RCBC
A YGC Member

BUHAY RIZAL
ANNUAL REPORT | 2008

AN ICON FOR GREATNESS

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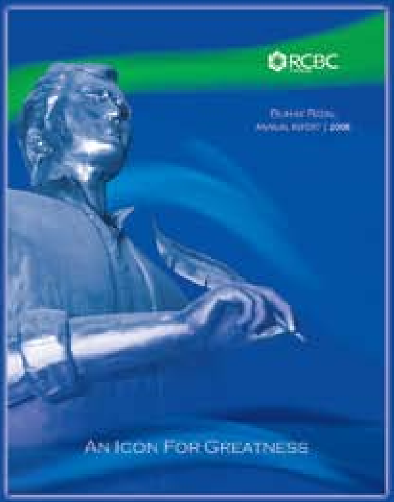
The Cover



Buhay Rizal, the corporate social responsibility program that espouses the values that are closest to the heart of Dr. Jose Rizal, has come to define the year 2008 for **Rizal Commercial Banking Corporation**. Going beyond namesake, the bank shares a deep affinity with the National Hero in the way that it has long been espousing the principles of excellence, discipline, honor and integrity, and pride for the Filipino race.

While the year in review was characterized by economic turmoil, RCBC, along with the rest of the Yuchengco Group of Companies, turned to the Buhay Rizal way to strengthen its business fundamentals, render innovative service to the public, renew the people's faith and values, and emerge with renewed strength, dignity, and determination to succeed.

Vision

To be the most admired and trusted profitable financial services group providing and adapting to customers' and the community's changing needs - for every Filipino worldwide - through innovative products, excellent services and a highly motivated, committed and impassioned team.

Mission

We are a leading universal bank providing quality Integrated Financial Services that best meet our clients' needs. We are committed to:

Conducting our business with utmost integrity, excellence, and commitment as responsible corporate citizens; and,

Providing professional growth opportunities to develop a talented base of officers and employees, and achieving the best returns for our stockholders.

RCBC
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Financial Highlights

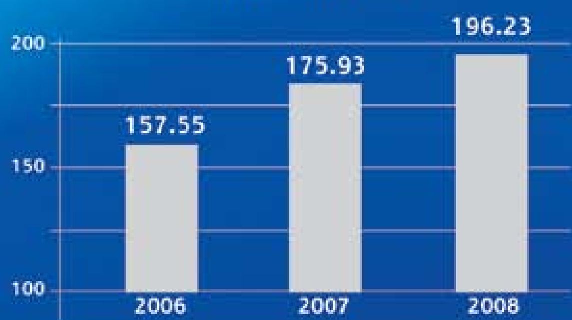
For the year (in million pesos except ratios)	2008	2007	2006
Operating Earnings	**13,067**	13,200	12,312
Operating Expenses	**8,976**	8,168	8,047
Net Income Attributable to			
Parent Bank's Shareholders	**2,154**	3,208	2,053
Return on Average Capital Funds	**7.40 %**	12.43 %	12.64 %
Return on Average Assets	**0.87 %**	1.42 %	1.01 %
Net Interest Margin	**4.25 %**	5.00 %	4.84 %
At Year-end (in million pesos except no. of shares)			
Total Resources	**268,270**	239,098	223,710
Interest-Earning Assets	**219,746**	190,544	161,434
Liquid assets[1/]	**77,797**	104,237	106,355
Loans and receivables, net	**164,403**	117,195	108,933
Investments	**51,105**	68,757	60,956
Deposits	**196,227**	175,929	157,550
Net Worth	**27,681**	29,332	23,674
Paid-in	**16,060**	16,060	9,503
Surplus, Reserve	**7,903**	6,753	5,696
Hybrid Perpetual Securities	**4,883**	4,883	4,883
Others	**(1,165)**	1,636	3,592
Number of Common Shares	**962,843,035**	962,836,871	632,964,018
Per share of Common Stock			
Net Earnings[2/]			
Basic	**1.72**	2.93	2.82
Diluted	**1.66**	2.84	2.82
Book Value (Diluted)	**22.77**	24.32	28.00
Capital Adequacy Ratio (CAR)	**17.30 %**	18.70 %	20.30 %
Number of Employees	**4,121**	3,775	3,821
Number of Branches	**324**	303	294
Number of ATMs	**380**	300	257

1/- COCI, Due BSP, Due from other banks, FVPL, AFS, Interbank loans.
2/-After retroactive effect of 15% stock dividends issued in 2007.

