the leadership of the Chairperson who is responsible for ensuring the efficient functioning of the Board of Directors, directors are tasked with and the Chairperson is duty bound to ensure the expression of views and independent judgment of the members of the Board.	To give all employees the confidence to raise concerns about behavior and practice and to mitigate risks and losses through the early discovery of irregular activities, the Bank commits itself to break down communication barriers and provide a safe internal communication channel for all employees to express their concerns through the enactment of the Open Communication Policy, which allows for anonymous disclosures and the protection of informants from sanctions under specific conditions. The policy covers all reports or information in relation to actual or suspected criminal	Please see discussion under Senior Management.

		activities, unlawful acts or omissions, fraud, violations of the Code of Conduct and other bank policies, danger to health and safety, improprieties or malpractice in the workplace, including those related to matters of financial reporting, internal control and/or auditing.	
(j) Conflict Resolution	Under Section II.B.1.7 of the Corporate Governance Manual, a director is duty bound to carefully evaluate the situation and state his position when a disagreement with others occurs. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution. Conflicts are resolved under the leadership of the Chairperson who ensures the efficient functioning of the Board of Directors.	Under the Code of Conduct, the Bank condemns certain acts such as, but not limited to, threatening or violent behavior, insubordination or willful disobedience, uttering obscene, insulting or offensive words against associates, making racist, sexist or ethnic jokes or politically incorrect comments about associates, and rumor-mongering. These are dealt with in accordance the Code of Discipline.	Please see discussion under Senior Management.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

The Corporate Governance Manual has been presented to and approved by the Board. It has been disseminated to all bank associates in the Bank's intranet system as well as posted in the Compliance Office Library (COOL). All associates of the Bank are also required to complete the corporate governance e-learning course, the latest of which was rolled out in December 10, 2013.

The Bank's Code of Conduct, including updates thereto, are made available and readily accessible by all associates online through the intranet service of the Bank.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Under Section III.A.1.2.1 of the Bank's Corporate Governance Manual, the compliance officer is tasked to monitor compliance with the provisions and requirements of the Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Chairman and Corporate

Governance Committee and recommend the imposition of the appropriate disciplinary action for such violation and the adoption of measures to prevent a repetition of the violation, subject to review and approval by the Board.

Under the Bank's Code of Conduct, it is the responsibility of the unit heads to ensure that his/her people comply with the Code of Conduct, as well as policies directly affecting their jobs. Violation of the Code of Conduct is reported to the Human Resources Group, the Internal Audit Group, and/or the Security Department.

The Personnel Evaluation and Review Committee, which is a Board Committee, is tasked to evaluate and review employee discipline cases. It has the following powers and authorities under its Charter:

1. Affirm, review, revise, reverse or modify any resolution arrived at or action taken by management in connection with employee administrative cases involving any of the following:

   1.1 Dishonesty
   1.2 Fraud
   1.3 Negligence, violation of any internal Bank policy, rule or procedure or any act which results to an actual or potential loss to the Bank of at least One Million Pesos (P1,000,000.00)
   1.4 Acts that tend to damage or destroy the Bank's goodwill and reputation.

2. Report to the Board of Directors the actions taken against employees involved in the cases mentioned above.

3. Advise management to take certain corrective and preventive measures for the protection of the Bank's interests in relation to any of the cases mentioned above.

4. Direct the Security Department to take police action, the Legal Affairs Division to take legal action, or any other unit of the Bank to take appropriate action for the protection of the Bank's interests, whenever it deems it necessary, with regard to any of the cases mentioned above.

5. Ensure that in all cases involving employee discipline, the requirements of due process are strictly observed and the employee concerned is granted opportunity to defend or explain his side.

6. Exercise such other powers and authorities as the Board of Directors may impose.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Under the Bank's Revised Policy on Related Party Transactions, a related party transaction is defined as any transaction or relationship directly or indirectly involving a related party, where the amount involved is at least One Million Pesos (PhP 1,000,000.00). The Bank adopts an expanded definition of related parties to include, among others: i. second degree relatives by consanguinity or affinity of a director, officer, or stockholder of the Bank; ii. advisory board members and consultants; and iii. directors and key officers of

	entities within the conglomerate of which the Bank is a member. The Policy requires the related parties, through the persons handling the account or transaction, to notify the Related Party Transactions Committee of any potential related party transaction. The report on the transaction shall be submitted to the RPT Committee for review and evaluation to determine whether or not said transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. In the determination thereof, the RPT Committee shall be provided with adequate resources and authority to procure the services of independent experts. The Policy also provides that RPT's shall be approved by a majority of all directors, including a majority of independent directors, *provided that*, mergers and acquisitions, divestitures and transactions of a similar nature which are not in the normal course of business as may be determined by the RPT Committee and where the amount involved is at least one percent (1%) of the unimpaired capital of the Bank, which are presented to the Board for approval, shall be accompanied by a fairness opinion issued by an independent adviser as well as other reports as the RPT Committee may deem necessary. Any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction. The Chairperson shall not participate in the discussions and shall abstain from voting on the approval of Related Party Transactions involving the Yuchengco Group of Companies. The Bank's stockholders shall confirm by majority vote, in the annual stockholders' meeting, the Bank's transactions with its related parties. This requirement also appears under Section A.2.3.8 of the Corporate Governance Manual which provides that the Bank's stockholders are required to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties. Lastly, Compliance Office, as part of compliance testing, and Internal Audit, as part of its audit work program, shall include a review of related party transactions to determine compliance with regulatory requirements and internal policies.
(2) Joint Ventures	The Bank's policy applies to its joint ventures.
(3) Subsidiaries	The Bank's policy applies to its subsidiaries.
(4) Entities Under Common Control	The Bank's policy applies to entities under common control.
(5) Substantial Stockholders	The Bank's policy applies to its DOSRI as defined in the MORRB. Under Section 326.1.c of the MORB,

	stockholders are defined as "any stockholder of record in the books of the bank, acting personally, or through an attorney-in-fact, or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or similar contracts, whose stockholdings in the lending bank, individual and/or collectively with the stockholdings of: (i) his spouse and/or relative within the first degree of consanguinity or affinity or legal adoption; (ii) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; (iii) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the bank.
(6) Officers including spouse/children/siblings/parents	The Bank's policy applies to DOSRI as defined in the MORB and key management personnel and close members of the family of its key management personnel as defined in the policy.
(7) Directors including spouse/children/siblings/parents	The Bank's policy applies to DOSRI as defined in the MORB. This includes directors and his/her spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director of the Bank.
(8) Interlocking director relationship of Board of Directors	The Bank's policy applies to DOSRI as defined in the MORB. The definition of related interest under Section X326.1.e of the MORB covers interlocking directors.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None. Please see reply below.
Name of Officer/s	None. Please see reply below.
Name of Significant Shareholders	None. Please see reply below.

The Bank fully complies with the approval and disclosure requirements of the BSP for credit exposures of its DOSRI as well as significant intra-group transactions as well as the Bank's policy for approval of related party transactions.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Section 4.2 of the Bank's revised Policy on Related Party Transactions provides that each of the directors and officers shall disclose to the Board, through the Bank's corporate secretary, details of their other directorships and any shareholdings owned by them or

	members of their family. Furthermore, any changes to this information shall be immediately communicated to the Board through the corporate secretary. As mentioned, if a transaction is determined to be a related party transaction, the same shall be submitted to the RPT Committee for analysis and evaluation and thereafter submitted to the Board for approval.
Group	The Bank's Policy on Related Party Transactions is for the guidance of the Bank and/or its subsidiaries.

5) Family, Commercial and Contractual Relations

(a) **Indicate, if applicable, any relation of a family,[5] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:**

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None.		

(b) **Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:**

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None.		

(c) **Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:**

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
PMMIC HIBV	PMMIC (42.14%) HIBV (11.6%) *directly owned shares only	Shareholders Agreement among PMMIC, Hexagon Investment B.V. and RCBC dated 12 May 2011 was entered into to set out certain rights and obligations of the parties when HIBV acquired shares in RCBC pursuant to the Share Acquisition Agreement and Share Purchase Agreement executed on the same date
PMMIC	PMMIC (47.81%)	Amended and Restated

[5] Family relationship up to the fourth civil degree either by consanguinity or affinity.

IFC Fund IFC	IFC Fund (5.57%) IFC (6.10%) *both directly and beneficially owned	Policy Agreement among RCBC, PMMIC , IFC and IFC Capitalization (Equity) Fund, LP dated 15 February 2013 was entered into for purposes of regulating their relations within the Company when IFC subscribed to shares in RCBC (Share Acquisition Agreement) and when IFC Fund subscribed (Subscription Agreement)
<u>Hexagon Investments B.V. (an entity controlled by funds advised by CVC Asia Pacific Limited);</u> <u>IFC</u>	<u>IFC 11.34%, CVC 10.91% to IFC 7.71%, CVC 1.44%</u>	<u>In 17 December 2014, Cathay Life Insurance Co., Ltd., a wholly owned subsidiary of Cathay Financial Holding Co., Ltd,, signed respective Share and Purchase Agreements with HIBV and IFC as part of a transaction to acquire an approximately 20% stake in RCBC. The transaction involves the signing of said Share Purchase Agreements and a Share Subscription Agreement with RCBC. The transaction will close upon securing regulatory approvals.</u>

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Bank adopts an arbitration system to resolve any dispute, controversy or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004.
Corporation & Third Parties	Under the Bank's Corporate Governance Manual, the Corporate Governance Committee shall be responsible for the amicable resolution of disputes and/or settlement of conflicts or differences between the Bank and third parties.
Corporation & Regulatory Authorities	Under the Bank's Corporate Governance Manual, the Corporate Governance Committee shall be

	responsible for the amicable resolution of disputes and/or settlement of conflicts or differences between the Bank and regulatory authorities.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Board of Directors' meetings are scheduled before the beginning of the year.

2) Attendance of Directors: For the period January – December 2014, the total number of meetings is 16, including Special Board, Stockholders' and Organizational Meetings of the Board.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Honorary Chairman	Alfonso T. Yuchengco	June 30, 2014	16	14	87.50
Chairperson	Helen Y. Dee	June 30, 2014	16	16	100
Member	Lorenzo V. Tan	June 30, 2014	16	15	93.75
Member	Cesar E. A. Virata	June 30, 2014	16	16	100
Member	Teodoro D. Regala	June 30, 2014	16	15	93.75
Member	Wilfrido E. Sanchez	June 30, 2014	16	16	100
Member	Ma. Celia H. Fernandez-Estavillo	June 30, 2014	16	16	100
Member	Minki Brian Hong	June 30, 2014	16	14	87.50
Member	T.C.Chan	June 30, 2014	16	13	81.25
Member	Tim-Chiu Richard Leung*	June 24, 2013	8	5	62.50
Member	Medel T. Nera	June 30, 2014	16	16	100
Member	Francis G. Estrada	June 30, 2014	16	15	93.75
Independent	Francisco C. Eizmendi, Jr.	June 30, 2014	16	15	93.75
Independent	Armando M. Medina	June 30, 2014	16	15	93.75
Independent	Antonino M. Alindogan, Jr.	June 30, 2014	16	16	100
Member	Yvonne S. Yuchengco**	June 30, 2014	4	4	100
Member	Richard Westlake***	June 30, 2014	4	2	50

*Mr. Richard Leung was not reappointed at the June 30, 2014 Stockholders' Meeting.
**Ms. Yvonne Yuchengco was appointed at the June 30, 2014 Stockholders' Meeting and resigned effective October 1, 2014.
***Mr. Richard Westlake was appointed effective October 1, 2014.

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Section II.A. 2.3.14 of the Bank's Corporate Governance Manual provides that non-executive board members shall meet regularly, other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions. No meeting was held this year.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. Per Section 6, Article V of the By-Laws "A majority of the incumbent Directors shall constitute a quorum at any meeting and a majority of the members in attendance at any Board meeting shall decide its action."

5) Access to Information

(a) How many days in advance are board papers[6] for board of directors meetings provided to the board?

At least three (3) days before the meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Section 6, Article VIII of the By-Laws states the following:

"The Secretary shall give due notice and keep the Minutes of all meetings of the stockholders of the Bank and of the Board of Directors; have custody of the Stock Certificate Book, Stock and Transfer Book and the Corporate Seal; prepare ballots for the annual election and keep a complete and up-to-date roll of the stockholders and their respective addresses. He shall perform such duties as are incident to his office and those which may be required of him by the Board of Directors."

Section II.D.5 of the Corporate Governance Manual sets forth the following duties and responsibilities of the Corporate Secretary:

1. Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board as well as the other official documents, records and other information essential to the conduct of his duties and responsibilities to the Bank.
2. Inform the members of the Board of the schedule and agenda of their meetings and ensure that the members have before them complete and accurate information that will enable them to arrive at intelligent or informed decisions on matters that require their approval.
3. Serve as an adviser of the Board, and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
4. Work fairly and objectively with the Board, Management and stockholders and other stakeholders.
5. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain record of the same.
6. Submit to the SEC, on or before January 30 of the following year, an annual sworn certification as to the attendance of the directors during Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.
7. In all transactions which may lawfully come to the knowledge of the Corporate Secretary involving transfer of voting shares of stock or registration of voting trust agreements, or any form of agreement vesting the right to vote the voting shares of stock of the Bank, the Corporate Secretary shall:

    a. Ascertain the identity and citizenship of the transferee, voting trustee, proxy or person vested with the right to vote, and his relation to existing stockholders, and for this purpose, he shall require the transferee, voting trustee, proxy or the person vested with the right to vote to submit proof of citizenship, which may consist, in case of a corporation, of a certified true copy of the Articles of Incorporation, accompanied by the affidavit of the Corporate Secretary of the corporation, certifying to the correctness and accuracy of the list of stockholders, their citizenship, and the percentage of shares owned by them.

[6] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

b. Require the transferee, voting trustee, proxy or person vested with the right to vote, at the time of the receipt of the request for transfer or registration, or at any time thereafter, to disclose all information with respect to persons related to the transferee, voting trustee, proxy or person vested with the right to vote, within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, as well as corporations, partnerships or associations where the transferee, voting trustee, proxy or person vested with the right to vote has controlling interest, and the extent thereof.

c. Require the transferee to execute an affidavit stating, among other things, that the transferee is a bona fide owner of shares of stock and that he acknowledges full awareness of the requirements of the law and the prohibitions against exceeding ownership of voting stocks beyond the prescribed limitations.

d. If the request for transfer or the arrangement sought to be registered will patently cause the voting stocks of a person or a corporation, to exceed the limits prescribed by law, the Corporate Secretary shall deny the transfer or registration and forthwith inform the parties to the transaction in writing. Simultaneous with the notice to the parties, the Corporate Secretary shall submit a written report to the Governor of the BSP of the attempted illegal transfer or arrangements, together with the names, addresses of parties and other pertinent data with respect to the particular stock transaction.

   In the event the Corporate Secretary has reason to doubt the legality of the transfer or of the arrangement sought to be registered, he may commence an action before the appropriate body.

e. Promptly inform stockholders who have reached any of the ceilings imposed by law, of their ineligibility to own or control more than the applicable ceiling.

8. Ensure that all Board procedures, rules and regulations are strictly followed by the members.[7]

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [√]   No [ ]

Committee	Details of the procedures
Executive Committee	Please see reply below.
Audit Committee	Please see reply below.
Trust Committee	Please see reply below.
Personnel Evaluation and Review Committee	Please see reply below.
Risk Oversight Committee	Please see reply below.
Corporate Governance Committee	Please see reply below.
Technology Committee	Please see reply below.

7 Article 3(L)(ix), SEC Memorandum Circular No. 6, Series of 2009

II.A.2.5 of the Corporate Governance Manual provides:

"2.5 Adequate and Timely Information

2.5.1 To enable the members of the Board to properly fulfill their duties and responsibilities, the Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

2.5.2 Since reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board, the members shall be given independent access to Management and the Corporate Secretary. Such information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

2.5.3 The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice. The cost of which shall be shouldered by the Bank."

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Section II.A.2.5.3 of the Bank's Corporate Governance Manual provides that the members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice, the cost of which shall be shouldered by the Bank	
Section II.D.3.1 of the Corporate Governance Manual provides that the Risk Oversight Committee shall have access to independent external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.	
Section II of the Audit Committee Charter grants the Committee the power to retain outside advisors as it deems necessary to carry out its duties. Section IV.F. of the Audit Committee Charter, the Audit Committee, where necessary, may require and institute special investigations, and, if appropriate, hire external counsel of experts to assist.	
Section 2.3 of the Corporate Governance Committee Charter provides that the Board may appoint one or more individuals to serve as advisor(s) to the Committee. The advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.	
Section 4.2 of the RPT Committee provides	

that the Committee shall be provided with adequate resources and shall have the authority to procure the services of independent experts in carrying out its mandate.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Policy on Social and Environmental Management System	Environmental and Social (E&S) due diligence and/or principles (Approved: ExCom July 25, 2012; BOD August 28, 2012)	To ensure that: • bank lending operations are consistent with the Performance Standards, applicable Social and Environmental (S&E) regulations of the country and the exclusion list • RCBC's staff and partners will have a clear reference point as to its position and requirements in relation to S&E management
Policy on Related Party Transactions	• Audit Committee analysis and evaluation prior to submission to BOD for approval • All RPT's instead of only RPT's where the amount involved is more than 2.5% of net assets will require approval of majority of BOD (Approved: BOD September 24, 2012)	• Strengthen/rationalize procedure for review and approval of related party transactions
Trust Policy Manual	Incorporate provisions under new regulatory issuances (Approved: BOD 2/26/2013)	Compliance with regulatory requirements
Trust Risk Policy Manual	Incorporate provisions under new regulatory issuances (Approved: BOD 2/26/2013)	Compliance with regulatory requirements
Corporate Governance Manual (26 March 2012, 28 May 2012; 28 Jan 2013)	Incorporate provisions under new regulatory issuances	Compliance with regulatory requirements

	(Approved: BOD 2/26/2013)	
Corporate Governance Manual	Incorporate provisions under new regulatory issuances (Approved: BOD 7/28/2014)	Compliance with regulatory requirements
Revised Policy on Related Party Transactions	• Definition of related party transaction • Definition of related parties • Report on RPT's submitted by the proponents to the RPT Committee • Review and approval process (Approved: BOD 8/26/2014)	To address BSP findings
Revised Money Laundering and Terrorist Financing Prevention Program Manual	Several changes were made to address BSP findings and changes in policy. • (Approved: BOD 11/24/14)	To address BSP findings and changes in policy

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Negotiation	Negotiation
(2) Variable remuneration	None	None
(3) Per diem allowance	None.	None
(4) Bonus	Performance based & Company's profitability	Performance based & Company's profitability
(5) Stock Options and other financial instruments	N/A	N/A
(6) Others (specify)	N/A	N/A

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	i. Executive Directors are entitled to remuneration as officers of the Bank. ii. The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus as provided for in Section 2 Article XI of the By-Laws of the Bank.	Please refer to left column.	Please refer to left column.
Non-Executive Directors	i. Non-executive directors are entitled to reasonable per diem. ii. The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus as provided for in Section 2 Article XI of the By-Laws of the Bank.	Please refer to left column.	Please refer to left column.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

No. These are provided for in Section 2 Article XI of the By-Laws of the Bank.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) **Aggregate Remuneration**

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	N/A	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	N/A	Php 6,837,000.00 (aggregate amount for	See reply under NED.