Total Resources
(in billion pesos)

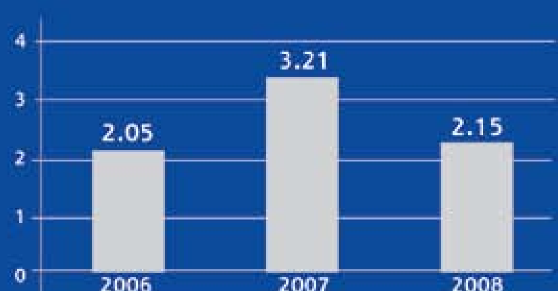
Net Loans
(in billion pesos)

Total Deposits
(in billion pesos)



Capital
(in billion pesos)

Net Income
(in billion pesos)



Distribution Network
(Branches & ATMs)

Message from the Honorary Chairman

Since the time RCBC has taken up the hallowed name of the country's national hero Dr. Jose P. Rizal, our bank has lived up to his values of honor, integrity, passion to excel and pride for our race, by constantly enlivening the actions of our bank's management to enhance all our dealings, and translating them into service excellence for customers and clients. RCBC also is making the overall commitment to contribute in the upliftment of the identity of the Filipinos in the eyes of the world, not just in commerce, but also in social, economic, cultural, and environmental aspects of life.

I am delighted to note that RCBC remains strongly capitalized and is one of the top – tier banking institutions in the country. It was made possible by the continuous trust and support of RCBC's customers, clients, employees, business partners and shareholders. I am confident that RCBC will ride out the present global financial and economic crisis, which started in 2008 and emerge even stronger as the global economy recovers. The strong foundations of the bank provide the capability for our bank to take opportunities for growth through the astuteness and vigilance of our management team. Our Capital Adequacy Ratio (CAR) alone stands at 17.3% well above the BSP requirement.

With deepest sincerity, I thank all those who in one way or another gave their full trust and support in making RCBC a strong, established and reputable universal bank.

SECRETARY ALFONSO T. YUCHENGCO
Honorary Chairman

I am confident that RCBC will ride out the present global financial and economic crisis, which started in 2008 and emerge even stronger as the global economy recovers.

Business Affiliations

SECRETARY ALFONSO T. YUCHENGCO
Honorary Chairman

GOVERNMENT POSITIONS

Under the Administration of President Gloria Macapagal Arroyo

- Presidential Adviser on Foreign Affairs with Cabinet Rank (January 30, 2004 – Present)
- Member, Consultative Commission to Propose Revision to the 1987 Constitution (August 2005 - March 2006)
- Philippine Permanent Representative to the United Nations with the rank of Ambassador (November 2001 – December 2002)
- Presidential Special Envoy to Greater China, Japan and Korea (2001)

Under the Administration of President Joseph Ejercito Estrada

- Presidential Assistant on APEC Matter with Cabinet Rank (1998-2000)

Under the Administration of President Fidel V. Ramos

- Ambassador Extraordinary & Plenipotentiary of the Republic of the Philippines to Japan (1995-1998)
- Chairman, Council of Private Sector Advisers to the Philippine Government on the Spratly Issue (Marine and Archipelagic Development Policy Task Group) (1995-1998)
- Member, Philippine Centennial Commission (1998)

Under the Administration of President Corazon C. Aquino

- Ambassador Extraordinary & Plenipotentiary of the Republic of the Philippines to the People's Republic of China (PROC) (1986-1988)

AFFILIATIONS – PRIVATE SECTORS

- Certified Public Accountant (CPA)
- Pan Malayan Management and Investment Corporation (PMMIC) *Chairman of the Board and Chief Executive Officer*
- MICO Group (holding company of Malayan Group of Insurance Companies], *Chairman of the Board*
- GPL Holdings, Inc. (holding company of Great Pacific Life Assurance Corporation & Great Life Financial Assurance Corporation) *Chairman of the Board*
- Great Pacific Life Assurance Corporation, *Director*
- Great Life Financial Assurance Corporation (formerly Nippon Life Insurance Company of the Philippines, Inc.), *Chairman of the Board*
- House of Investments, Inc., *Member of the Board of Directors*
- RCBC Land Inc., *Chairman of the Board*
- AY Foundation, *Chairman of the Board*
- Mapua Institute of Technology, *Chairman of the Board of Trustees*
- Yuchengco Center, De La Salle University, Philippines *Chairman of the Board*
- Yuchengco Museum, *Chairman of the Board*
- YGC Corporate Services, Inc., *Chairman of the Board*
- Waseda Institute for Asia Pacific Studies *Member of the International Advisory Board*
- Ritsumeikan Asia Pacific University, *Member of the Advisory Board*
- Alliant International University, *Member of the Board of Trustees*
- University of Alabama, *Member, International Advisory Board* Culverhouse College of Commerce & Business Administration
- University of San Francisco, (Mclaren School of Business), USA *Member, International Board of Trustees*
- Columbia University, Business School, New York, USA *Member, Board of Overseers*
- Master of Business Administration (MBA) – Juris Doctor (JD) dual degree program of De La Salle University Professional Schools, Inc. Graduate School of Business and Far Eastern University Institute of Law *Chairman of the Board*
- University of St. La Salle, Roxas City, *Member, Board of Trustees*
- Pacific Forum, Honolulu, Hawaii, *Member, Board of Governors*
- International Insurance Society (IIS), *Member of the Board of Directors and Former Chairman of the Board*
- Philippine Ambassadors Foundation, Inc., *Chairman and Member of the Board of Governors*
- Philippine Ambassadors Association, *Chairman Emeritus*
- Bantayog ng mga Bayani (Pillars of Heroes Foundation) *Chairman of the Board*
- Blessed Teresa of Calcutta Awards, *Vice-Chairman of the Board of Judges*
- Bayanihan Foundation (Bayanihan Folk Arts Foundation, Inc.) *Chairman of the Board of Trustees*
- Philippines-Japan Society, Inc. *Advisory Board Member and Member of the Board of Directors*
- Philippines-Japan Economic Cooperation Committee *Member, Advisory Board*
- Confederation of Asia-Pacific Chambers of Commerce and Industries (CACCI), *Chairman, Advisory Board and Former Chairman of the Board*
- The Asia Society, New York, *Trustee Emeritus*
- Honda Cars Kaloocan, Inc., *Chairman of the Board*
- Enrique T. Yuchengco, Inc., *Chairman of the Board*
- Compania Operatta ng Pilipinas, Inc., *Honorary Chairman of the Board*

GOVERNMENT AWARDS

- First Recipient of the Order of Lakandula with the rank of Bayani (Grand Cross) Presented by President Gloria Macapagal-Arroyo Republic of the Philippines (November 20, 2003)
- Order of Sikatuna with the Rank of Datu Presented by President Fidel V. Ramos Republic of the Philippines (1998)
- Grand Cordon of the Order of the Rising Sun Presented by His Majesty, the Emperor of Japan. The highest honor ever given by the Emperor to a foreigner (1998)
- Knight Grand Officer of Rizal Presented by the Knights of Rizal Republic of the Philippines (1998)
- Order of the Sacred Treasure, Gold and Silver Star Awarded by His Majesty, The Emperor of Japan (1993)
- Outstanding Manilan in Diplomacy City of Manila (1995)
- Outstanding Citizen in the Field of Business City of Manila (1976)

NON-GOVERNMENT AWARDS

- Hall of Fame Awardee, Far Eastern University (December 13, 2003)
- Outstanding Alumni Awardee, Far Eastern University (May 2003)
- Lifetime Achievement Award Dr. Jose P. Rizal Awards for Excellence (June 2002)
- KNP Pillar Award Kaluyagan Nen Palaris, Pangasinan (December 2006)
- Parangal San Mateo, Philippine Institute of Certified Public Accountants Foundation, Inc. (October 2001)
- The Outstanding Filipino Awardee TOFIL 2000
- Gold Medallion, Confederation of Asia-Pacific Chambers of Commerce & Industry (CACCI) (2000)
- First Asean to be Elected to the "Insurance Hall of Fame", International Insurance Society, Inc. (1997)
- First Recipient of the Global Insurance Humanitarian Award University of Alabama (USA) (2008)
- Hall of Fame Award, Philippine Institute of Certified Public Accountants (PICPA) (1997)
- Outstanding Certified Public Accountant (CPA) in International Relations, Philippine Institute of Certified Public Accountants (PICPA) (1996)
- CEO EXCEL Award International Association of Business Communicators (2009)
- Medal of Merit, Philippines-Japan Society (1995)
- Outstanding Service to Church & Nation De La Salle University (1993)
- Management Man of the Year Management Association of the Philippines (1992)
- Distinguished La Sallian Award for Insurance & Finance De La Salle University (1981)
- First Asian to Receive International Insurance Society (IIS) Founders' Gold Medal Award of Excellence International Insurance Society (1979)
- Presidential Medal of Merit, Far Eastern University (1978)
- Most Outstanding JCI Senator in the Field of Business and Economics XXXIII Jaycee Chamber International (JCI) World Congress (1978)
- Insurance Man of the Year Business Writers Association of the Philippines (1955)
- Most Distinguished Alumnus Far Eastern University (1955)