		NED's, ID's and Advisory Board Members for the Board and Committees for the year 2014)	
(d) Bonuses		Php 19,052,795.01 (aggregate amount for the year 2014; directors' bonuses are given to executive, non-executive and independent directors based on the formula provided for in the Bank's By-Laws)	
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total		Php 25,889,795.01	

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
	*Entitled to benefits as officers of the Bank		
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	Applicable	N/A	N/A
(f) Hospitalization Plan	Applicable	N/A	N/A
(g) Car Plan	Applicable	N/A	N/A
(h) Others (Specify)	N/A	N/A	N/A
Total	N/A	N/A	N/A

4) **Stock Rights, Options and Warrants**

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

5) **Remuneration of Management**

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
	Please see table below

<u>Information as to the aggregate compensation paid or accrued to the Bank's Chief Executive Officer and four other most highly compensated executive officers follows (in thousand pesos) as disclosed in SEC 17-A:</u>

Names	Principal Position	Year	Aggregate Compensation (net of bonuses)	Bonuses
Lorenzo V. Tan	President & Chief Executive Officer	2014		
Redentor C. Bancod	Senior Executive Vice President			
Jose Emmanuel U. Hilado	Senior Executive Vice President			
John Thomas G. Deveras	Executive Vice President			
Michael O. De Jesus	Executive Vice President			
			39,802	101,247

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

	Executive Director (ED)	**Non-executive Director (NED) (*no. includes ID's)**	**Independent Director (ID)**	**Committee Charter**	**Functions**	**Key Responsibilities**	**Powers**
Executive	1	4	1	None. Its powers and functions are spelled out in the Bank's By-Laws and Corporate Governance Manual.	See discussion under powers.	See discussion under powers.	Article V, Section 10 of the Bank's By-Laws provides that the Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board of Directors. This is also provided for under Section II.D.1 of the Bank's Corporate Governance Manual. The provision in the Manual also provides that the Committee shall likewise have the power to review an asset or loan to ensure timely recognition and resolution of impaired assets.
Audit	0	4	2	Yes.	Please refer to Section I of the Audit Committee Charter attached as Annex "C" hereto and made an integral part hereof.	Please refer to Section IV of the Audit Committee Charter.	Please refer to Section II of the Audit Committee Charter.

Risk Oversight	1	5	2	Yes.	Please refer to Section A of the Risk Oversight Committee Charter attached as Annex "D" hereto and made an integral part hereof.	Please refer to Section E of the ROC Charter which discusses its responsibilities.	Please refer to Section E of the ROC Charter which sets forth its scope of authority.
Corporate Governance	1	4	2	Yes.	Please refer to Section 5 Duties and Responsibilities of the Corporate Governance Committee Charter attached as Annex "E" hereto and made an integral part hereof.	Please refer to Section 5 Duties and Responsibilities of the Corporate Governance Committee Charter.	Please refer to Section 1.0 General Purpose and Authority of the Corporate Governance Committee Charter.
Trust	1	3	0	Yes.	Please refer to Section 3 of the Trust Committee Charter attached as Annex "F" hereto and made an integral part hereof.	Please refer to Section 3 of the Trust Committee Charter attached as Annex "F" hereto and made an integral part hereof.	Please refer to Section 3 of the Trust Committee Charter attached as Annex "F" hereto and made an integral part hereof.
Technology	1	4	1	Yes.	Please refer to Section A Principal Purpose/Objective of the Technology Committee Charter attached as Annex "G" hereto and made an integral	Please refer to Section E Responsibility of the Technology Committee Charter.	Please refer to Section E Scope of Authority of the Technology Committee Charter.

					part hereof.		
Personnel Evaluation and Review Committee (PERC)	0	1	0	Yes	Please refer to Section III. Purpose of the PERC Charter attached hereto as Annex "H" and made an integral part hereof.	Please refer to Section VI. Powers and Authorities of the PERC Charter.	Please refer to Section VI. Powers and Authorities of the PERC Charter.
Related Party Transactions Committee	0	5	2	Yes.	The Committee reviews and evaluates related party transaction prior to their submission to the Board for approval. The RPT Committee Charter is attached hereto as Annex "I" and made an integral part hereof.	Please refer to RPT Committee Charter attached as Annex "I".	Please refer to RPT Committee Charter attached as Annex "I".

2) Committee Members

Committee members are appointed during the organizational meeting of the Board of Directors. The information below covers the calendar year 2014.

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Helen Y. Dee	30 June 2014	46	39	84.78	9 yrs
Member (ED)	Lorenzo V. Tan	30 June 2014	46	39	84.78	7 yrs
Member (NED)	Cesar E. A. Virata	30 June 2014	46	44	95.65	19 yrs
Member (ID)	Armando M. Medina	24 June 2013	23*	20	86.96	11 yrs
Member (ID)	Antonino L. Alindogan, Jr.	30 June 2014	46	39	84.78	7 yrs
Member	Minki Brian Hong	30 June 2014	46	22	47.83	

(NED)						3 yrs

*Mr. Armando Medina was not re-appointed during the 30 June 2014 General Stockholders' Meeting.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Armando M. Medina	30 June 2014	13	13	100	7 yrs
Member (ID)	Francisco C. Eizmendi, Jr.	30 June 2014	13	8	61.54	1 year 4 mos
Member (NED)	Minki Brian Hong	30 June 2014	13	6	38.46	3 yrs
Member (NED)	Medel T. Nera	30 June 2014	13	11	84.62	2 yrs 11 mos

Disclose the profile or qualifications of the Audit Committee members.

Dir. Armando M. Medina, 65, Filipino, is an Independent Director of the Bank. He is a member of various board committees of the Bank, including the Audit Committee, and Risk Oversight Committee and the Corporate Governance Committee. He is also an Independent Director of RCBC Savings Bank, RCBC Capital Corporation, and Malayan Insurance Co. Inc. He graduated from De La Salle University with a Bachelor of Arts degree in Commerce and Economics and a Bachelor of Science in Commerce with a major in Accounting.

Mr. Francisco C. Eizmendi, Jr., 79, Filipino, is an Independent Director of the Bank. Mr. Eizmendi is also the Chairman of Dearborn Motor Co., an Independent Director of Sunlife Grepa Financial Inc. and Makati Finance Corporation and Trustee at the Institute of Corporate Directors. He served as President and Chief Operating Officer of San Miguel Corporation from 1987 to 2002. He graduated from the University of Sto. Tomas with a Bachelor of Science degree in Chemical Engineering.

Mr. Minki Brian Hong, 42, American, is currently a Managing Director of CVC Asia Pacific Limited and a Director of Hexagon Investments Holdings Limited. He graduated from the Brown University with double degree in Political Science and Business Economics. Other present directorship positions include Capital Asia Funds Limited, Best Moment Holdings, WiniaMando, Inc., Spare Group Limited, Spare Holdings Limited.

Mr. Medel T. Nera, 59, Filipino, joined the Bank in July 2011. Presently, he is the Chairman of the Risk Oversight Committee and member of Audit and Technology Committees. Mr. Nera graduated from the Far Eastern University with a degree in BS Commerce Major in Accountancy. He completed his post graduate studies at the New York University with a Master of Business Administration degree. He is presently a Director of Philippine National Reinsurance Corporation, Director and President of House of Investments, Inc., and Director and President of RCBC Realty Corporation. He also has directorship positions in Honda Cars Kalookan, iPeople, Inc., Landev Corporation, Hi-Eisai Pharmaceutical, Malayan Colleges Laguna Inc., and YGC Corporate Services.

Describe the Audit Committee's responsibility relative to the external auditor.

i. Recommend to the Board the selection of the external auditors, considering professional qualification, independence and effectiveness, and recommend the fees to be paid. Recommend any replacement of the external auditors.
ii. Consult with external auditors without management's presence about internal controls and the accuracy of the financial statements.
iii. Prior to the commencement of the audit, discuss with the external auditor the nature, scope, approach and expenses of the audit, including coordination of audit efforts with Internal Audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper

coverage and minimize duplication of efforts.

iv. Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor both in relation to Bank's total expenditure on consultancy.

v. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. If allowed, the non-audit work shall be disclosed in the Company's Annual Report.

vi. Ascertain the rotation of audit partner or external audit firm as required by regulations.

vii. Ascertain that management responds to recommendations by external auditors and is taking appropriate corrective actions in a timely manner.

(c) Nomination Committee

The Nomination and Remuneration Committees are merged under the Corporate Governance Committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(d) Remuneration Committee

The Nomination and Remuneration Committees are merged under the Corporate Governance Committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Francisco C. Eizmendi, Jr.	30 June 2014	10	10	100	7 yrs
Member (NED)	Helen Y. Dee	30 June 2014	10	10	100	9 yrs
Member (NED)	WIilfrido E. Sanchez	30 June 2014	10	10	100	7 yrs
Member (ID)	Antonino L. Alindogan,	30 June 2014	7	7	100	1 year 4

	Jr.*					mos.
Member (ED)	Atty. Ma. Celia H. Fernandez-Estavillo	30 June 2014	10	10	100	3 yrs
Member (ID)	Armando M. Medina	26 August 2014	2	2	100	4 mos.

*Resigned effective 31 July 2014

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(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Teodoro D. Regala	30 June 2014	12	11	92	15 yrs
Member (NED)	Cesar E.A. Virata	30 June 2014	12	12	100	7 yrs.
Member (NED)	Wilfrido E. Sanchez	30 June 2014	12	12	100	10 yrs. 11 mos.
Member (ED)	Lorenzo V. Tan	30 June 2014	12	11	92	6 yrs. 11 mos.
Member (Trust Officer)	Lourdes M. Ferrer	1 Sep 00	12	12	100	13 yrs. 9 mos.

Risk Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Medel T. Nera	30 June 2014	10	10	100	2 yr 11 mos
Member (NED)	Helen Y. Dee	30 June 2014	10	8	80	5 yrs
Member (ED)	Lorenzo V. Tan	30 June 2014	10	10	100	7 yrs
Member (NED)	Cesar E.A. Virata	30 June 2014	10	9	90	13 yrs
Member (ID)	Armando M. Medina (Vice Chair)	30 June 2014	10	9	90	11 yrs
Member (ID)	Antonino L. Alindogan, Jr.	24 June 2013*	6	5	83.33	5 yrs
Member	Francis G. Estrada	30 June 2014	4	3	75	6 months

*Mr. Alindogan was not re-appointed.

Technology Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee

Chairman	Helen Y. Dee	30 June 2014	8	5	62.5	6yrs 6 mos
Member (ED)	Lorenzo V. Tan	30 June 2014	8	4	50	6yrs 6 mos
Member (NED)	Cesar E.A. Virata	30 June 2014	8	5	62.5	6yrs 6 mos
Member (NED)	Medel T. Nera	30 June 2014	8	7	87.5	6yrs 6 mos
Member (ID)	Armando M. Medina	30 June 2014	8	6	75	6yrs 6 mos

PERSONNEL EVALUATION AND REVIEW COMMITTEE

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committe e
Chairman	Ms. Helen Y. Dee	June 2005	6	6	100	8 yrs
Member	Head – Human Resources Group	-	6	6	100	-
Member	Head – Retail Banking Group	-	6	6	100	-
Member	Head – Controllership Group	-	6	6	100	-
Member	Head – Legal and Regulatory Affairs Group	-	6	6	100	-
Member	Head – Corporate Risk Management Group	-	6	6	100	-

RELATED PARTY TRANSACTIONS COMMITTEE

Office	Name	Date of Appoint ment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Antonino L. Alindogan, Jr.	26 August 2014	6	6	100	4 mos.
Member (ID)	Francisco C. Eizmendi, Jr.	26 August 2014	6	5	83.33	4 mos.
Member (NED)	Wilfrido E. Sanchez	26 August 2014	6	4	66.67	4 mos.
Member (NED)	Teodoro D. Regala	26 August 2014	6	6	100	4 mos.
Member (NED)	Francis G. Estrada	26 August 2014	6	4	66.67	4 mos.
Alternate Member (ED)	Ma. Celia F. Fernandez-Estavillo	24 November 2014	1	0	0	1 mo.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Corporate Governance Committee	Resignation of Mr. Antonino L. Alindogan, Jr.; Appointment of Mr. Armando M. Medina effective 26 August 2014	To address BSP findings on concurrent membership in the Executive Committee.

4) **Work Done and Issues Addressed**

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	• Discussed various policies issued by regulatory agencies • Approved non-DOSRI loans over P100 million up to below 15% of the Bank's unimpaired capital • Evaluated and approved various operations/product manuals • Reviewed and endorsed for Board approval various management matters	Compliance with laws and regulatory issuances; fulfillment of responsibilities under the Bank's By-Laws and Corporate Governance Manual
Audit	• Performance of oversight functions over the internal and external auditors and ensuring that they acted independently from each other and both auditors were given unrestricted access to records, properties and personnel in the discharge of their functions. • Review of audit reports of both internal and external auditors and engaging in discussions of the results of audits during Audit Committee meetings to evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting and information technology security. This also included the review of the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters: • Any changes in accounting policies and practices; • Significant adjustments arising from audit; • Compliance with	• Providing the Internal Audit function with sufficient manpower complement thru approval and endorsement of the additional manpower requirement of IAG brought about by the continuing expansion of the bank. • Approval on the outsourcing of 60 business centers, various IT–related Audits (i.e. General Controls and Application Review), 2014 financial statements review and independent review of ICAAP to ensure adequate audit coverage. • The Committee instructed Retail Banking Group and Human Resources Group to upgrade the screening process of branch personnel particularly the Branch Managers, to improve competency of the new hires thru adequate training prior to deployment and to require existing personnel to continually enhance their process knowledge and strict execution of controls • The Committee recommended

	accounting standards; • Compliance with tax, legal and regulatory requirements; • Going concern assumptions; • Major judgmental areas; and • Completeness of disclosures of material information including subsequent events and related party transactions. • Review of the extent and scope, activities, staffing, resources and organizational structure of the Internal Audit function and approved the annual audit plan to ensure its conformity with the objectives of the Bank. This also included quarterly review of audit plan accomplishment / status including capacity and manpower complement. • Review of the compliance reports of the Compliance Officer during Audit Committee meetings to assess compliance with laws, rules and regulations. This also included the review of findings of any examinations by regulatory agencies (e.g., BSP). • Review of the Audit Committee and Internal Audit Charters.	the reiteration of various policies in the BC as well as implementation of stringent controls on critical processes.

Risk Oversight	• Review and approval of:
	  • portfolio and risk limits
	  • ICAAP Document and Roadmap
	
	• Approval of:
	  • Consolidated Risk Appetite Statement
	  • Increase in industry concentration limits
	  • Various revisions to credit policies and internal SBL
	  • Various liquidity and other risk limit amendments
	  • Revisions to market risk models and the contingency funding plan
	  • Amendments to the
		• ICAAP
		• Credit Risk Management
		• Market and Liquidity Risk Management
		• Operational Risk Management & Risk Management Systems Contingency Management and IT Risk

	ORMD framework and various guidelines on KRI, RCSA and Loss Events reporting • Amendments to Trust Risk Policy Manual and other manuals • Notation and approval/disposition/action of/on: • Results of the risk materiality survey • Results of the BSP uniform stress testing for banks; credit stress testing results • Updates on the Bank's SEMS initiatives • Risk profile of subsidiaries • Reports on subsidiary credit risk oversight Disaster Recovery Test reports; various contingency initiatives and report on impact assessment of recent calamities.	
Corporate Governance	• Review and evaluation of the qualifications of persons nominated to the Board as well as new officers with rank of Assistant Vice President and up requiring appointment by the Board; • Review and evaluation of the results of the annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees; and • Review of the annual performance evaluation of senior management and those recommended for promotion. • Review/evaluation of certain findings of the BSP in the recent examination	Fulfillment of responsibilities under its charter and the Corporate Governance Manual
Trust		
	• Approve revisions to the Trust Policy and Risk Manuals; issue new policies and guidelines for new products and activities and to further	• To ensure that policies and guidelines are revised to keep up with the changing market conditions and regulatory environment

	streamline controls.	
	• Review and approve annual business plan for the Trust and Investments Group.	• To promote the growth of the trust business in terms of volume of trust assets and revenues
	• Review and discuss financial performance, the impact of new regulations, industry landscape and trends, new product offerings, among others.	• To monitor performance of the trust business in relation to the approved business plan and against competition
	• Review investment performance of various accounts managed as well as compliance with regulatory limits, internal policies and client prescribed parameters.	• To ensure that accounts are managed in accordance with regulations and client prescribed guidelines
	• Approve credit lines, new investment outlets and accreditation of counterparties.	• To ensure that investments of accounts managed are done prudently and through accredited parties.
	• Discuss and review risk management reports.	• To monitor, measure and control levels of risk undertaken by Trust in relation to the client's requirements
	• Monitor and review compliance with and impact of applicable laws and regulations and implementation of approved policies and guidelines.	• To ensure compliance with new regulations which impact the trust business.
Technology	• Approved major IT investments. • Managed and aligned IT initiatives across the Group. • Reviewed status of major projects. • Prioritized IT initiatives • Evaluated emerging IT solutions for use of the Group. • Reviewed and resolved IT risks and other IT related issues raised in the TechCom. • Ensured compliance to BSP rules and regulations relating to Information Technology	Fulfillment of management and oversight responsibilities over IT initiatives of the Group
PERC	• Reviewed disciplinary cases. • Ensured that appropriate, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence, or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.	Fulfillment of responsibilities under its Charter

RPT	• Constitution of the RPT Committee • Review of the Charter and policies on RPT • Review of related party transactions	Fulfillment of responsibilities under the Charter and relevant regulations.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A. This will be done at the board level.	N/A. This will be done at the board level.
Audit	• Evaluation and approval of the outsourcing of sixty (60) business center to an external service provider in case additional manpower requirement is not on board by 1st quarter of 2015. • Evaluation of the outsourcing of some of the IT Audit plan • Review of the Audit Committee and Internal Audit process • Review of selection process and criteria on the assessment of the external auditor and conduct of the annual assessment.	• To address the 2014 backlog in the audit plan. • To address the manpower deficiency of IT Audit and regular audit. • To expedite the Audit Committee meetings and focus on addressing significant issues requiring management attention. • To recommend external auditor in consideration of the qualification, independence and effectiveness.
Nomination	• Functions have been merged under the Corporate Governance Committee	
Remuneration	• Functions have been merged under the Corporate Governance Committee	
Trust	Policy Formulation	• Review policies to keep up with the changing market conditions and regulatory environment • Review procedures and guidelines in areas which require streamlining of processes • Address any audit and compliance issues that may be raised
	Strategy Formulation and Performance	
	a. Volume Growth	To increase trust assets to P88B by end 2014

	b. Revenue Contribution	• To generate P278M in trust fees in 2014
	c. Product Development	• To develop at least one product in 2014
	Operational Efficiency and Controls	• Implement the Trade and Order Monitoring System to strengthen risk management in handling of accounts • Maximize use of the Administrative Review Monitoring System and generate required reports
	Risk Management	• Streamline risk management reports to facilitate Trust Committee review and action
	Audit	• Achieve satisfactory audit rating

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Group recognizes that risk is an inherent part of its activities, and that Banking is essentially a business of managing risks. Ultimately, therefore, the Group views risk management as a value proposition imbued with the mission of achieving sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

This corporate risk philosophy further translates to:

- Prudential risk-taking and proactive exposure management as cornerstones for sustainable growth, capital adequacy, and profitability;
- Standards aligned with internationally accepted practices and regulations in day to day conduct of risk and performance management; and
- Commitment to developing risk awareness across the Group, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

Concretely, the Group's risk management system aims to:

- Identify, measure, control, and monitor the risk inherent to the Group's business activities or embedded in its products and portfolio;
- Formulate, disseminate, and observe the corporate risk philosophy, policies, procedures and guidelines;
- Assist risk-taking units in understanding and measuring risk-return profiles in their various business transactions; and
- Continually develop an efficient and effective risk management infrastructure.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board, via the Risk Oversight Committee as its designated oversight body, reviews the effectiveness of the risk management system on a continuing basis. Such review covers, among others, the risk management framework; i.e., the manner by which the Bank identifies, measures, controls, and monitors its material risks. The document that essentially embodies this review is the annual Internal Capital Adequacy Assessment Process (ICAAP) document submitted to the BSP every 31st of January. The Board had done so for 2014, and deemed the effectiveness of the risk management system to be adequate.

(c) Period covered by the review;

Please see item (b) above.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Further to the discussion in item (b) above, the effectiveness of the risk management system is assessed via the ROC's regular examination of where the Bank is with respect to the approved risk appetite / risk-reward framework. Breaches of risk appetite benchmarks as well as of approved risk controls / limits trigger reviews of both the Bank's business and risk direction, and the bases for the very same breached risk thresholds.

(e) Where no review was conducted during the year, an explanation why not.

N/A

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Please refer to reply in item b below.	Please refer to reply in item b below.	Please refer to reply in item b below.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Please see reply below.	Please see reply below.	Please see reply below.

The Group's Risk Management Framework, provides the engine for the determination of the

Group's material risks, its appetite for said risks, and the overall execution of the risk management cycle of identifying, assessing or measuring, controlling and monitoring risk exposures. Risks are identified using various tools and techniques. Metrics, both adopted from regulation and best practice and internal to the Group are then used to measure these risks. Limits are then set to control them; and later monitored regularly to ascertain whether the same risks are still within the prescribed limits.

Risk Identification and Materiality

The risk identification & assessment process in the Group is carried out mainly via three means. "Top-down" risk assessment is from a macro perspective, and generally occurs during the risk appetite setting exercise of the Board and Senior Management. "Bottom-up" risk assessment on the other hand is the micro perspective. It involves identification and assessment of existing risks or those that may arise from new business initiatives and products, including material risks that originate from the Group's Trust business, subsidiaries and affiliates. The final means by which risk identification is carried out is via independent assessments. These include assessments and validations made by the Group's internal audit group, by the BSP, other regulators, the customers themselves, and other stakeholders.

On top of these risk identification methodologies, the Group likewise performs a perception check of the material vulnerabilities it faces. On an annual basis, the Board and the members of the Senior Management Committee undergo a Risk Materiality Survey to assess risk appreciation.

Risk Assessment

Pillar 1 Risks

The measurement of Pillar 1 risks is through proper risk measurement tools and methodology aligned with best practices and acceptable per regulatory standards. Minimum approaches are as prescribed under Basel II and BSP Circulars 360, 538, 544 and 545, with the objective of building on these regulatory prescriptions towards better internal models.

- *Credit Risk* – It is the risk that the borrower, issuer or counterparty in a transaction may default and cause a potential loss to the Group. The assessment of this risk is governed by the Standardized Approach, as prescribed under Basel II and BSP Circular 538.

- *Market Risk* – It is the risk resulting from adverse movements in the general level or volatility of market rates or prices or commodity/equity prices possibly affecting the Group's financial condition. The assessment of this risk likewise follows the Standardized Approach.

- *Operational Risk* – It is the risk arising from the potential that inadequate information system, operations or transactional problems (related to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected loss. IT Risk assessment is currently subsumed under this risk category. The Group uses the Basic Indicator Approach in its assessment of this risk.

Pillar 2 Risks

The tools used to measure most of Pillar 2 risks on the other hand are, in general, still evolving, and shall still undergo refinement moving forward. Following is a brief summary of how the Group appreciates these risks, and the tools employed for quantifying the same in 2014.

- *Liquidity Risk* – It is the risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without incurring unacceptable losses. This risk is measured using the established Maximum Cumulative Outflow (MCO) method, which in turn is based on historical observations and simulations of prospective liquidity risk events.

- *Interest Rate Risk in the Grouping Book (IRRBB)* – It is the current and prospective negative impact to earnings and capital arising from movements or shifts in interest rates. IRRBB becomes inherent in the current and prospective interest gapping of the Group's balance sheet. For the Group, this risk is measured via the Capital-at-Risk (CaR) and Net Interest Income (NII)-at-Risk methods.

- *Concentration Risk* – It is the current and prospective negative impact to earnings and capital arising from over-exposure to specific industries or borrowers / counterparties. Other than the various measures of risk concentration, the Group measures credit concentration risk using a simplified application of the Herfindahl-Hirschman Index (HHI) approach.

- *Reputation Risk* – It is the current and prospective negative impact to earnings and capital arising from negative public opinion. The Group recognizes this risk as one of the most difficult to quantify. In 2011, the Group adopted a reputation monitoring and escalation framework, which studies have shown to be just as effective. Driving the management of this risk is the Group's Public Relations Committee. The assessment of extreme reputation risk however is folded into the assessment of liquidity risk stress.

- *Compliance Risk* – It is the current and prospective negative impact to earnings and capital arising from violations of laws, regulations, ethical standards, and the like. The quantification of this risk is for now highly dependent on an analysis of historical operational losses and regulatory penalties / fines. Moving forward, a more robust operational risk management system could surface a better estimation method.

- *Strategic Business Risk* – It is the current and prospective negative impact to earnings arising from adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes. The Group currently treats this risk as a catch-all risk, and expresses its estimate as a cap on additional risk weighted assets given other risks and a desired minimum capital adequacy ratio.

Risk Control

The Board establishes the Group's strategic directions and risk tolerances. In carrying out these responsibilities, the Board approves policies, sets risk standards, and institutes risk limits. These limits are established, approved, and communicated through policies, standards, and procedures that define responsibility and authority. The same are evaluated at least annually for relevance, and to ensure compatibility with decided business strategy.

Risk Monitoring and Reporting

The Group monitors risk levels to ensure timely review of risk positions and exceptions versus established limits and ensure effectiveness of risk controls using appropriate monitoring systems. Reports are prepared on a regular, timely, accurate, and informative manner; and distributed to the risk taking units and appropriate oversight body to ensure timely and decisive management action. The RCBC ALCO is apprised weekly of the Parent's risk positions, performance, and limit compliance. The ROC on the other hand is apprised monthly of the same, but this time including those of the subsidiaries'. The Chair of the ROC in turn reports the committee's findings to the immediately following Board meeting.

Risk Mitigation and Management

In the end, risk management as a value proposition does not equal risk avoidance. The risk process adopted by the Group is not designed to eliminate risks, but rather to mitigate and manage them so as to arrive at an optimum risk-reward mix.

The Group understands efficient risk mitigation as one that is brought about by an active and consistent application and enforcement of policies, with a view of facilitating value-adding growth. It is also a process by which contingencies are laid out and tested in the hope of serving the Group in good stead during unforeseen crisis events.

(c) **Minority Shareholders**

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
None. Notwithstanding exercise of controlling shareholders' voting power, rights of minority shareholders are protected.

3) Control System Set Up

(a) **Company**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.

(b) **Group**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.

(c) **Committee**

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

The risk management infrastructure of the Group follows a top-down approach, whereby the Board takes ultimate accountability for the risks taken, the tolerance for these risks, business strategies, operating budget, policies, and overall risk philosophy.

In the interest of promoting efficient corporate governance, however, the Board constitutes committees to perform oversight responsibilities. These committees perform oversight functions either in the area of risk policy formulation, decision-making, or risk portfolio management. Assisting these committees in turn are dedicated management units.

The Risk Oversight Committee (ROC)

The ROC is constituted by the Board, and exercises authority over all other risk committees of the various RCBC business groups and subsidiaries, with the principal purpose of assisting the Board in fulfilling its oversight responsibilities relating to:

- Evaluation and setting of the Group's risk appetite;
- Review and management of the Group's risk profile;
- Implementation and continuous improvement of a sound framework for the identification, measurement, control, monitoring, and reporting of the principal risks faced by the Group;
- Capital planning and management.

The ROC is primarily tasked to develop and implement the institution's risk management program. It shall oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. The committee shall likewise enable the Board to establish the Group's risk tolerance within a risk-reward framework and ensure that a risk management strategy is in place that adheres to this framework. More particularly, the committee shall:

- Identify the Group's risk exposures and shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

- Develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.

- Cause the implementation of the plan, communicating the same and loss control procedures to affected parties. The committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks.

- Evaluate the risk management plan to ensure its continued relevancy, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The committee shall report regularly to the Board of Directors and entity's over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

Other than the ROC, the Board had constituted other committees that are nonetheless crucial to the risk management process. Primarily responsible for providing oversight with respect to the Group's risk-taking function are the following committees:

The Executive Committee

The Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board. More specifically, it reviews and approves loans and other credit-related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the Bank.

The Credit and Collection Committee

The Credit and Collection Committee, aside from the exercise of credit authority, is responsible for the regular review of past due accounts, reports / recommends to the Executive Committee, and takes immediate measures to enable reduction of the level of past due accounts.

The Asset and Liability Committee

The Asset and Liability Management Committee manages the asset / liability structure primarily of the parent Bank in order to:

- Achieve maximum but stable net interest margin.
- Maximize after-tax return on assets and on equity.
- Assure adequate capital to satisfy regulatory requirements as well as internal standards.
- Assure adequate liquidity.

The following in turn are primarily responsible for validation and ensuring compliance to regulatory and internal policies:

The Audit Committee

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

- Oversight of the institution's financial reporting and control, and of internal and external audit functions. This includes responsibility for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit Committee.

- Investigation of any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and adequate resources to enable it to effectively discharge its functions.

- The review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, to be conducted at least annually.

The Corporate Governance Committee

The Corporate Governance Committee is constituted by the Board to assist in performing its corporate governance responsibilities. It is tasked to ensure the Board's effectiveness and due observance of corporate governance and principles, as embodied in the Group's Corporate Governance Manual approved and adopted by the Board. Furthermore, it is tasked to:

- Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness, and participation).

- Decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.

- Oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.

- Prepare internal guidelines that shall be adopted which address the competing time commitments that are faced when directors serve on multiple boards.

- Make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.

The Related Party Transactions Committee

The RPT Committee is a Board-level committee headed by an independent director and composed of members with the least connection to the YGC conglomerate. The Committee meets monthly and as necessary, and reviews RPT's to determine whether or not the transaction is on terms no less favourable to the Parent Company than terms available to any unconnected third party under the same or similar circumstances. On favourable review, the RPT Committee endorses transactions to the Board for approval.

The Corporate Risk Management Services Group (CRISMS)

CRISMS' responsibilities cover risk management functions that are exclusive to an organizational unit independent of the unit responsible for the origination of the relevant risk exposure. Included are the following:

- Design and implementation of the internal credit risk rating system.
- Design or selection, and implementation of market risk measurement models / methodologies (e.g., value-at-risk, earnings-at-risk), monitoring / reporting of results, and the back-testing of the models / methodologies.
- Design or selection, and implementation of liquidity risk measurement methodologies (e.g. maximum cumulative outflow) and the monitoring / reporting of results.
- Design and implementation of stress testing market risk positions and liquidity.
- Formulation or selection of valuation methods for assets / liabilities carried at fair value

Along with Corporate Planning, CRISMS is also a lead unit in the implementation of the Group ICAAP. It is also acts as a main conduit of risk information from line management to the ROC, and eventually to the Board.

Committee/Unit	Control Mechanism	Details of its Functions

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Bank adopts the definition under the SEC Revised Code of Corporate Governance. Under the Corporate Governance Manual,[8] internal control system is defined as the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee has the following roles and responsibilities under the Audit Committee Charter:

- Monitor and evaluate the adequacy and effectiveness on internal control system and risk management including financial reporting control and information technology security.
- Evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and the management of risk and ascertain that all officers and employees have an understanding of their roles and responsibilities in the Bank's risk and control system.

8 Definition of Terms, par. j.

- Ascertain whether internal control recommendations made by internal and external auditors and regulating bodies have been implemented by management.

(c) Period covered by the review;

The review may cover the period from the last year to the current year. In the case of audit reports, evaluation is done considering the last audit cut-off with the present cut-off of examination performed by auditors. At least annually or when deemed necessary (e.g., change of corebanking system), the review is done to determine the adequacy and effectiveness of the Bank's internal control system, including financial reporting, operational and compliance controls, risk management, and information technology security.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Frequency:
Monthly - Audit Reports;
Quarterly - Financial Statement Review; and
Yearly - Annual Internal Report

Criteria:
Control Environment
Risk Assessment Process
Control Activities
Information and Communication System
Monitoring

(e) Where no review was conducted during the year, an explanation why not. N/A

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Audit – provide value added audit & consulting services by evaluating and improving the effectiveness of control, risk management and governance process.	Examination and evaluation of all business systems, processes, operation, function and activities within the Bank including the organization's outsourced functions, its subsidiaries and branches.	In-House	FSVP Ana Luisa S. Lim/Internal Audit Group	• Prepare a flexible annual audit plan using an appropriate risk-based methodology. • Provide periodic reports to the Audit Committee summarizing the Internal Audit performance and activity as well as highlighting significant emerging business risks,

				regulatory changes, internal control issues, corporate governance issues and accounting developments. • Provide an annual assessment on the adequacy and effectiveness of the Bank's process for controlling its activities and managing its risks.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. This is provided for under the Audit Committee Charter.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Under the Audit Committee Charter attached hereto as Annex "C", the Audit Committee shall ensure functional reporting of the Internal Audit to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties. The Audit Committee shall likewise ensure that the internal and external auditors act independently from each other, and that both external and internal auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Gershon Bautista	accepted COA's job offer
Kristine Ciriaco	accepted EastWest Bank's job offer
Saphire Buenafe	accepted EastWest Bank's job offer
Estella Maria Delos Reyes	accepted EastWest Bank's job offer
Patricia Tapalla	transferred to RCBC The Fort JY Campos BC
Jovine Asuncion	accepted COA's job offer
Joannes Errol Taguinod	accepted COA's job offer
Imee Mansibang	accepted EMAPTA's job offer (BPO)
Rachelina Bernal	transferred to RCBC Boni BC
Juan Miguel Mababa	accepted COA's job offer

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	
Issues[9]	
Findings[10]	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) **Preparation of an audit plan inclusive of a timeline and milestones;**

   An audit plan is prepared annually based on risk scoring criteria. Quarterly status of the plan is reported for the information of the Audit Committee.

2) **Conduct of examination based on the plan;**

   Examination is based on the annual audit plan while a portion of the plan is allotted for special or unscheduled audits. Revisions or adjustments in the annual plan are presented for the approval of the Audit Committee.

3) **Evaluation of the progress in the implementation of the plan;**

   A quarterly evaluation of the progress in the implementation of the plan is performed by the Internal Audit Head prior to reporting of the status to the Audit Committee.

4) **Documentation of issues and findings as a result of the examination;**

   Results of the examination are documented through preparation of audit report per auditable unit. Reports are presented for approval of the Audit Committee.

5) **Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;**

   Common and significant findings are summarized in the Annual Internal Audit Report.

6) **Conduct of the foregoing procedures on a regular basis.]**

   The foregoing procedures are conducted on a regular basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
PPP 2014-04: Revised Policies and Procedures on Exception and Management Issue Tracking (EMIT)	Implemented
PPP 2014-05: Policies and Procedures on Customer Satisfaction Survey Questionnaire	Implemented
PPP 2014-07: Revised Post activity & Report Transmittal (PORT) Format	Implemented
PPP 2014-09: Audit Examination Policy	Implemented
PPP 2014-09.1: Audit Examination - Annex 11 - Submission of Audit Reports for Presentation to the Audit Committee	Implemented

[9] "Issues" are compliance matters that arise from adopting different interpretations.
[10] "Findings" are those with concrete basis under the company's policies and rules.

(g) **Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
As stated in the Internal Audit Charter and to maintain objectivity, Internal Audit is not involved in day to day operations.	N/A	N/A	N/A

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Chairperson: Ms. Helen Y. Dee
President and CEO: Mr. Lorenzo V. Tan

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Employee's Code of Conduct under Treatment of Clients.	There are different venues where the Bank receives customer complaints: • Branch / Account Officers • Customer Contact Center • Social Media (Facebook/ Twitter) Complaints received through the contact center are sent to the branches concerned for their proper handling. The Branch Support Department of the Retail Banking Group is also copy furnished regarding the concern and follows up on the resolution of the concern. Complaints received through social media are also

		monitored by the Branch Support Department and is also forwarded to the branch concerned or unit concerned for proper resolution and action. The Branch Support Department then follows up with the branch on actions taken regarding the concern, and then validates with the client if the feedback of the branch is correct. The RBG Operations and Process Review Committee reviews the short and long term solutions on client concerns. The main focus of the Bank's service culture program is providing the standard service for clients, e.g. proper spiels, turn around time in account opening and tellering transactions, proper cross selling skills and kyc. proper way of speaking and interacting with the customer. Incorporated in the training programs is the HR guide on handling customer complaints e.g. "Taking the HEAT" H-ear them out E-mpathize A-pologize T-ake Action
Supplier/contractor selection practice	The supplier/contractor selection process is being handled by House of Investments (HI). There are Procurement Shared Polices (PSS), Supplier Management, Choosing A Supplier and Code of Ethics for Suppliers policies.	
Environmentally friendly value-chain	The Bank has a Policy on Social and Environmental Management System. Said policy includes a Credit Approval Process.	
Community interaction	Please see discussion under Corporate Social Responsibility Initiatives.	Please see discussion under Corporate Social Responsibility Initiatives.

Anti-corruption programmes and procedures?	This is embedded in the Bank's Code of Conduct and Corporate Governance Manual.	
Safeguarding creditors' rights	The Bank has a policy on Transparency/Commitment to Disclose Material Information under the Bank's Corporate Governance Manual.	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

RCBC is committed to maintain a safe and healthy working environment. The Bank has the following policies in accordance with labor laws and regulations:

1. Family Welfare Policy. This policy is intended to chart programs the Bank will implement to support employees to build strong and healthy families.