The bank's operations will continue to be characterized by more surefooted growth amidst the prevailing economic slowdown.

Message from the Chairman

Confidence amidst uncertainty. Values amidst the gloom of depression. RCBC's journey in 2008 is characterized by these polarities. In the end, our bank emerged faintly scathed yet more resilient and determined to face the challenges ahead.

Returning to the fundamentals of our business operations – the same fundamentals espoused by our National Hero Dr. Jose Rizal – enabled our bank personnel, from the highest management down to the lowest staff, to reacquaint themselves with the principles that we hold dear. It is also instrumental in helping us create greater value to the community and the public in general through the corporate social responsibility activities that we engaged in under the Buhay Rizal program.

Living by the values of honor, integrity, excellence, and pride for our race has always been the mark of distinction not only of RCBC but the entire Yuchengco Group of Companies. We believe that this bedrock of values is our main source of strength that allows us to weather even the greatest of upheavals.

And the upheaval which came early in 2008 truly presented one of the sternest tests of RCBC's resilience and resourcefulness. Our confidence, however, never wavered, as we were able to tap several channels of growth. In the shadow of an increasingly volatile economy, RCBC managed to post several positive gains by focusing on its core business.

Interest income from loans, for example, increased by 13.6 percent, as the bank continued to grow its loan portfolio in the various market segments it serves. Fees and commissions likewise increased by 37 percent, as we enhanced our ongoing strategy to not only increase our number of customers but also the volume in remittances, trust and other services that generate fee income. Our number of customers surged to 1.8 million, a highly conclusive indication of the public's favorable response to the measures that we made.

Throughout this far-from-favorable climate of 2008, we kept our focus on achieving RCBC's goals for the long-term. We were able to improve our NPL ratio to 2.42 percent from 5.27 percent at the end of 2007. Growths were also realized in our consolidated resources that increased 12 percent to P268 billion, as well as in our deposit base that expanded 11.5 percent to P196.23 billion. Our loan portfolio grew 40 percent, driven by increased corporate lending, while our capital adequacy ratio stood at 17.30 percent, well above the minimum level of 10 percent required by the Bangko Sentral ng Pilipinas.

Our confidence also showed in how we integrated Merchants Bank with our operations, which was among several branch expansion activities that we undertook. We therefore ended 2008 with 324 branches, from 301 the previous year.

The bank's operations will continue to be characterized by more surefooted growth amidst the prevailing economic slowdown. Externally, we will always look for ways to deliver to our customers superior banking services with the stability they need in these times. Internally, we aim to further strengthen our core values based on the principles espoused by Rizal. These stellar virtues have endeared us to our clients, investors and the public at large, and they will propel RCBC to be the strong and robust bank that it is today, and tomorrow.

To our clients, our shareholders, our officers, partners and associates, I convey RCBC's deepest gratitude for your continued support and patronage. Let us all live Buhay Rizal, with courage, honor, and full conviction.

HELEN Y. DEE
Chairman, Board of Directors

Message to our Stockholders

The year 2008 was a challenging year for the bank. Amidst the very volatile financial markets and the worldwide economic crisis that ensued, the bank showed resiliency and sustained income performance, balance sheet strength, capital adequacy and asset quality. The bank recorded a net income of P 2.15 billion in 2008, with a Return on Equity of 7.40% and Return on Assets of 0.87%

In 2008, we strengthened our balance sheet by growing core deposits and loans. Total Deposits of P196.2 billion increased by P20.3 billion or 11.5% in 2008. Likewise, more low cost deposits in the form of Demand and Savings Deposits were generated, growing by 12% to P86.9 B, thus contributing to lowering the overall funding cost. This was the result of many efforts in product development and expansion of distribution channels.