2. Tuberculosis Workplace Policy Program. This policy was adopted to address the stigma attached to TB and to ensure that the worker's right against discrimination, brought by the disease, is protected.

3. HIV/Aids Workplace Policy Program. This policy was issued for the following purposes:
   i. To educate the employees on the intricacies of HIV/Aids
   ii. To inform and guide employees in the diagnosis, treatment and prevention of HIV/Aids in the workplace
   iii. To address the stigma attached to HIV/AIDS and to ensure non-discrimination in any form from pre-employment to post-employment; and
   iv. To show support in addressing HIV/AIDS as an international pandemic problem.

Procedures are in place to protect all associates from generally recognized workplace hazards such as fire, earthquake, robberies and other natural and man-made calamities.

The Bank likewise has substance abuse policies and inspection and search procedures.

1. Substance Abuse Policies

   Employees who work while under the influence of drugs or alcohol present a safety and operational hazard to themselves and their colleagues as well as pose a risk to the trustworthy and professional image of the Bank. Thus, the Bank enacted of the following policies:

   1.1 RCBC's Drug-Free Workplace Policy & Programs
   1.2 Policy Against Alcohol Abuse
   1.3 Policy on Off-Duty Substance Abuse

2. Inspection & Search Procedures

   Employees are mandated to notify security personnel if they see anything suspicious, including the presence of strangers and unattended bags or packages on the premises.

Employees are likewise mandated to subject themselves, their personal belongings and the Bank assets under Bank custody to intensive inspection and search procedures by security personnel, upon entering, while within and upon leaving Bank premises.

Bank premises include parking lots, whether owned or leased by the Bank. Personal belongings shall pockets, bags, storage media, cars and any other personal property that may be used as repository of cash, jewelry, documents, keys, data and other valuable items.

(b) Show data relating to health, safety and welfare of its employees.

<u>The Bank's Human Resources Group budgeted P85 Million in 2014 for the medical benefits of employees</u>.

(c) State the company's training and development programmes for its employees. Show the data.

The Bank's training programs for employees across job levels are as follows:

1. Executive Development Program
2. Leadership Development Program
3. Middle Management Development Program
4. Supervisory Development Program
5. Officers Development Program

The Bank also has the following training and development programs for its employees which are coordinated with the HRG-Training Department for specific target participants:

1. Customer Service Programs
2. Leadership Development Programs
3. Risk Management
4. Sales Planning and Management
5. Operations Core-Competency
6. Product Knowledge
7. Technical Competency
8. E-Learning on the following:

    a. Information Security Awareness
    b. Corporate Governance
    c. Crisis Management
    d. Anti-Money Laundering

The different Groups also have their own training initiatives as well as external training seminars which are arranged as associates enroll in the course.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Bank's Compensation and Incentive Program provides as follows:

The Bank commits to pay its employees salaries/compensation consistent with job performance and the requirements of the law and one that is competitive with the banking industry. The Bank gives importance to equitable pay differentials for different types of work and hence pays within an established salary structure for the different job levels. The Bank likewise provides officers with incentives and rewards for contribution to the business objectives of the Bank.

1. The Bank implements and maintains a sound ***Compensation and Incentive Program***, with the following objectives:

- To establish a basis for determination and management of compensation, salary increase, and performance incentives.

- To provide financial incentives through the proper administration of salaries and other means of compensation for each individual to motivate them to do their best on their job.

- To maintain competitive salary levels/structures consistent with those in the banking industry.

- To ensure retention and attraction of performing and key talents in the organization.

2. To guide the Bank in managing the compensation levels of its employees, a salary structure was designed and developed using the following parameters:

a. Position Evaluation. Position evaluation is a systematic procedure for analyzing, measuring and classifying positions in terms of common job elements or factors found in every position. The current salary structure is based on the existing job grading system for Officer levels ranging from First Officer up to the Senior Executive Vice President. The Human Resources Group (HRG) has the responsibility of ensuring that jobs are rated properly and continuously as they change over time due to reconfiguration of functions or reorganizations.

b. Target Market Group. The salary structure was based on market data of banks deemed as peers by RCBC. Data on these peer banks are obtained from industry and national surveys conducted by private consultancy companies and trade and employee associations.

c. Target Positioning Objective. In terms of target positioning objectives, the Bank receives instruction from management on the desired positioning in relation with the Target Market Group or the banking industry in general. This positioning is targeted at both the market's guaranteed pay and total annual cash compensation.

3. The salary structure is reviewed regularly by HRG to maintain its relevance and competitiveness internally and externally.

4. In case surveys and studies reveal that the salary structure is grossly sliding off as compared to the industry or its Target Market Group, it is incumbent upon HRG to come up with recommendations to correct the disparity and to discuss said recommendations with management.

5. Final approval of recommendations with regard to changes in the compensation structure and policies will need to be secured from the Corporate Governance Committee.

6. Administration, implementation and maintenance of the Bank's Compensation and Incentive Program shall be the direct responsibility of HRG, particularly by its Group Head, Department Head for Compensation and Benefits and Department Head for Career Management.

7. The Compensation and Incentive Program shall be composed of:

a. Basic Pay. This refers to the employee's monthly take-home pay, exclusive of allowances and overtime pay.

b. Guaranteed Pay. Refers to the guaranteed annual pay/compensation regardless of whether the company meets its target or not. For Non-Officers, guaranteed pay totals 17 months, which includes the 13^{th} month pay. For Officers, guaranteed pay totals 16 months inclusive of the 13^{th} month pay.

c. Variable Pay. This refers to additional bonuses or incentives given to eligible employees depending on their contributions to the Bank's overall objectives. The incentives or rewards may include the Performance Incentive Bonus (for Officers), Merit Increase (for Officers) and Promotional Increase (for Non-Officers and Officers).

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Bank's Open Communication Policy provides as follows:

All employees, regardless of position or rank, who are witnesses to anomalies in the workplace are obliged to speak up and report the same personally or in writing to his/her unit head or any of the following officers, verbally or in writing:

The Internal Audit Division Head
The Human Resources Group Head
The Legal & Regulatory Affairs Group Head

The Compliance Officer,
The Bank Security Officer

The above officers are duty-bound to:

(a) Acknowledge receipt of the report and to communicate to the reporting employee the status of the complaint and manner by which the concern is being handled;
(b) Oversee the implementation of this policy; and
(c) Utilize the resources of the Internal Audit Division, the Human Resources Group and the Legal & Regulatory Affairs Group in investigating the veracity of the reports, conducting administrative investigations and filing and prosecuting the necessary criminal and/or civil cases in relation thereto.

CONFIDENTIALITY OF REPORTS & CONSEQUENCES OF REPORTING

All disclosures received by any of the above authorized persons shall be treated with confidentiality. In any case, the identity of the informant will not be revealed without his/her prior conforme.

All informants shall be protected by the Bank from harassment, reprisal and/or retaliation.

If the informant is somehow involved in the anomaly, s(he) will be exempt from administrative sanctions and/or criminal prosecution, if and when all of the following conditions concur:

(a) The report was made voluntarily and in good faith;
(b) There is absolute necessity for the testimony of the informant in order for the Bank to build an administrative/criminal case;
(c) There is no other direct evidence available for the proper prosecution of the anomaly committed;
(d) The testimony or information can be substantially corroborated in its material points;
(e) The informant does not appear to be the most guilty; and
(f) The informant actively cooperates and assists in the prosecution of the accused or perpetrator of the anomaly/irregularity.

Exemption from administrative sanction and/or criminal prosecution shall be upon the recommendation of the Investigative Committee and final approval of the Personnel Evaluation & review Committee (PERC).

OFFENSES & SANCTIONS

If an employee makes an allegation in good faith and said allegation is not confirmed by subsequent investigation, no action shall be taken against that employee. If the allegation is, however, proven to be malicious or vexatious, the same may be considered a form of misconduct depending on the circumstances of the case.

Any act of retaliation, reprisal or harassment against informant-employees in relation to their act of reporting anomalies is tantamount to grave misconduct – a gross/terminable offense.

Any act of misrepresentation, forgery or deceit that an employee may initiate in order to intentionally harm a co-employee constitutes dishonesty and grave misconduct, which are grounds for termination of employment.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PAN MALAYAN MANAGEMENT & INVESTMENT CORP.	473,963,632	37.15%	PAN MALAYAN MANAGEMENT & INVESTMENT CORP.
PCD NOMINEE CORP. (NON-FILIPINO)	383,551,994	30.07%	VARIOUS
PCD NOMINEE CORP (FILIPINO)	381,478,168	29.90%	VARIOUS

*As of 31 December 2014

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Lorenzo V. Tan	5	-	0.00%
Ma. Celia H. Fernandez-Estavillo	14	379,200 – RCBC Trust 100,000 – Abacus Sec	0.00
Alfredo S. Del Rosario	-	17,400 –RCBC Sec.	0.00%
Edgar Anthony Villanueva	-	200 – RCBC Sec.	0.00%
Koji Onozawa	-	2,000 – RCBC Sec.	0.00%
Rommel S. Latinazo	-	7,400 – RCBC Sec.	0.00%
Evelyn Nolasco	-	2,700 - RCBC Sec	0.00%

*As of 31 December 2014

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes (dividends paid)
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes

Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo – Parent	P2.90M	P4.99M
Punongbayan & Araullo - Group	P9.67M	P4.99M

*2014 figures

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

RCBC Website
Disclosures to the PSE
Press Releases

5) Date of release of audited financial report: April 16, 2014 disclosure to the PSE under SEC Form 17-A.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	The AOI and By-Laws will be made available in the third quarter of this year as part of the website updating.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Related parties under PAS 24		The significant transactions of the Bank and its subsidiaries (collectively referred to as the "Group") with its related parties as of end December 2014 included loans and receivables and deposit liabilities.	Total amount of loans outstanding was at P5,265 Billion and deposit liabilities was at P5,415 Billion as of end December 2014.
Directors, officers, stockholders, related interests (DOSRI) under BSP regulations		Loans, credit accommodations, guarantees	The total amount of DOSRI loans was at P5,412 Billion as of end December 2014.
RCBC Savings Bank (RSB), Malayan Insurance Company, Inc. (MICO), Grepalife Financial, Inc. (Grepalife), Bankard Inc. (Bankard) and Hexagonland, Inc. (Hexagonland), with the conformity of Goldpath Properties Development Corporation (Goldpath), the parent company of Hexagonland	RSB is a subsidiary of RCBC. Goldpath is 100% owned by RSB. MICO and Grepalife are affiliates. Please see following discussion on sale of Bankard and discussion on right column on liquidation of Hexagonland.	In October 1, 2009, RCBC entered into a joint development agreement with RSB, MICO, Grepalife, Bankard and Hexagonland, with the conformity of Goldpath, the parent company of Hexagonland, to form a consortium for the pooling of their resources and establishment of an unincorporated joint venture (the "UJV") for the construction and development of a high rise, mixed use commercial/office building, now operated by the Group as RSB Corporate Center. In 2011, RCBC acquired the rights and interest of Grepalife in the UJV. Also in 2011, RSB was able to acquire the rights and interest of Hexagonland after the latter's liquidation and partial return of capital to Goldpath. RSB, accordingly, contributed the land amounting to P383 million to the Project.	

		On October 2, 2012, the remaining co-venturers executed a memorandum of understanding agreeing in principle to cancel or revoke the UJV, subject to the approval of BSP. As of December 31, 2012, total cash contribution of RCBC, RSB and Bankard to the UJV amounted to P1.6 billion which is recorded as Construction in Progress. On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, BSP approved RCBC's acquisition of the land contributed to the RSB Corporate Center as well as the rights and interests of its co-venturers. As a result, RCBC paid its co-venturers a total consideration of P1.2 billion which is inclusive of compensation at the rate of 5.00% per annum computed from the date of the co-venturers' payment of their respective cash contributions until the date of the actual return or payment by RCBC. The total consideration was capitalized and recorded as part of Buildings account. In addition, by virtue of a deed of absolute sale executed between the Parent Company and RSB on April 5, 2013, the latter transferred its ownership and title to the land where the RSB Corporate Center is situated to	

		RCBC for a selling price of P529.	
RCBC Realty Corporation	Affiliate	The Bank and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RCBC Realty). The Bank's lease contract with RCBC Realty is until December 31, 2015.	Related rental expense are included as part of Occupancy and Equipment-related account in the statement of income.
Sale of RCBC's stake in RCBC Realty to PMMIC, House of Investments and RCBC Land	PMMIC, House of Investments and RCBC Land are affiliates	In 31 July 2013, the Board approved the sale of the Bank's 25% shareholdings in RCBC Realty and 49% shareholdings in RCBC Land, Inc. (RCBC Land) representing the Bank's 34.8% economic interest in RCBC Realty to Pan Malayan Investment and Management Corporation, House of Investments, and RCBC Land. The purpose of the transaction was to comply with Basel III guidelines.	Php 4,547,095,000.00.
Sale of RCBC's stake in Bankard; Transfer of merchant acquiring business of Bankard to the Bank; Card processing services of the Bank	RCBC Bankard Services Corporation is a subsidiary of RCBC Capital Corporation which is in turn a subsidiary of the Bank	In 18 October 2013, the Board approved the sale to Philippine Business Bank Trust and Investment Center on behalf of various clients the Bank's and its subsidiary RCBC Capital Corporation's 89% stake in Bankard.. In 25 November 2013, the Board approved the transfer of the merchant acquiring business of Bankard to the Bank. The transfer of the business involved the following activities:	

		1. Sale of POS terminals to the Bank 2. Assignment of merchant contracts in the name of Bankard, Inc. to the Bank 3. Transfer of the Bank Identification Number (BIN) and Association Licenses from Bankard to the Bank for the processing of acquiring transaction 4. Transfer of settlement Bank accounts from Bankard, Inc. to the Bank. The purpose of the transaction was to consolidate the merchant acquiring business of Bankard to the Bank. This was also intended to help in the efforts of the Bank to minimize its equity investments in subsidiaries in preparation for Basel III implementation. Net Assets as of 31 October 2013 was at P39.05 Million. In 04 December 2013, RCBC Bankard Services Corporation was incorporated as a subsidiary of RCBC Capital Corporation to perform card processing services for the Bank.	
RCBC and certain subsidiaries'		The Bank's and certain subsidiaries'	The Group's retirement fund has transactions

Retirement Funds		retirement funds covered under their defined post-employment benefit plan for qualified employees are administered by the Bank's Trust Department in accordance with their respective trust agreements. The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.	directly and indirectly with the Group and the Bank which consist of investment in common shares of the Bank, other securities and debt instruments wherein dividend income and trading gains are earned by the retirement funds.
		The Bank's other transactions with subsidiaries and affiliates include service agreements and leasing office premises, regular banking transactions (including purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances), all of which are at arms' length and conducted in the ordinary course of business.	

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Related party transactions are submitted to the Audit Committee for analysis and evaluation before they are submitted to the Board for approval. Under the Bank's Corporate Governance Manual, the Bank's stockholders are required to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Article IV. Section 1 (g) defines quorum "Quorum – A quorum at any meeting, whether regular or special, shall consist of stockholders owning the majority of the subscribed capital stock represented in person or by proxy. Except as otherwise provided by law, a majority of such quorum shall decide any question that may come before the meeting."

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Ratification of the Actions of the Board, Different Committees and Management.
Description	The shareholders ratify actions of the Board, Different Committees and Management during the Annual Stockholders' Meeting.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
None.	None.

Dividends

Declaration Date	Record Date	Payment Date
27 January 2014 *preferred shares	21 March 2014	27 March 2014
31 March 2014 *common shares	10 June 2014	16 June 2014
31 March 2014 *preferred shares (participation)	10 June 2014	16 June 2014
28 April 2014 *preferred shares	21 June 2014	30 July 2014
28 July 2014 *preferred shares	21 September 2014	10 October 2014
27 October 2014 *preferred shares	21 December 2014	28 January 2015
27 October 2014 *hybrid tier 1	--	April 2015
27 October 2014 *hybrid tier 1	--	October 2015

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Measures Adopted	Communication Procedure
Shareholders are allowed to ask questions during the Annual Stockholders' Meeting.	Shareholders pose questions and/or raise matters in person during the meeting and are addressed by the Chairperson, members of the Board and/or management.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**

   a. **Amendments to the company's constitution** – The Bank complies with the provisions of the Section 16 of the Corporation Code on the required vote or written assent of stockholders representing at least 2/3 of the outstanding capital stock for amendments of the articles of incorporation.

   b. **Authorization of additional shares –** The Bank complies with the provisions of Section 38 of the Corporation Code on the required approval of the stockholders representing at least 2/3 of the outstanding capital stock for increase in capital stock.

   c. **Transfer of all or substantially all assets, which in effect results in the sale of the company** - The Bank complies with the provisions of Section 40 of the Corporation Code on the required approval of the stockholders representing at least 2/3 of the outstanding capital stock for increase in capital stock.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

   a. **Date of sending out notices:** 15 Banking days before AGM however disclosure (PSE/PDEX/BSP/SEC) is made 10 banking days before the record date. Record date is 20 banking days before AGM.

   b. **Date of the Annual/Special Stockholders' Meeting:** Last Monday of June

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

   Below is the summary of questions/concerns raised and answers pertaining to the Annual Report/Audited Financial Statements of 2013:

   a. The Bank reported losses in securities. What do these losses pertain to?

      These are unrealized losses which resulted from the swing of interest rates. These are temporary losses

   b. With increased number of ATM's, how is RCBC protecting shareholders from fraud? There is supposed to be a chip in the ATM cards?

      The Bank establishes firewalls every year and makes use of hackers to test the Bank's firewalls. The chip-based card is required by the BSP and is for implementation in 2015.

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
14-01: Approval of the Minutes of the Annual Meeting of the Stockholders held on 24 June 2013	Stockholders representing a total of 940,919,864 common and preferred shares of stocks or 73.76% of the Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote	None	None
14-02: Approval of the Annual Report and the Audited Financial Statement for 2013	-do-	-do-	-do-
14-03: Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2013	-do-	-do-	-do-
14-04: Confirmation of Significant Transactions with DOSRI and Related Parties for the year 2013	-do-	-do-	-do-
14-05: Election of Directors	-do-	-do-	-do-
14-06: Appointment of External Auditor	-do-	-do-	-do-
14-07: Amendment of Article Three of the Articles of Incorporation on Principal Office Address	-do-	-do-	-do-

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

   None

7. **Modifications**

   State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification

None	None

8. Stockholders' Attendance

i. Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Amb. Alfonso. T. Yuchengco, *Honorary Chairman* 2. Ms. Helen Y. Dee, *Chairperson* 3. Mr. Cesar E.A. Virata, *Vice Chairperson* 4. Mr. Lorenzo V. Tan, *President and CEO* 5. Atty. Teodoro D. Regala 6. Atty. Wilfrido E. Sanchez 7. Atty. Ma. Celia H. Fernandez-Estavillo, *Corporate Secretary* 8. Mr. Medel T. Nera 9. Mr. Francis G. Estrada	30 June 2014	By poll	Stockholders representing a total of 50,104 common and preferred shares of stocks or .0039% of the Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote	Stockholders representing a total of 940,869,760 common and preferred shares of stocks or 73.76% of the Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote	Stockholders representing a total of 940,919,864 common and preferred shares of stocks or 73.76% of the Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote

	10. Ms. Yvonne S. Yuchengco 11. Mr. TC Chan 12. Mr. Minki Brian Hong 13. Mr. Armando M. Medina, *Independent Director* 14. Mr. Francisco C. Eizmendi, Jr., *Independent Director* 15. Mr. Antonino L. Alindogan, Jr., *Independent Director*					
Special	None					

ii. **Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

No.

iii. **Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

Yes.

iv. Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	This solicitation is being made by the Bank. Solicitation of proxies will be mainly conducted through

	mail. Proxies will also, however, be solicited in person or through telephone. The cost of solicitation is borne by the Bank.
Notary	Proxies need not be notarized.
Submission of Proxy	(a) The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at the principal office and mailing address of the Company not later than a given date and time. (b) If the proxy is given by one or more joint owners of shares of stock of the Company, the proxy form must be signed by all of the joint owners. (c) If the shares of stock of the Company are owned in an "and/or" capacity, the proxy form must be signed by either one of the registered owners. (d) If the proxy is given by a holder of shares of stock of the Company that is a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose/ (e) A proxy given by a broker or dealer in respect of shares of stock of the Company carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer. (f) If any customer of a broker or dealer who is the beneficial owner of shares of stock of the Company executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.
Several Proxies	The Bank complies with Rule 20.II.b.xiv of the Amended Implementing Rules and Regulations of the SRC on several proxies.
Validity of Proxy	The proxy shall continue for a period of 5 years from date hereof unless sooner withdrawn by the shareholder through notice in writing delivered to the Corporate Secretary.
Proxies executed abroad	Must be duly authenticated by the Philippine embassy or consular office in accordance with Rule 20.II.b.xvii of the Amended IRR of the SRC.
Invalidated Proxy	A holder of shares of stock of the Company who has given a proxy has the power to revoke it by written instrument duly signed and dated, which must be received at the Company's principal office and mailing address not later than a given date and time. A proxy is also considered suspended if an individual stockholder

	attends the meeting in person and expresses his intention to vote in person for the duration of said meeting, and shall continue to be in full force and effect thereafter.
Validation of Proxy	The last day for validation of proxies will be the day before the date of the Annual Meeting of Stockholders. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under her supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11(b) of the SRC Rule 20.
Violation of Proxy	The Bank complies with Rule 20.II.b.xxiv of the Amended IRR of the SRC on violation of proxies.

9. Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
In accordance with laws and regulatory issuances	15 Banking days before AGM however disclosure (PSE/PDEX/BSP/SEC) is made 10 banking days before the record date. Record date is 20 banking days before AGM.
In accordance with laws and regulatory issuances	Solicitation of proxies will be mainly conducted through mail. Proxies will also, however, be solicited in person or through telephone. The cost of solicitation will be borne by the Bank.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All shareholders as of record date.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	06 June 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	06 June 2014
State whether CD format or hard copies were distributed	Hard Copies
If yes, indicate whether requesting stockholders were provided hard copies	N/A

(ii) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes (Agenda)
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes (Information Statement)
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	N/A
The amount payable for final dividends.	N/A
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

10. Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Please see discussion under A.1)(b)	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

K. INVESTOR RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

RCBC has a Corporate Commuications Division headed by First Vice President Jose Edwiniel C. Guilas which is tasked to manage and oversee internal and external communications for the bank. The division is responsible for:

· Corporate Communications – Charting strategies for the RCBC group's Institutional Advertising*, corporate branding, image, publicity and promotions**, CSR undertakings;

· Marketing Services – Supporting the various business units' Product Management directions by providing them with product advertising, merchandising support as well as by mounting product-related activities, events and promotions that are all consistent with the institutional brand identity;

· Internal PR – Managing and staging of employee-related events and undertakings that help instill the bank's identified core values as well as promote institutional pride among the bank's associates. These activities are not limited to the bank's annual anniversary and Christmas celebrations, product launches and international conventions but also extend to the issuance of regular and timely advisories in times of PR crises and even the management of the internal online publication; and

· Social Media – Managing the bank's presence in online social media channels.***

* Advertising requirements are met in coordination with an advertising agency owned by the Yuchengco Group of Companies, Philippine Integrated Advertising Agency (PIAA).

**Publicity and promotional management is done in coordination with a PR and Reputational Risk Committee headed by the head of Corporate Communications, with the marketing champions of the different bank units as members. Members have been individually nominated by the various Bank Group Heads for committee membership. Committee meets twice a month to map out and monitor story lines and promotional activities for the bank as well as identify potential reputational risk items which may have to be elevated to the bank's Risk Management Committee.

***Social Media management is done in coordination with a Social Media Committee headed by the Corporate Communications, with the social media champions of the different bank units as members. Members have been individually nominated by the various Bank Group Heads for committee membership. The Committee meets twice per month for content planning—in terms of messaging and format—that the bank's social media accounts would take and at the same time, identify and elevate public concerns posted in these sites to the appropriate responsible/responding units in the bank for proper action/resolution.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Proper communication to stakeholders and investors
(2) Principles	provide stakeholders and investors access to the company
(3) Modes of Communications	Disclosures, press releases, One-on-one meetings
(4) Investors Relations Officer	Ms. Ma. Christina P. Alvarez, First Vice President (Corporate Information Officer)

Ms. Ma. Christina P. Alvarez, First Vice President, Head, Corporate Planning Group
Telephone # = 894-9457
Email = mpalvarez@rcbc.com
Fax Number = 894-9454

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Bank complies with all the applicable laws, rules and regulations pertaining to acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets.

The Head of Strategic Initiatives under the Office of the President and the CEO leads the identification, development and implementation of key projects and transactions.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The selection is done on a per transaction basis.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Environmental Care	
• The Bank has been exerting efforts to promote environmental care in the past years together with other YGC conglomerates with its Earth Care project, a tree planting drive in Tanay, Rizal. This year, together with the members of the Samahan ng mga Magsasaka ng San Andres (SAMASA) and other YGC group members, the Bank signed a memorandum of agreement for the maintenance of the 40-hectare tree planting site. This is to ensure that the seedlings planted in the previous years will be cultivated and protected by the farmers in the area. In line with this, the Bank joined the first ocular inspection in December 2013, wherein the YGC Earth Care project team responded positively during the checking of the growth and maintenance of the tree planting sites.	
• In pursuit of promoting environment-friendly facilities, RCBC had the first ever container van banking office in the country when its subsidiary, Rizal Microbank, opened its first Micro Banking Office (MBO) in Lipa City, made out of recycled container vans. The MBO's construction only amounted to approximately P2.3 million, including all office facilities and security requirements compared to the usual P4-6million cost of a regular branch, this ensuring cost efficiency.	
Educational	
• As part of the Buhay Rizal Values Campaign, which aims to revive nationalism and instill the Filipino values reflected in the life of our national hero, Dr. Jose Rizal, RCBC Savings Bank donated over 800 copies of Noli Me Tangere books to students of Navotas National High School this year. The project is also targeted to develop the potential of the youth in education and values formation. Since YGC launched the book donation initiative in 2008, it has donated nearly 50,000 copies of Noli Me Tangere, helping thousands of students from various public high schools across the country.	Students of the Navotas National High School

Entrepeneurship and Livelihood Projects	
• RCBC's aim to support micro-entrepreneurs in the country is starting to bear fruit not only for the bank but also for its clients. A Rizal Microbank client became one of 2013's Citi Microentrepreneurship Awardee for her company's significant contribution to community development efforts in Mindanao. After receiving a microfinance loan from Rizal Microbank only a few months back, the client was able to build a multi-million peso business, employing dozens of employees spread across 25 branches in Mindanao. Her achievements truly underscore the bank's commitment and pride supporting small business owners that make a significant contribution to the community's sustainable development.	
Disaster and Emergency Relief	
• The bank has been active this year in giving support and immediate relief to the victims of super typhoon Yolanda. Immediately after the calamity struck, RCBC launched the campaign, Alay ni Rizal, which raised almost P2 Million through employee donations alone. Full assistance like food and clothing were also given to employees who were severely affected. The campaign remains in effect as donations continue to come in through online channels courtesy of RCBC MyWallet and ATM cardholders. While other banks either kept their doors locked or offered limited banking services after the typhoon left Philippine shores, RCBC Tacloban branch was the first to be fully operational. In accordance with the relief efforts, groups like the Bankers Association of the Philippines (BAP) and Resona Holdings Inc., the fourth largest financial services group of Japan, coursed through RCBC their respective financial assistance initiatives aimed at rebuilding lives and reconstructing infrastructures in the Visayas region.	Victims of supertyphoon Yolanda

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	The Corporate Governance Department collects the data and submits the results to the Corporate Governance Committee for consideration. The results are considered in making the recommendation to the Board on the directors	Please see BOD criteria attached as Annex "J" hereto and made an integral part hereof.

	to be nominated for the incoming year.	
Board Committees	The committees conduct a self assessment and submits the results to the Corporate Governance Committee through the Corporate Governance Department. The results are considered in making the recommendation to the Board on the directors to be appointed to the committees for the incoming year.	Please see Board Committees criteria attached as Annex "K-1" up to "K-7" hereto and made an integral part hereof.
Individual Directors	The Corporate Governance Department collects the data and submits the results to the Corporate Governance Committee for consideration. The results are considered in making the recommendation to the Board on the directors to be nominated for the incoming year.	Please see Directors criteria attached as Annex "L" hereto and made an integral part hereof.
CEO/President	The Corporate Governance Department collects the data and submits the results to the Corporate Governance Committee for consideration. The results are considered in making the recommendation to the Board on the CEO/President to be nominated for the incoming year.	Please see CEO/President criteria attached as Annex "M" hereto and made an integral part hereof.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Non-compliance with any of the provisions in this Manual by the Bank's directors, officers, staff, subsidiaries, and affiliates and their respective directors, officers and staff shall subject erring associate/s	Section III.L of the Bank's Corporate Governance Manual provides that the erring associates shall, after due notice and hearing, be subject to sanctions as provided for under the following sections of the Bank's Human Resources Policy Manual: 1.1.1 Jurisdiction Over Administrative Disciplinary Actions 1.1.2 Code of Discipline 1.2 It shall be the duty of the Compliance Officer to determine any violation of the principles and best practices contained in this Manual through notice and hearing.

	1.3 The Compliance Officer shall likewise recommend to the Chairman and the Corporate Governance Committee the penalty to be imposed for such violation. The said recommendation shall be further reviewed and approved by the Board of Directors.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on___ June, 2013.

SIGNATURES

(original signed)
Ms. Helen Y. Dee
Chairman of the Board

(original signed)
Mr. Lorenzo V. Tan
Chief Executive Officer

(original signed)
Mr. Francisco C. Eizmendi, Jr.
Independent Director

(original signed)
Mr. Antonino L. Alindogan, Jr.
Independent Director

(original signed)
Ms. Ma. Fe P. Salamatin
Compliance Officer

SUBSCRIBED AND SWORN to before me this ________ day of June 2013, affiant(s) exhibiting to me their ____________________, as follows:

NAME	CTC	Competent Evidence of Identity
Ms. Helen Y. Dee	1588629; 3/5/2013; Manila	Passport No. XX4209429; valid until 7/21/2014
Mr. Lorenzo V. Tan	10658640; 1/16/2013; Makati City	TIN No. 900-036-442
Mr. Francisco C. Eizmendi, Jr.	01719682; 1/12/2013; Pasig City	TIN No. 119132505
Mr. Antonino L. Alindogan, Jr.	33906438; 1/3/2013; Muntinlupa City	Passport No. ZZ125046; valid until 6/3/2014
Ma. Fe P. Salamatin	06119629; 1/4/2013; Manila	SSS No. 03-45470243

NOTARY PUBLIC

Doc No.________________
Page No._______________
Book No._______________
Series of _______________

ANNEXES

A	2014 Corporate Governance Manual
B	X143.4 of the Manual of Regulations for Banks
C	Audit Committee Charter
D	Risk Oversight Committee Charter
E	Corporate Governance Committee Charter
F	Trust Committee Charter
G	Technology Committee Charter
H	Personnel Evaluation and Review Committee Charter
I	Related Party Transactions Committee Charter
J	BOD Self-Assessment Form
K1-K-7	Board Committees' Assessment Form
L	Director's Self-Assessment Form
M	CEO Self-Assessment Form

Revised Corporate Governance Manual
CGM – 2014

October 2010
Document Version 1
Prepared by: Ma. Fe P. Salamatin
Compliance Office/LRAG

September 2011
Document Version 2
Updated by: Ruby P. Payawal
Compliance Office/LRAG

March 2012
Document Version 3
Updated by: Queenie S. Oyales
Compliance Office/LRAG

May 2012
Document Version 3
Updated by: Queenie S. Oyales
Compliance Office/LRAG

January 2013
Document Version 3
Updated by: Queenie Oyales Rama
Compliance Office/LRAG

July 2014
Document Version 3
Updated by: Queenie Oyales Rama
Compliance Office/LRAG

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Ma. Fe P. Salamatin at local 9090
Email address: mfpsalamatin@rcbc.com
or

Queenie S. Oyales-Rama at local 1238
Email address: qdsoyales@rcbc.com

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I. Introduction

Rizal Commercial Banking Corporation (RCBC) believes that corporate governance is a necessary component of what constitutes sound strategic business management and shall therefore undertake every effort necessary to create awareness thereof within the organization. The Bank has promulgated and shall continue to promulgate policies that ensure good corporate governance, has structured itself to ensure that the men and women that comprise it adheres to the basic principles of the Bank, and has mandated compliance with laws as everyone else's primary responsibility.

The Bank adheres to the following basic principles of good governance:

- Transparency or the availability of information through expansion of public disclosure requirements. Consistent with the policy of transparency, all doubts or questions that may arise in the interpretation or application of the provisions of herein Corporate Governance Manual, shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and **other stakeholders** of the corporation.

- Accountability involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of the company.

- Fairness/equity implies that the rights of all concerned parties are protected. Directors shall not only promote the interest of stockholders but also that of other stakeholders **which include among others, customers, employees, suppliers, financiers, government and community in which it operates.**

The Bank also commits to continue establishing the following policies to ensure that business transactions are being implemented in accordance with the best practices and standards:

- on full and faithful compliance with laws, regulations, Bangko Sentral ng Pilipinas ("BSP") Circulars and other circulars released by other government regulatory agencies.

- on human resource development and personnel development system based on accountability, checks and balances, and a corporate Code of Ethics.

- to promote the good reputation of the Bank in dealings with depositors, borrowers and other parties that transact business with the Bank.

- sustain program of corporate social responsibility that enhances the good image of the Bank before the general public.

II. Composition of the Organization

<u>Policy</u>

The Bank has structured itself to ensure that the men and women that comprise it adhere to the basic principles of good governance, which encompass transparency, accountability and fairness. The Board of Directors shall insist on strict adherence to the Bank's Corporate Governance Manual, which shall guide all relations with the Bank's major and other stakeholders and with the general public.

Definition of Terms –[1]

a. **Corporate Governance –** the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders **and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates**;

b. **Board of Directors –** the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;

c. **Directors –** they shall include:

(1) directors who are named as such in the articles of incorporation;

(2) directors duly elected in subsequent meetings of the stockholders; and

(3) those elected to fill vacancies in the board of directors.[2]

d. **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.

e. **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;

f. **Independent Director** – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;

g. **Executive Director –** a director who is part of the day to day management of banking operations;

h. **Non-Executive Director –** a director who is not part of the day to day management of banking operations and shall include independent directors;

i. **Non-audit Work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;

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[1] Article 1, id.; Bangko Sentral ng Pilipinas ("BSP") Circular No. 749, series of 2012.

[2] BSP Circular No. 749, series of 2012.

j. **Internal Control System** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;

k. **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

l. **Internal Audit Department** – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations;

m. **Internal Auditor** – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

Implementing Guidelines

A. Board Governance

The Board of Directors (the "Board") is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide independent check on Management.[3]

1. Composition of the Board

1.1 The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders. At least three (3)[4] of whom shall be independent directors or such number of independent directors that constitutes thirty percent (30%) of the members of the Board, whichever is lesser, but in no case less than three (3).

1.2 There shall be a balance of executive and non-executive directors, including independent non-executives, such that no individual or small group of individuals can dominate the Board's decision-making.

1.3 Non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

1.4 The Directors elected in the annual meeting of the stockholders shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board occurring for any reason other than by removal of a Director by the stockholders or by the expiration of term may be filled by the vote of at least a majority of the remaining

3 Article 3, SEC Memorandum Circular No. 6, Series of 2009
4 Maharlika Board Listing and Disclosure Rules

Directors, if still constituting a quorum. A Director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor of office.

2. Roles of the Board of Directors

2.1 Powers and Authority of the Board of Directors

The corporate powers of the Bank shall be exercised, its business conducted and all its property shall be controlled and held by its Board of Directors. The powers of the Board of Directors, as conferred by law, are original and cannot be revoked by the stockholders. The Directors hold their office charged with the duty to act for the Bank in accordance with their sound and objective judgment for the best interest of the Bank.

2.2 General Responsibility of the Board of Directors

2.2.1 It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders **and other stakeholders**.

2.2.2 The Board shall formulate the Bank's vision, mission, strategic objectives, policies and procedures that shall guide and direct the activities of the bank and the means to obtain the same as well as the mechanism to effectively monitor Management's performance.

2.2.3 The Board has overall responsibility for the bank, including approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for providing oversight of senior management. [5]

2.2.4 While the management of the day-to-day affairs of the Bank is the responsibility of the management team, the Board of Directors is, however, responsible for monitoring and overseeing senior management action. The Board of Directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. It is vitally important that a number of board members be independent from management.

2.2.5 The Board shall identify the Bank's major and other stakeholders **(e.g. shareholders, customers, employees, suppliers, financiers, government and community in which it operates)** and formulate a clear policy on communicating or relating with them through an effective investor relations program. The Board shall be adequately transparent to its shareholders, **and other stakeholders** . The objective of transparency in the area of corporate governance is to provide these parties, consistent with national law and supervisory practice, with key information necessary to enable them to assess the effectiveness of the Board and senior management governing the Bank. The

[5] Basel Committee on Banking Supervision Principles for Enhancing Corporate Governance

Board shall ensure the disclosure of relevant and useful information that supports the following key areas of corporate governance:

(1) Board practices

(2) Senior management

(3) Risk management and internal controls

(4) Compensation

(5) Complex or opaque corporate structures

(6) Disclosure and transparency

Such disclosure should be proportionate to the size, complexity, structure, economic significance and risk profile of the Bank.[6]

2.3 Duties and Functions of the Board of Directors[7]

To ensure a high standard of best practice for the Bank, **its stockholders and other** stakeholders, the Board shall conduct itself with honesty and integrity in the performance of the following duties and responsibilities:

2.3.1 Implement a process of selection from a broad pool of qualified candidates to ensure a mix of competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. The selection process shall ensure that a sufficient number of qualified non-executive members are elected to promote the independence of the board from the views of senior management.

2.3.2 Oversee the selection and performance of senior management. It is the primary responsibility of the Board to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the bank's strategic objectives, and conduct regular review of bank's policies with the management team.

(a) The Board shall apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the institution's business, either current or planned, shall be the key considerations in the selection process. And because mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the institution. The Board shall replace

6 *Id.*
7 BSP Circular No. 749, Series of 2012

members of senior management, and have in place an appropriate plan of succession.

(b) The Board shall regularly monitor the actions of senior management and ensure that these are consistent with the policies that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of senior management. The performance standards shall be consistent with the bank's strategic objectives and business plans, taking into account the bank's long-term financial interests.

(c) The Board shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter. The Board shall set the frequency of meeting with senior management, taking into account the size, complexity of operations and risk profile of the Bank.

(d) The Board shall regularly review policies, internal controls and self-assessment functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues. The Board shall set the frequency of review taking into account the size, complexity of operations and risk profile of the bank.

The Board shall ensure that senior management's expertise and knowledge shall remain relevant given the Bank's strategic objectives, complexity of operations and risk profile.

2.3.3 Determine the Bank's purpose and review, together with senior management, its vision and mission and strategies to carry out its objectives.

2.3.4 Ensure that the Bank complies with all relevant laws, regulations and endeavors to adopt best business practices.

2.3.5 Approve and monitor management's implementation of strategic objectives. Consistent with the institution's strategic objectives, business plans shall be established for the Bank including its trust operations, and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the Bank's long-term financial interests, its level of risk tolerance and its ability to manage risks effectively.

The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the revised Code of Corporate Governance, as approved by the Securities and Exchange Commission ("SEC").[8]

[8] Article 7, SEC Memorandum Circular No. 6, Series of 2009

The Board shall likewise ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

2.3.6 Approve and oversee the implementation of policies governing major areas of banking operations. The Board shall approve policies on all major business activities, e.g. investments, loans, asset and liability management, trust, business planning and budgeting. The Board shall accordingly define the Bank's level of risk tolerance in respect of said activities. A mechanism to ensure compliance with said policies shall also be provided.

The Board shall set out matters and authorities reserved to it for decision, which include, among others major capital expenditures, equity investments and divestments. The Board shall also establish the limits of the discretionary powers of each officer, committee, subcommittee and such other groups for purposes of lending, investing or any other financial undertaking that exposes the bank to significant risks.

2.3.7 Approve and oversee the implementation of risk management policies. The Board shall be responsible for defining the Bank's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations. The risk management policy shall include:

(a) a comprehensive risk management approach;

(b) a detailed structure of limits, guidelines and other parameters used to govern risk-taking;

(c) a clear delineation of lines of responsibility for managing risk;

(d) an adequate system for measuring risk; and

(e) effective internal controls and a comprehensive risk-reporting process. The board of directors shall ensure that a robust internal reporting system is in place that shall enable each employee to contribute to the appreciation of the bank's overall risk exposures;

The Board shall ensure that the risk management function is given adequate resources to enable it to effectively perform its functions. The risk management function shall be afforded with adequate personnel, access to information technology systems and systems development resources, and support and access to internal information.

2.3.8 Consistently conduct the affairs of the institution with a high degree of integrity. Since reputation is a very valuable asset, it is in the Bank's best interest that in dealings with the public, it observes a high standard of integrity. The Board shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. The Board shall:

(a) Articulate clear policies on the handling of any transaction with DOSRI and other related parties ensuring that there is effective compliance with existing laws, rules and regulations at all times and no stakeholder is unduly disadvantaged. In this regard, the Board shall define “related party transaction”, which is expected to cover a wider definition than DOSRI under existing regulations and a broader spectrum of transactions (i.e., not limited to credit exposure), such that relevant transactions that could pose material risk or potential abuse to the Bank and its stakeholders are captured.

(b) Require the Bank’s stockholders to confirm by majority vote, in the annual stockholders’ meeting, the bank’s significant transactions with its DOSRI and other related parties. For this purpose, significant shall refer to transactions that would require board approval based on the Bank’s internal policies or as provided under existing regulations.[9]

(c) Articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the institution, or unethical conduct.

(d) Articulate policies that will prevent the use of the facilities of the Bank in furtherance of criminal or other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

(e) Explicitly discourage the taking of excessive risks as defined by internal policies and establish an employees’ compensation scheme effectively aligned with prudent risk taking. The compensation scheme shall be adjusted for all types of risk and sensitive to the time horizon of risk. Further, the grant of compensation in forms other than cash shall be consistent with the overall risk alignment of the Bank. The Board shall regularly monitor and review the compensation scheme to ensure that it operates and achieves the objectives as intended.

(f) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times. Further, the Board shall ensure that all transactions involving the pension fund are conducted at arm’s length terms.

(g) Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal

[9] Please see: Section 2.a)c Specific duties and responsibilities of the board of directors.(9)2nd par, (e).BSP Circular No. 749, Series of 2012

control function, an objective external party, senior management and/or the Board itself.

(h) Articulate policies in communicating corporate values, codes of conduct and other standards in the bank as well as the means to confidentially report concerns or violations to an appropriate body.

2.3.9 Define appropriate governance policies and practices for the Bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement. The Board, through policies and its own practices, shall establish and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance as seen by both internal and external stakeholders.

(a) The Board shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability, especially between the roles of the Chairman of the Board and Chief Executive Officer/President.

(b) The Board shall maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.

(c) The Board shall structure itself in a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, critical discussion of issues and thorough review of matters. It shall meet regularly to properly discharge its functions. It shall also ensure that independent views in board meetings shall be given full consideration and all such meetings be duly minuted.

(d) The Board shall conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice.

(e) The Board shall establish a system of checks and balances which applies in the first instance to the Board itself. Among the members of the Board, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the Board over the Chief Executive Officer and key managers and by the latter over the line officers of the Bank.

2.3.10 Appoint a Compliance Officer who shall have the rank of at least Vice President. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.[10]

2.3.11 Adopt a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, the cost of which shall be shouldered by the Bank.

2.3.12 Identify **the Bank's stakeholders** in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.

2.3.13 Establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Bank and its stockholders, **the Bank and other stakeholders, including regulatory authorities**, and the Bank and third parties.

2.3.14 Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors. The Board shall recognize and acknowledge the importance of the assessment of the independent, competent and qualified internal and external auditors as well as the risk and compliance officers in ensuring the safety and soundness of the operations of a bank on a going-concern basis and communicate the same through-out the bank. This shall be displayed by undertaking timely and effective actions on issues identified.

Further, non-executive board members shall meet regularly, other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

2.3.15 As the Board of the parent Bank, exercise over-all responsibility for defining an appropriate governance framework that shall contribute to the effective oversight over entities in the group. Towards this end, the Board of the parent Bank shall ensure consistent adoption of corporate governance policies and systems across the group and shall carry-out the following duties and responsibilities:

(a) define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed. The Board shall also establish the means to ensure that such policies, practices and systems remain appropriate in the light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the

10 Article 3 (F)(2)(m), SEC Memorandum Circular No. 6, Series of 2009

policies include the commitment from the entities in the group to meet all governance requirements.

(b) define the level of risk tolerance for the group, which shall be linked to the process of determining the adequacy of capital of the group.

(c) ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.

(d) establish a system of monitoring compliance of each entity in the group with all applicable policies, practices and systems.

(e) define and approve policies and clear strategies for the establishment of new structures.

(f) understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company bank. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances.

(g) develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.

(h) require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board.

(i) disclose to the BSP all entities in the group (e.g. owned directly or indirectly by the parent Bank and/or its subsidiaries/affiliates including special purpose entities (SPEs), and other entities that the Bank exerts control over or those that exert control over the Bank, or those that are related to the Bank and/or its subsidiaries/affiliates either through common ownership/directorship/officership as well as all significant transactions between entities in the group involving any BSP regulated entity. For this purpose, significant shall refer to transactions that would require board approval based on the Bank's internal policies or as provided under existing regulations: Provided, That the Bank shall continue to submit any report required under existing regulations covering transactions between companies within the group.

2.3.16 As the Board of the Bank is a subsidiary/affiliate of a non-BSP regulated parent company, the Board shall carry out the following duties and responsibilities:

(a) ensure that the Bank complies with the governance policies, practices and systems of the parent company as well as meets the standards and requirements set forth under existing laws, rules and regulations.

(b) define and approve policies and clear strategies for the establishment of new structures (e.g. subsidiaries/affiliate of the Bank). The Board shall also report to the BSP any plan to create additional group structures.

(c) understand the roles, relationships or interactions of each entity in the group with one another and with the parent company. The Board shall understand the legal and operational implications of the group structure and how the various type of exposures affect the Bank's capital, risk profile and funding under normal and contingent circumstances.

(d) require the risk management, compliance function and internal audit group of the Bank to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the Board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board.

(e) disclose to the BSP all entities in the group (e.g. parent company, entities owned directly or indirectly by the parent company and/or its subsidiaries/affiliates including special purpose entities (SPEs), and other entities that the Bank exerts control over or those that exert control over the Bank, or those that are related to the Bank and/or its subsidiaries/affiliates either through common ownership/directorship/officership as well as all significant transactions between entities in the group involving any BSP regulated entity. For this purpose, significant shall refer to transactions that would require board approval based on the Bank's internal policies or as provided under existing regulations: Provided, That the Bank shall continue to submit any report required under existing regulations covering transactions between companies within the group.

2.4 Maximum Board Seats

The Chief Executive Officer and other executive directors may submit themselves to an indicative limit on membership in other corporate Boards. The same limit may apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence and efficiency shall not be compromised.

Please refer to the section on Corporate Governance Committee of this manual for the guidelines on the determination of the number of directorships for the Board.

The board members shall dedicate sufficient time and attention to their functions in the bank. Directors shall limit their outside board seats to six (6),[11] unless there is good justification for a greater number of outside board seats and these do not interfere with the amount and quality of time and attention of the director to the bank.

2.5 Adequate and Timely Information

2.5.1 To enable the members of the Board to properly fulfill their duties and responsibilities, the Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

2.5.2 Since reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board, the members shall be given independent access to Management and the Corporate Secretary. Such information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

2.5.3 The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice, the cost of which shall be shouldered by the Bank.

3. The Chairperson, Corporate Vice-Chairman, and Chief Executive Officer

3.1 The Chairperson and Chief Executive Officer (CEO)

3.1.1 The Chairperson shall assist in ensuring compliance with and performance of the corporate governance policies and practices.

3.1.2 In accordance with applicable regulations, the roles of Chairperson and the CEO shall, as practicable, be separate for an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. There shall be a delineation of functions between the Chairperson and the CEO.[12]

3.1.3 If the positions of the Chairperson and the CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

3.2 The Chairperson

The Chairperson shall have the following duties and responsibilities:

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[11] IFC recommendation

[12] Maharlika Board: The Chairman and CEO positions should be held separately by individuals who are not related to each other.

3.2.1 Mainly responsible for the proper governance of the Bank through the Board of Directors.

3.2.2 Provide leadership in the Board of directors. The Chairperson shall be responsible for the efficient functioning of the Board including maintaining a relationship of trust with the members of the Board. The Chairperson will decide on all matters to be included in the agenda and preside at meetings of the stockholders and Board of Directors.

3.2.3 Ensure that the Board takes an informed decision.

(a) Ensure active participation and sufficiently deep professional involvement of all members of the Board of Directors.

(b) Encourage and actively solicit views and opinions of other members of the Board in the process of arriving at a decision.

(c) Ensure that all members of the Board are given sufficient information and time to enable them to study carefully and responsibly issues that come up to the Board.

(d) Allow for, and even encourage, the expression of independent views that may be different from those proposed by top management.

3.2.4 Ensure that the meetings of the Board are held in accordance with the By-laws and annual schedule approved by the Board or as the Chairperson may deem necessary.

3.2.5 Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors.

3.2.6 Ensure and maintain quality and timely lines of communication and flow of information between the Board and Management.

3.2.7 Ensure that the Board has free access to people who can answer their questions, preventing the need for back channels.

3.3 The Corporate Vice-Chairman

The Corporate Vice-Chairman will have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairman to act, the Corporate Vice-Chairman will act in his stead, and will exercise any and all such powers and perform any and all duties pertaining to the office of the Chairperson conferred upon it by the By-Laws.

3.4 The Chief Executive Officer (CEO)

The Chief Executive Officer (CEO) will be in-charge of and will exercise general management responsibilities over management development, public relations and advertising relations with the BSP and other offices, agencies and instrumentalities on the Philippine government, relations with the Bankers' Association of the Philippines and other industry associations, and relations with other ASEAN countries. He will be a member of the Executive Committee and of all major management committees, and will exercise such other powers and perform such other duties as the Board of Directors may prescribe from time to time.

He shall ensure that, and be accountable for, the business and affairs of the Bank are managed in a sound and prudent manner and that operational, financial and internal control are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.

The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Bank's performance, financial condition, results of operations prospects on a regular basis.

B. Directors

A director's office is one of trust and confidence. A director shall act in the best interest of the Bank in a manner characterized by transparency, accountability and fairness. He shall exercise his "duty of care" and "duty of loyalty" to the Bank under applicable law and regulation. He shall also exercise leadership, prudence and integrity in directing the Bank towards sustained progress.

1. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

1.1 To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.

1.2 To conduct fair business transactions with the Bank and to ensure that his personal interest does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

1.3 To act honestly and in good faith, with loyalty and in the best interest of the institution, its **stockholders**, regardless of the amount of their stockholdings, and other stakeholders.. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

1.4 To devote time and attention necessary to properly and effectively discharge his duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in the board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.

1.5 To act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decisions;

1.6 To contribute significantly to the decision-making process of the Board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.

1.7 To exercise independent judgment. A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.

1.8 To have a working knowledge of the statutory and regulatory requirements affecting the Bank and its operations, including the contents of its Articles of Incorporation and By-laws, the rules and regulations of the SEC and BSP, and where applicable, the requirements of other regulatory agencies having jurisdiction over the Bank, and keep abreast with industry developments and business trends.

1.9 To observe and safeguard confidentiality of non-public information acquired by reason of his position as a director. A director may not disclose said information to any other person without the authority of the Board.

1.10 To ensure the continuing soundness, effectiveness and adequacy of the Bank's control environment.

2. Qualifications of a Director

A director shall have the following minimum qualifications:

2.1 He shall own at least one (1) share of the capital stock of the Bank;

2.2 He shall be at least twenty-five (25) years of age at the time of his election or appointment;

2.3 He shall be at least a college graduate or have an equivalent academic degree;

2.4 He shall have a practical understanding of the business of the Bank;

2.5 He must be a member in good standing in relevant industry, business or professional organization;[13]

2.6 He must have previous business experience;[14]

2.7 He must attend the special seminar **on corporate governance** for board of directors conducted or accredited by the BSP within six (6) months after election, **provided that the following persons are exempted from attending the said seminar:**

i. Foreign nationals who have attended corporate governance training covering core topics in the BSP-recommended syllabus and certified by the Corporate Secretary as having been made aware of the general responsibility and specific duties and responsibilities of the board of directors and responsibilities of a director prescribed under the MORB;

ii. Filipino citizens with recognized stature, influence, and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;

iii. Distinguished foreign and Filipino nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members; or

iv. Former Chief Justices of the Philippine Supreme Court;[15] and

2.8 He must be fit and proper for the position of a director of the Bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered:

- integrity/probity;
- physical/mental fitness

[13] Article 3 (D)(iii), SEC Memorandum Circular No. 6, Series of 2009
[14] Article 3 (D)(iv), *id*.
[15] BSP Circular No. 840, Series of 2014 .

- competence;
- relevant education/financial literacy;
- diligence; and
- knowledge/experience/training.

The foregoing qualifications for directors shall be in addition to those required or prescribed under R.A. No. 8791 (General Banking Law) and other existing applicable laws and regulations.

2.9. Board members shall be and remain qualified, including through training, for their positions. They shall have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the bank.[16]

2.10. The board collectively shall have adequate knowledge and experience relevant to each of the material financial activities the bank intends to pursue in order to enable effective governance and oversight.

3. Disqualification of Directors

The following are the grounds for the disqualification of a director:

3.1 Permanent Disqualification

The following are the grounds for the permanent disqualification of a director:[17]

3.1.1 Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:

a. involves the purchase or sale of securities, as defined in the Securities Regulation Code ("SRC");

b. arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or

c. arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.

3.1.2 Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any administrative body of competent jurisdiction from:

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[16] Basel Committee on Banking Supervision Principles for Enhancing Corporate Governance
[17] Article 3, Section E.1, SEC Memorandum Circular No. 6, Series of 2009

a. acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;

b. acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;

c. engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

3.1.3 Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.

3.1.4 Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or BSP, or any of its rule, regulation or order.

3.1.5 Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.

3.1.6 Any person judicially declared as insolvent.

3.1.7 Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in item nos. 3.1.1 to 3.1.4.

3.1.8 Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

3.2 Temporary Disqualification

The Board may provide for temporary disqualification of a director for any of the following reasons:

3.2.1 Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

3.2.2 Absence or non-participation for whatever reasons in more than fifty (50%) of all regular and special meetings of the Board during his incumbency, and failure to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/suggestions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. The disqualification shall apply for purposes of the succeeding election.[18]

3.2.3 Persons convicted for offenses involving dishonesty, breach of trust or violation of banking laws but whose conviction has not yet become final and executory.

3.2.4 Directors and officers of closed banks who have committed irregularity and those with pending complaints/cases. This disqualification applies upon approval of the Monetary Board until final resolution of their cases.

3.2.5 Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising and examining department of such director's election/reelection.

3.2.6 Directors who failed to attend the special seminar **on corporate governance** for board of directors required by the Bangko Sentral ng Pilipinas, **unless said directors are exempted in accordance with the foregoing or applicable laws, rules and regulations**. This disqualification applies until the director concerned had attended such seminar.

3.2.7 Dismissal or termination for cause as director of any corporation covered under SEC Memorandum Circular No. 6, Series of 2009 (or the revised Code of Corporate Governance). The disqualification shall be in effect until he has cleared himself from any involvement in the alleged irregularity.

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[18] §143.1.b.(2), 2010 Manual of Regulation for Banks vol. 1

3.2.8 If the beneficial equity ownership of an independent director in the Bank or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.[19]

3.2.9 Persons disseminated/terminated from employment for cause. This disqualification shall be in effect until:

a. they have cleared themselves of involvement in the alleged irregularity; or

b. upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons; or

c. after the lapse of the five (5) years from the time they were officially advised by the appropriate department of BSP's Supervision and Examination Sector (SES) of their disqualification.

3.2.10 Those under preventive suspension (as in the case of an Executive Director).

3.2.11 Persons with derogatory records with the National Bureau of Investigation (NBI), court, police, Interpol and monetary authority (central bank) of other countries (for foreign directors and officers) involving violation of any law, rule or regulation of the Government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a bank officer. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity.

3.2.12 Persons who are delinquent in the payment of their obligations as defined hereunder[20] :

(a) Delinquency in the payment of obligations means that an obligation of a person with a bank/quasi-bank/trust entity where he/she is a director or officer, or at least two obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to Sec. X306 of the BSP Manual of Regulations for Banks;

(b) Obligations shall include all borrowings from a bank/quasi-bank obtained by:

i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such financial institutions;

ii. The spouse or child under the parental authority of the director or officer;

[19] Article 3(E)(2)(iv), SEC Memorandum Circular No. 6, Series of 2009
[20] BSP Circular No. 296

iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;

iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

v. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items (i), (ii), and (iv);

Note: The above disqualification shall be in effect as long as the delinquency persists.

3.2.13 If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Note: A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

4. Qualification of Independent Directors[21]

An Independent Director includes, among other persons, one who:

4.1 Is not or has not been an officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;

4.2 Was not a regular director who resigned or whose term ended within the last two (2) years.

4.3 Was not appointed the Chairman “Emeritus”, “Ex-Officio” Directors/Officers or Members of any Executive Advisory Board, or otherwise, appointed in a capacity to assist the Board in the performance of its duties and responsibilities within the last one (1) year.

4.4 Is not a director or officer of the related companies of the Bank’s majority stockholder;

4.5 Is not a stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies;

4.6 Is not a relative, legitimate or common law of any director, officer **or stockholder** holding shares of stock sufficient to elect one seat in the Board of the Bank or any of its related companies. **For this purpose, relatives refer to**

[21] SEC Memorandum Circular No. 9, Series of 2009

the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law[22];

4.7 Is not acting as a nominee or representative of any director, officer or substantial shareholder of the Bank or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;

4.8 Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment; and

4.9 Is not a director, officer, principal stockholder, among others, of securities brokers-dealers. However, this does not apply to brokers-dealers of fixed income securities.

Effective 02 January 2012, the independent director may serve as such in accordance with the term limits prescribed in SEC Memorandum Circular No. 9. Series of 2011 re: Term Limits for Independent Directors.[23]

The foregoing terms and phrases used in paragraphs 4.1 to 4.9 of this section shall have the following meaning:

(a) Parent is a corporation which has control over another corporation directly or indirectly through one (1) or more intermediaries;

(b) Subsidiary means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one (1) or more intermediaries by the Bank;

(c) Affiliate is a juridical person that directly or indirectly, through one (1) or more intermediaries, is controlled by, or is under common control with the Bank or its affiliates;

(d) Related interests as defined under Sections 12 and 13 of R.A. No. 8791 shall mean individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common law, and two (2) or more corporations owned or controlled by a single individual or by the same family group or the same group of persons;

(e) Control exists when the parent owns directly or indirectly through subsidiaries more than one-half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly

22 BSP Circular No. 793, series of 2013 .
23 Annex "A" hereof.

demonstrated that such ownership does not constitute control. Control may also exist even when ownership is one-half or less of the voting power of an enterprise when there is:

i. power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or

ii. power to govern the financial and operating policies of the enterprise under a statute or an agreement; or

iii. power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or

iv. power to case the majority votes at meetings of the board of directors or equivalent governing body; or

v. any other arrangement similar to any of the above.

(f) Related company means another company which is: (a) its parent or holding company; (b) its subsidiary or affiliate; or (c) a corporation where a bank or its majority stockholder own such number of shares that will allow/enable him to elect at least one (1) member of the Board.

(g) Substantial or major shareholder shall mean a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the Board or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

(h) Majority stockholder or majority shareholder means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of the Bank.

C. Board Meetings and Quorum Requirement

1. The Board shall schedule and hold regular meetings in accordance with its By-Laws and convene for special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials shall be furnished to the Directors prior to each meeting, which meeting must be duly minuted. In addition, the Board shall ensure that agenda topics are met.

2. The members of the Board shall attend its regular and special meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the director who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents. The Bank shall ensure that teleconferencing facilities are available for this purpose.

3. Independent directors shall always attend Board meetings. Only in exceptional cases will Independent Directors be excused from attending meetings. At least a majority of Independent

Directors shall be present in order to constitute a quorum. However, to promote transparency, there shall always be at least one independent director in all its meetings.

4. The Board shall hold executive sessions with the Independent directors and non-Executive Directors, excluding Executive directors, at least once a year and at such other times as the Board may deem necessary or appropriate. Such executive sessions shall be presided by the Chairman of the Corporate Governance Committee, except if said Chairman is an Executive Director, in which case, by an Independent Director or non-Executive Director designated by the Board.

5. To monitor the directors' compliance with the attendance requirements, the Bank shall **update the pertinent portion of the Annual Corporate Governance Report and file with the SEC an advisement letter on directors' attendance within five (5) days from the end of the company's fiscal year**[24]

D. Board Committees

The Board shall create committees, the number and nature of which would depend on the size of the Bank and the Board, the complexity of operations, long-term strategies and risk tolerance level of the Bank.

The Board shall appoint the members and chairman of each Board Committee following the annual meeting of stockholders at which the directors are elected. In case of any vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.

An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance committees, without prior approval of the Monetary Board.[25]

Each Board Committees shall have a charter which shall define and govern its (a) authority and composition (b) meeting attendance and notice (c) remuneration (d) voting (e) committee chair responsibilities and authority (f) evaluation which define and govern among other matters, its composition, purposes, duties and responsibilities.

The Charters of the Board Committees shall be approved by Board. Any amended, alteration or variation shall be duly approved by the Board. The Charters shall be reviewed and updated annually, or whenever there are significant changes therein.

The Board shall ensure that each Committee shall maintain appropriate records (e.g. minutes of meetings or summary of maters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

[24] SEC Memorandum Circular No. 1, series of 2014.
[25] BSP Circular 757, Series of 2012.

The Board of Directors shall constitute various committees to achieve the basic principles of good corporate governance such as, but not limited to, the following:

1. Executive Committee

1.1 Composition

The Executive Committee shall be composed of a Chairman, Vice-Chairman and four (4) members to be elected by the Board of Directors from among themselves.

1.2 Duties and Responsibilities

The Executive Committee shall have the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between meetings of the said Board of Directors. Matters affecting general policy shall always be referred to the Board of Directors for decision. The Committee shall likewise have the power to review an asset or loan to ensure timely recognition and resolution of impaired assets.

2. Corporate Governance Committee

2.1 Composition

The Corporate Governance Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors including the chairperson. The committee shall have a written charter that describes the duties and responsibilities of its members. This charter shall be approved by the Board of Directors and reviewed and updated at least annually, or whenever there are significant changes therein.

2.2 Primary Purpose

The primary purposes of the Committee are to:

2.2.1 Oversee the development and implementation of corporate governance principles and policies;

2.2.2 Review and evaluate the qualifications of the persons nominated to the Board as well as those nominated for election to other positions requiring appointment by the Board;

2.2.3 Identify persons believed to be qualified to become members of the Board and/or the Board Committees;

2.2.4 Assist the Board in making an assessment of the Board's effectiveness in the process of replacing or appointing new members of the board and/or Board Committees;

2.2.5 Assist the Board in developing and implementing the Board's performance evaluation process and rating system that constitute a powerful and valuable feedback mechanism to improve board effectiveness, maximize strengths and highlight areas for further development;

2.2.6 Provide guidance to and assist the Board in developing a compensation philosophy or policy consistent with the culture, strategy and control environment of the Company;

2.2.7 Oversee the development and administration of the Company's executive compensation programs, including long term incentive plans and equity based plans for Officers and Executives; and

2.2.8 Assist the Board in the performance evaluation of and succession planning for Officers including the CEO and in overseeing the development and implementation of professional development programs for Officers.

2.3 Duties and Responsibilities

2.3.1 The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities.

2.3.2 The committee shall be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.

2.3.3 The committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness, and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.

2.3.4 The committee shall make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.

2.3.5 The committee shall decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.

2.3.6 The committee shall monitor compliance of the submission of the Annual Corporate Governance Scorecard on the scope, nature and extent of the actions taken to meet the objectives of the SEC's Revised Code of Corporate Governance.

2.3.7 The committee shall be responsible for the amicable resolution of disputes and/or settle conflicts or differences between the Bank and its stockholders, **the Bank and other stakeholders, including regulatory authorities**, and the Bank and third parties.[26]

2.3.8 On Executive Compensation and Remuneration:

a. The committee shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Bank's culture, strategy and control environment.

b. It shall designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.

c. The committee shall develop a form of Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.

d. It shall disallow any director to decide his or her own remuneration.

e. It shall provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.

f. It shall review the existing Human Resources Policy Manual or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

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26 Article 3(F)(2)(j), SEC Memorandum Circular No. 6, Series of 2009

g. Or in the absence of such Personnel Handbook, it shall cause the development of such, covering the same parameters of governance stated above.

2.3.9 On Nominations to the Board of Directors:

a. To the extent practicable, the members of the Board of Directors shall be selected from a broad pool of qualified candidates. The committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications enumerated under item nos. 2 and 3, respectively, of Section II-B in this manual. In selecting Independent Directors, the number and types of entities where the candidate is likewise elected as such shall be considered to ensure that he will be able to provide sufficient time to effectively carry out his duties and responsibilities. It shall also review and evaluate the qualifications of those persons nominated to other positions requiring appointment by the Board of Directors.

b. In consultation with the executive or management committee/s, it shall re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

c. The committee shall consider the following guidelines in the determination of the number of directorships of a nominee for the Board:

i. The nature of the business of the corporations where he is a director;
ii. Age of the Director;
iii. Number of directorships/active memberships and officerships in other corporations or organizations; and
iv. Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

3. Risk Oversight Committee

3.1 Composition

The Risk Oversight Committee shall be composed of at least three (3) members of the Board of Directors including at least one (1) independent director and a chairperson who is a non-executive member. The members who shall possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. The committee shall have a written charter that defines the duties and responsibilities of its members. The charter shall be approved by the Board of Directors and reviewed and refined periodically. The Risk Oversight Committee shall, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.

3.2 Duties and Responsibilities*:*

3.2.1 In general, the Risk Oversight Committee shall be responsible for the development and oversight of the institution's risk management program. It shall oversee the system of limits to discretionary authority that the Board delegates to Management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached*.*

3.2.2 The core responsibilities of the Risk Oversight Committee include the following:

a. Identify and evaluate exposures. The committee shall assess the probability of each risk, including reputational and compliance risks, becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

b. Develop risk management strategies. The Risk Oversight Committee shall develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.

c. Oversee the implementation of the risk management plan. The Risk Oversight Committee shall communicate the risk management plan and loss control procedures to affected parties. The committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and assess how concerned units or offices reduced these risks.

d. Review and revise the plan as needed. The committee shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The committee shall report regularly to the Board of Directors the entity's over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

4. Audit Committee

4.1 Composition

The Audit Committee shall be composed of at least three (3) members of the Board of Directors, at least two (2) of whom shall be independent directors, including the Chairman, and another one with audit experience. The members shall be financially literate, and the Chairman shall be a financial expert preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. To the greatest extent possible, the audit committee shall be composed of a sufficient number of independent and non-executive board members. Furthermore, the Chief Executive Officer, Chief Financial Officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the audit committee.

4.2 Primary Purposes

The purposes of the Committee are to assist the Board of Directors in fulfilling its oversight responsibilities for:

4.2.1 the integrity of the bank's accounting and financial reporting, principles, policies and system of internal controls, including the integrity of the Bank's financial statements and the independent audit thereof;

4.2.2 the Bank's compliance with legal and regulatory requirements;

4.2.3 the Bank's assessment and management of enterprise risks including credit, market, liquidity, operational and legal risks; and

4.2.4 the Bank's Audit process and the performance of the bank's internal audit organization and external auditors, including the external auditors' qualifications and independence.

4.3 Duties and Responsibilities

The core responsibilities of the Audit Committee include the following:

4.3.1 Ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

4.3.2 Review and approve the annual internal audit plan to ensure its conformity with the objectives of the Bank. The plan shall include the audit scope, frequency, resources and budget necessary to implement it.

4.3.3 Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

4.3.4 Set up an internal audit department/division and consider the appointment of an independent internal auditor and the independent external auditor who shall both report directly to the Audit Committee as well as the terms and conditions of the external auditor's engagement and removal. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by independent and non-executive Audit Committee members.

4.3.5 Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system, including financial reporting, operational and compliance controls, risk management, and information technology security at least annually.

4.3.6 Investigate any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

4.3.7 Receive and review the reports submitted by the internal and external auditors and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.

4.3.8 Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

a. any change/s in accounting policies and practices;
b. major judgmental areas;
c. significant adjustments resulting from the audit;
d. going concern assumptions;
e. compliance with accounting standards;
f. compliance with tax, legal and regulatory requirements.

4.3.9 Coordinate, monitor and facilitate compliance laws, rules and regulations.

4.3.10 Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Bank's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Bank's annual report.

4.3.11 Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be independent and impartial from management and free from interference by outside parties.

4.3.12 Establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

5. The Corporate Secretary and Assistant Corporate Secretary

5.1 The Corporate Secretary and Assistant Corporate Secretary shall be Filipino citizens and residents of the Philippines.

5.2 They are officers of the Bank and perfection in performance and no surprises are expected of them. Likewise, their loyalty to the mission, vision and specific business objectives of the corporate entity come with their duties.

5.3 They must possess administrative, legal and interpersonal skills, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities. He must also have some financial and accounting skills.

5.4 They must have a working knowledge of the operations of the Bank.

5.5 Duties and Responsibilities

5.5.1 Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board as well as the other official documents, records and other information essential to the conduct of his duties and responsibilities to the Bank.

5.5.2 Inform the members of the Board of the schedule and agenda of their meetings and ensure that the members have before them complete and accurate information that will enable them to arrive at intelligent or informed decisions on matters that require their approval.

5.5.3 Serve as an adviser of the Board, and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.

5.5.4 Work fairly and objectively with the Board, Management, stockholders **and other stakeholders.**

5.5.5 Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain record of the same.

5.5.6 In all transactions which may lawfully come to the knowledge of the Corporate Secretary involving transfer of voting shares of stock or registration of voting trust agreements, or any form of agreement vesting the right to vote the voting shares of stock of the Bank, the Corporate Secretary shall:

a. Ascertain the identity and citizenship of the transferee, voting trustee, proxy or person vested with the right to vote, and his relation to existing stockholders, and for this purpose, he shall require the transferee, voting trustee, proxy or the person vested with the right to vote to submit proof of citizenship, which may consist, in case of a corporation, of a certified true copy of the Articles of Incorporation, accompanied by the affidavit of the Corporate Secretary of the corporation, certifying to the correctness and accuracy of the list of stockholders, their citizenship, and the percentage of shares owned by them.

b. Require the transferee, voting trustee, proxy or person vested with the right to vote, at the time of the receipt of the request for transfer or registration, or at any time thereafter, to disclose all information with respect to persons related to the transferee, voting trustee, proxy or person vested with the right to vote, within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, as well as corporations, partnerships or associations where the transferee, voting trustee, proxy or person vested with the right to vote has controlling interest, and the extent thereof.

c. Require the transferee to execute an affidavit stating, among other things, that the transferee is a bona fide owner of shares of stock and that he acknowledges full awareness of the requirements of the law and the prohibitions against exceeding ownership of voting stocks beyond the prescribed limitations.

d. If the request for transfer or the arrangement sought to be registered will patently cause the voting stocks of a person or a corporation, to exceed the limits prescribed by law, the Corporate Secretary shall deny the transfer or registration and forthwith inform the parties to the transaction in writing. Simultaneous with the notice to the parties, the Corporate Secretary shall submit a written report to the Governor of the BSP of the attempted illegal transfer or arrangements, together with the names, addresses of parties and other pertinent data with respect to the particular stock transaction.

   In the event the Corporate Secretary has reason to doubt the legality of the transfer or of the arrangement sought to be registered, he may commence an action before the appropriate body.

e. Promptly inform stockholders who have reached any of the ceilings imposed by law, of their ineligibility to own or control more than the applicable ceiling.

5.5.7 Ensure that all Board procedures, rules and regulations are strictly followed by the members.[27]

[27] Article 3(L)(ix), SEC Memorandum Circular No. 6, Series of 2009

E. Remuneration of the Members of the Board and Officers

1. The Bank shall avoid paying more than what is necessary for purposes of running the Bank successfully.

2. A proportion of the executive directors' remuneration shall be structured so as to link reward to corporate and individual performance.

3. The compensation of the CEO and other Officers shall be subject to review and approval by the Corporate Governance Committee. Equity based plans and long-term incentive plans for Officers which the Committee may recommend shall be subject to review and approval by the Board and, as applicable, by the stockholders.

4. The Bank shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers. No director shall be involved in deciding his/her own remuneration.

5. The Bank's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly and indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

6. Directors' Fees

   A per diem, as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock at any regular or special meeting, shall be paid to each director for attendance at any meeting of the Board of Directors for each day of session; provided, however, that nothing herein contained shall be construed to preclude any director from serving in any other capacity and receiving compensation therefore.

7. To protect the funds of the Bank, the SEC may, in exceptional cases, e.g., when the Bank is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees, and fringe benefits to its directors and officers.

F. Officers

The selection of Bank Officers shall be in accordance with the qualifications and disqualifications set by the Bank and the prevailing BSP regulations.

1. Duties and responsibilities of officers:[28]

   1.1 To set the tone of good governance from the top. Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the Board are consistently adopted across the Bank.

[28] BSP Circular No. 749, Series of 2012

1.2 To oversee the day-to-day management of the Bank. Bank officers shall ensure that the Bank's activities and operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the Board. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.

1.3 To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board for the performance of the Bank.

1.4 To promote and strengthen checks and balances systems in the Bank. Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

G. Performance Evaluation

1. The Board of Directors shall undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

2. Individual evaluation of directors shall aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties). The Chairman shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of the board, identifying individual and collective development needs and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors.

3 The Independent Director shall conduct an annual performance evaluation of the Chairman, and report this to the Corporate Governance Committee. As part of this process, the Independent Director should convene a meeting of the Non-Executive Directors.

4 The Chairman shall conduct annual performance evaluations of the other executive directors, in relation to their role as members of the Board and report this to the Corporate Governance Committee. A summary of the agreed outcome will be reported to the Board.

5. The Chairman shall determine the individual and collective development needs of the Board as a result of the performance evaluations set out above, and put appropriate development programs in place.

III. Compliance Program

Policy

The Bank shall have in place adequate and effective controls encompassing the Bank's governance, operations, information systems (including reliability and integrity of financial and operational information). To ensure adherence to the said corporate governance/principles, a compliance program must be clearly defined/set to further identify, monitor and control compliance and operational risks.

Implementing Guidelines

A. Compliance Office

1. Compliance Officer

1.1 To ensure adherence to sound corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of at least a Vice President or its equivalent and shall have direct reporting responsibilities to the Chairman of the Board. A Compliance Office shall be established to assist the Compliance Officer in the discharge of his/her functions and responsibilities. The Compliance Office he/she will head shall, like the Internal Audit, have free and full access to records, and be independent.

Relative thereto, the appointment/designation of a Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondences relative to his/her functions as such shall be addressed to the said Officer.

1.2 The Compliance Officer shall perform the following duties:

1.2.1 Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Chairman and Corporate Governance Committee and recommend the imposition of the appropriate disciplinary action for such violation and the adoption of measures to prevent a repetition of the violation, subject to review and approval by the Board.

1.2.2 Identify, monitor, control and assess, if any, compliance risks and how such risks can be mitigated.

1.2.3 Appear before the SEC when summoned in relation to compliance with the Revised Code of Corporate Governance.

1.2.4 Assist the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review, and implementation of the corporate governance structure and policies of the Bank, and to assist in the conduct of a self-assessment of the performance and effectiveness of the Board, the Board Committee and individual Board members in carrying out their functions as set out in this Manual and the respective charters of the Board Committees.

B. Accountability and Audit

1. The Board is primarily accountable to the stockholders who shall be provided with a balanced and comprehensible assessment of the Bank's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

2. Management shall provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

3. Management shall formulate policies and procedures on risk management and governance process. Further, Management, shall formulate rules and procedures on financial reporting and internal control in accordance with the following:

   3.1 The extent of Management's responsibility in the preparation of the financial statements of the Bank, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained.

   3.2 An effective internal control system that will ensure the integrity of the financial reports and protection of the assets of the Bank **for the benefit of all stockholders and other stakeholders** shall be maintained.

   3.3 The Bank shall consistently comply with the financial reporting requirements of the SEC.

4. Internal Audit Function

   4.1 The Bank shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors who shall conduct independent and objective internal audit activities designed to add value to and improve the Bank's operations and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are appropriate, adequate, effective and complied with.

   4.2 The minimum risk management and internal control mechanisms for Management's operational responsibility shall center on the CEO, being ultimately accountable for the Bank's organizational and procedural controls.

   4.3 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:

      4.3.1 the nature and complexity of business and the business culture;

      4.3.2 the volume, size and complexity of transactions;

4.3.3 the degree of risk;

4.3.4 the degree of centralization and delegation of authority;

4.3.5 the extent and effectiveness of information technology; and

4.3.6 the extent of regulatory compliance.

4.4 The internal audit examinations shall cover at least the following:

4.4.1 evaluation of significant risk exposures and adequacy of risk management process.

4.4.2 the evaluation of the adequacy and effectiveness of controls encompassing the organization’s governance, operations, information systems (including the reliability and integrity of financial and operational information);

4.4.3 effectiveness and efficiency of operations;

4.4.4 safeguarding of assets; and

4.4.5 compliance with laws, rules, regulations and contracts.

4.5 The audit reports shall summarize risk exposures, control issues, recommendations, status of committed actions, officers responsible and implementation dates.

4.6 The internal auditors shall have free and full access to all the Bank’s records, properties, and personnel relevant to the internal audit activity.

4.7 Head of Internal Audit

4.7.1 The Head of Internal Audit shall functionally report to the Audit Committee.

4.7.2 He shall submit to the Audit Committee and Senior Management an annual report on the Internal Audit Division's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee. The annual report shall include significant risk exposure, control issues and such other matters as may be needed or requested by the Board and Management.

4.7.3 He shall certify that internal audit activities are conducted in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

5. External Auditor

5.1 An external auditor accredited by the BSP and SEC shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

5.2 The external auditor shall enable an environment of sound corporate governance as reflected in the financial records and reports of the Bank. He shall provide an objective assurance on the manner by which the financial statements have been prepared and presented to the stockholders. If he believes that the statements made in the Bank's annual report, information statement or proxy statement filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall present his views on the matter in the said reports.

5.3 The external auditor of the Bank shall not, at the same time, provide internal audit services to the Bank. The Bank shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

5.4 The Bank's external auditor shall be rotated, or the signing partner of the external auditor assigned to the Bank shall be changed, every five (5) years or earlier.

5.5 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Bank's annual and current reports. The report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by the Bank to the external auditor before its submission.

C. Risk Management and Internal Controls

1. The Bank recognizes that risk is an inherent part of its activities, and that Banking is essentially a business of managing risks. The Bank views risk management as a value proposition imbued with the mission of achieving sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

2. The risk management infrastructure of the Bank follows a top-down approach, whereby the Board takes ultimate accountability for the risks taken, the tolerance for these risks, business strategies, operating budget, policies, and overall risk philosophy.

3. The board and senior management shall know and understand the bank's operational structure and the risks that it poses (ie "know-your-structure"). [29]

4. The Bank shall have an effective internal controls system and a risk management function (including a chief risk officer or equivalent) with sufficient authority, stature, independence, resources and access to the board.[30]

5. The Corporate Risk Management Services Group (CRISMS) shall implement the risk management process in the parent company, and additionally consolidates the risk MIS from the various subsidiary risk units for a unified risk profile and eventual disposition.

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[29] Basel Committee on Banking Supervision Principles for Enhancing Corporate Governance

[30] *id*.

6. Risks shall be identified and monitored on an ongoing firm-wide and individual entity basis, and the sophistication of the bank's risk management and internal control infrastructures shall keep pace with any changes to the bank's risk profile (including its growth), and to the external risk landscape.[31]

7. The risk process adopted by the Bank is not designed to eliminate risks, but rather to mitigate and manage them so as to arrive at an optimum risk-reward mix.

8. The bank monitors risk levels to ensure timely review of risk positions and exceptions versus established limits and ensure effectiveness of risk controls using appropriate monitoring systems.

9. The Bank has an effective risk management that s robust internal communication within the bank about risk, both across the organization and through reporting to the board and senior management.[32]

10. The board and senior management shall effectively utilize the work conducted by internal audit functions, external auditors and internal control functions.[33] The Internal Audit shall evaluate the effectiveness of controls and adequacy of the risk management function.

11. The board and senior management shall know and understand the bank's operational structure and the risks that it poses (ie "know-your-structure").[34]

D. Management

1. Senior Management Committee

1.1 Composition

The Senior Management Committee shall be composed of a group of senior officers. This group shall include also the Chief Financial Officer, all Group Heads and the Head of Internal Audit.

1.2 Functions of the Senior Management:

1.2.1 Plan, organize and direct in such a manner to provide reasonable assurance that established objectives and goals will be achieved.

1.2.2 Require the establishment and effective implementation of a system of internal control to mitigate the risks identified.

1.2.3 Review and approve all cross-functional policies and issues (e.g., HR-related, administrative, operations policies, new products and services, new projects, financials, etc.) including programs/projects that affect the whole organization.

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31 *id*.
32 *id*.
33 *id*.
34 *id*.

1.2.4 Supply necessary or relevant information to the Board for the latter's information and/or decision-making purposes.

2. Duties and Responsibilities of Management

2.1 Under the direction of the Board, Management shall ensure that the Bank's activities are consistent with the business strategy, risk tolerance and appetite, and policies approved by the Board.[35]

2.2 Senior management is responsible and shall be held accountable for overseeing the day-to-day management of the Bank. They shall have the necessary experience, competencies and integrity to manage the businesses under their supervision as well as have appropriate control over the key individuals in these areas.[36]

2.3 Management shall provide the Directors with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any Director, make presentations on specific topics and respond to further inquiries thereto during Board meetings. The Directors shall have independent access to management.

2.4 Management shall formulate, under the oversight of the Audit Committee, financial reporting and internal control system, rules and procedures in accordance with the following guidelines:

2.4.1 The extent of management's responsibility in the preparation of the financial statements of the Bank, with the corresponding delineation of the responsibilities that pertain to the External Auditor, shall be clearly explained;

2.4.2 An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Bank shall be maintained;

2.4.3 On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of risk management and controls that cover the Bank's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;

2.4.4 The Bank shall consistently comply with the financial reporting requirements of the BSP and the SEC and other regulatory agencies;

2.4.5 The Head of Internal Audit shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures, control

35 *id*.

36 *id*.

issues and such other matters as may be needed or requested by the Board/Audit Committee and Management.

3. Code of Conduct

3.1 The Bank must set a Code of Conduct and personnel policies to be strictly observed and followed by all associates. The said Code and policies shall form part of the Employee Handbook and shall be made available and readily accessible by all associates online through the intranet service of the Bank. Any updates therein must be also disseminated.

3.2 Each officer and employee of the Bank holds a position of trust. Thus, officers and employees must avoid situations where their personal interest may conflict or appear to conflict with the interests of the Bank or its clients. In addition, officers and employees must have an obligation to RCBC and the public on the proper and responsible handling of confidential information.

4. Strategy Setting and Planning

4.1 The Bank has an overall organizational plan, which is supported by a business plan, budgets and marketing plan (if necessary).

4.2 It has clearly defined performance measures (operational and financial) that are incorporated into the plans.

4.3 The Board approves the budget set by management and revisions thereto.

5. Financial and Operational Reporting

5.1 The Bank's financial and operational reports shall contain performance measures, which enable the efficiency and effectiveness of the organization to be assessed. The Bank shall ensure the set-up of control measures in the handling of such reports. Transactions with related parties shall likewise be appropriately and adequately disclosed in said reports.

5.2 The reports shall be prepared depending on the particular levels of responsibilities and shall :

5.2.1 efficiently and effectively communicate key financial data;

5.2.2 show a comparison between year-to-date budget, last year-to-date and full year data;

5.2.3 be supported with explanations of significant variations.

Note: The Board of Directors shall be provided with a copy of the financial reports prior to Board meetings. However, the Chief Executive Officer shall be provided with a periodic financial report showing at least the monthly status.

E. Communication Process

1. This manual shall be available for inspection by any stockholder of the Bank at reasonable hours on business days.

2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

F. Training Process

1. A newly appointed director shall be required to attend a special seminar on corporate governance to be conducted by a duly recognized private or government institution duly accredited by the Bangko Sentral ng Pilipinas within six (6) months after appointment, **subject to exceptions as provided herein.**

2. The Board of Directors and key officers of the Bank shall also attend, at least once a year, a program on corporate governance conducted by training providers that are duly accredited by the SEC.[37]

3. The Bank shall also implement an appropriate communication and professional training and development program for officers and employees as well as a succession plan for senior management.

2. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to effectively implement this Manual.

G. Transparency/Commitment to Disclose Material Information

1. The Board shall commit at all times to fully disclose material information dealings. It shall cause the timely filing of all required information for the interest of **its shareholders and other** stakeholders. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC and Philippine Stock Exchange (PSE) by the responsible committee or officer through the Bank's Compliance Officer. Material information emanating from the Board of Directors shall be disclosed and the responsibility of the Corporate Secretariat. Disclosure of financial information and other material information about the Bank shall be the responsibility of the Corporate Information Officer (CIO). The CIO shall be responsible for efficiently providing information and addressing concerns of its shareholders **and other stakeholders** through the Bank webpage which provides complete information about the Bank in a form that is user-friendly[38].

2. Transactions between related parties shall be disclosed to include the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

[37] SEC Memorandum Circular No. 20, series of 2013.
[38] Maharlika Board on Listing and Disclosure Rules

3. All material information about the Bank, i.e., anything that could adversely affect share price, shall be publicly disclosed. Such information and/or transactions shall include, among others, earnings results, acquisition or disposal of significant assets, related party transactions, board membership changes, shareholdings of directors and officers and any changes thereto, and such material events or information which are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations.

4. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

5. All disclosed information shall be released via the approved and established stock exchange procedure for corporate announcements as well as through the annual report.

6. The governance of the bank shall be adequately transparent to its shareholders **and other stakeholders.** [39]

7. The Bank shall designate authorized signatories and alternates for disclosures. All disclosures or information state or relayed by the authorized signatory shall be presumed to have been made with the approval of the Chairman of the board, and principal officers of the Bank. The officers, including the signatories and their alternates, shall be responsible and liable for the truthfulness of the disclosures[40].

H. Stockholders' Rights and Protection of Minority Stockholders' Interests

1. The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely:

   1.1 Right to vote on all matters that require their consent or approval;
   1.2 Right to inspect the books and records of the Bank;
   1.3 Right to information;
   1.4 Right to dividends; and
   1.5 Appraisal right.

2. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.[41]

3. Voting Right

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

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[39] Basel Committee on Banking Supervision Principles for enhancing corporate governance
[40] Maharlika Board (Exposure Draft dtd 29 April 2010) on Listing and Disclosure Rules
[41] *Id.*: Any shareholder or group of shareholders with at least five percent (5%) share of the total outstanding shares of the company shall be allowed to propose any relevant item for inclusion in the agenda for the meeting.

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

3.3 The Board shall take the appropriate steps to remove excessive costs and other administrative impediments to the stockholders' participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

3.4 Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

3.5 Cumulative voting shall be used in the election of directors.

3.6 A director shall not be removed without cause if it shall deny minority stockholders representation in the Board.

4. Right to Inspection

All stockholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

5. Right to Information

5.1 The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealing with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

5.2 The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

5.3 The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

6. Right to Dividends

The Bank shall declare dividends in accordance with the requirements of the Bangko Sentral ng Pilipinas.

7. Appraisal Right

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

7.1 In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

7.2 In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and

7.3 In case of merger or consolidation.

8. Grievance Procedure

The stockholder may file his/her complaints in writing and submit the same to the Corporate Secretary for purposes of endorsement to the Corporate Governance Committee.

The Bank hereby adopts an arbitration system to resolve any dispute, controversy or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004[42].

9. Disclosure of Material Non-Public Information

The Bank is prohibited to communicate material non-public information to any person, unless the Bank is ready to simultaneously disclose the material non-public information to the Philippine Stock Exchange (PSE). However, this rule shall not apply if the disclosure is made to the following:

9.1 A person who is bound by duty to maintain trust and confidence to the Bank such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and

9.2 A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

Any disclosure of material non-public information to securities analysts, institutional investors or other third parties who do not fall under items 10.1 and 10.2 above, ahead of the disclosure to be made to the PSE and the general public, shall be considered as a violation of this rule.

[42] Maharlika Board (Exposure Draft dtd 29 April 2010) on Listing and Disclosure Rules

Material information means any information about or involving the bank's affairs, events and conditions that has a significant impact in the Company's operations such as, but not limited to, those relating to the Bank's financial condition, prospects and development projects which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the market activity and the market price of the Bank's shares.

The Board shall ensure that internal controls are established that will ensure that the Bank, its Directors, officers, and employees and any other person who is privy to the Bank's material non-public information shall comply with the requirement of this rule.

I. Monitoring and Assessment

1. Each Board committee shall report regularly and submit, at least once a year, a report of its accomplishments and self-assessment of its performance to the Board of Directors.

2. The Corporate Governance Committee shall establish the appropriate evaluation system to monitor and assess compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalties provided under the Bank's Human Resources Policy Manual.

3. The Chairman of the Corporate Governance Committee shall discuss the effectiveness and performance of Directors immediately before they make themselves available for reappointment.

4. The Chairman of the Corporate Governance Committee shall act on the results of performance evaluation, strengths and weaknesses of the board, proposing new nembers, and seeking the resignation of directors.

5. The independent director shall appraise the Chairman's performance.

6. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Bank's annual report (SEC Form 17–A). The adoption of such performance evaluation system must be covered by a Board approval.

7. This Manual shall be subject to annual review unless the same frequency is amended by the Board.

8. All business processes and practices being performed within any unit/branch of the Bank that are not consistent with any portion of this Manual shall be revoked unless upgraded to the extent compliant.

J. Regular Review of the Code and the Scorecard

To monitor Bank's compliance with the SEC's Revised Code of Corporate Governance as implemented by this Manual, the Bank, through its Compliance Office, shall accomplish annually a scorecard on the scope, nature, and extent of the actions taken to meet the objectives of SEC Code.

K. Reportorial Requirements

1. Reports pertaining to group structures under Paragraphs II.A.2.3.15-2.3.16 shall be submitted to the BSP Central Point of Contact Department 1 as follows:

   (a) The report disclosing all entities in the group structure where the Bank belongs either as a parent company Bank or subsidiary/affiliate company shall be submitted to the BSP within thirty (30) calendar days after the end of every calendar year starting with the year ending 31 December 2011.

   (b) The report on significant transactions between entities in the group and involving any BSP-regulated entity shall be submitted within twenty (20) calendar days after the end of the reference quarter starting with the quarter ending 31 March 2012.

   Under BSP Circular No. 749, Series of 2012, these reports are considered as Category A-1 reports.[43]

L. Sanctions

1. Internal Sanctions

   1.1 Non-compliance with any of the provisions in this Manual by the Bank's directors, officers, staff, subsidiaries, and affiliates and their respective directors, officers and staff shall subject erring associate/s, after due notice and hearing, to sanctions as provided for under the following sections of the Bank's Human Resources Policy Manual:

   1.1.1 Jurisdiction Over Administrative Disciplinary Actions
   1.1.2 Code of Discipline

   1.2 It shall be the duty of the Compliance Officer to determine any violation of the principles and best practices contained in this Manual through notice and hearing.

   1.3 The Compliance Officer shall likewise recommend to the Chairman and the Corporate Governance Committee the penalty to be imposed for such violation. The said recommendation shall be further reviewed and approved by the Board of Directors.

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[43] MORB §X192.1. b.(1) Category A-1 reports shall be signed by the bank's chief executive officer, or in his absence, by the executive vice president, and by the comptroller or, in his absence, by the chief accountant, or officers holding equivalent positions. The designated signatories of *Categories A-1, A-2, A-3 and B* reports including their specimen signatures shall be contained in a resolution approved by the board of directors. A copy of the board resolution covering the initial designation and subsequent change(s) in signatories as well as specimen signatures of the signatories and alternates, shall be submitted to the appropriate department of the SES in such frequency and within the deadline indicated in *Appendix 6.*; **Section 103. Fines and Penalties** 1. The following schedule of fines for delayed submission of reports and/ or incomplete/erroneous reporting shall apply: A. For Category A-1, A-2, and A-3 reports:
a. UBs/KBs : PHP 1,200 per calendar day

2. Sanctions Imposed by the BSP

Any director of the Bank who violates or fails to observe and/or perform any of the duties and responsibilities stated in this Manual shall, for each violation or offense, be penalized in accordance with the Bangko Sentral ng Pilipinas guidelines.

3. Sanctions Imposed by the SEC

A fine of not more than Two Hundred Thousand Pesos (P200,000.00) shall, after due notice and hearing, be imposed for every year that a covered corporation violates the provisions of the Revised Code of Corporate Governance, without prejudice to other sanctions that the SEC may be authorized to impose under the law, provided, however, that any violation of the Securities Regulation Code punishable by a specific penalty shall be assessed separately and shall not be covered by the abovementioned fine.