We were also able to expand our loan portfolio by P47.2 billion or 40.3%, from P117.2 billion to P164.4 billion. The Commercial and Small Medium Enterprise Banking Division (CSMEBD), rolled out a new business program targeted at small and medium enterprises. In 2008, CSMEBD achieved a loan portfolio increase of 24.39%. Despite the events in the financial markets, the consumer, commercial and corporate markets still exhibited demand for borrowings. The growth was selective to industries and companies known for their stability and resilience during an economic slowdown.

In February of 2008, the Bank issued P7 billion in Lower Tier 2 Capital Notes, more than what was needed to refinance the maturing P5 billion Capital Notes. With the continued strict implementation of Basel 2 and the increasing asset base, we recognized the need to bolster Capital Adequacy with the additional Capital Notes raised. The bank reported CAR 17.30% as of year-end 2008, one of the highest among our peers.

Our level of NPLs declined substantially in 2008, from P6.5 billion in 2007 to P 3.9 billion in 2008. The bank's NPL Ratio declined to 2.42% in 2008 compared to 5.27% ratio in 2007. The bank continued its prudent stance as it increased its provisioning in 2008 to P 999 million, building up its impairment valuations.

Our focused efforts to dispose of acquired properties included retail sales, auctions and Special Purpose Vehicles or SPVs. As we closely monitored the movements in the property market, we were able to dispose of P1.3 billion of acquired assets in 2008. Our level of investment properties, or acquired assets, after all foreclosures and disposals, declined by 4.8% or P373 million ending the year at P7.4 billion.

Our commitment of providing excellent banking service to our customers, is our driving force to continue improving our products and distribution channels.

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LORENZO V. TAN
President and Chief Executive Officer

Our RCBC My Wallet, which allows cardholders to reload cash through the ATM, received the Gold Quill Award of Merit from the International Association of Business Communicators (IABC). RCBC MyWallet was cited for its potential to encourage Filipinos to save and "for creating value for the wallet of customers."

It is with a similar commitment to quality service that we have offerings such as our internet based RCBC Access One, phone banking and mobile banking. With our Cash Management offerings, such as the eCheck Payment solution, we also recognize the discriminating needs of our corporate clients. Our website, www.rcbc.com has become the central base for all these technology based products, opening our products and services to a wider reach and broader customer base.

We recognized the benefits and opportunity of building partnerships in 2008. Our RCBC Bankard's tie-up with Landmark-Anson's and the National Confederation of Cooperatives (NATCCO), provides additional, new and unique features for the customer's benefit.

We have grown our branch network to 324, including 12 branches converted from our recently acquired Merchants Bank. We have increased our visibility and accessibility by deploying 80 additional RCBC ATMs to various key locations across the country for a total of 380 ATMs by the end of the year. We also opened eBiz Centers in key locations in Manila, San Juan and Cebu. The eBiz Center is the future of electronic banking. It is equipped with ATMs and self-service machines that provide added convenience for our clients.

Our dedication to serve our overseas Filipinos, has resulted in a growth in Remittance volume of 21% -- beating the industry's growth of 14% for 2008 for a 10% market share.

We also expanded our wealth management business in Cebu and Ortigas, to provide more convenient service to our high net worth clients. As we managed to address the more sophisticated needs of our wealth management clients, total assets under management increased by 13%.

We closely monitored the events in the US financial markets as it affected our portfolio and the markets that we service. We tightened risk management controls anticipating the uncertainty that the markets presented.

We will sustain our performance based on the foundation of the strong support of people and technology. Our people bring the special skills needed to deliver quality services. Our trained officers have the critical knowledge and skills needed to adopt to the fast-changing markets. Technology provides leading edge products to our customers, to increase speed, efficiency and to ensure accuracy; while firmly controlling our cost of operations.

2008 was a tough year, and the bank would not have been able to deliver these results without everyone's support. We thank our depositors and customers, for their continued confidence and trust. We wish to thank our management team and all our associates for their unwavering commitment to their work and for their contribution to the performance of the bank. We are thankful to our Board of Directors for their valuable advice and guidance. And to our stockholders, we thank you for your continued support.

In 2008, the senior management team came together to envision a new definition of the future for RCBC, and we are committed to this Vision. We are committed to attaining levels of financial performance that will result in the bank as being the most admired and trusted financial services group.

LORENZO V. TAN
President and Chief Executive Officer

A life of honor and integrity

Remembering the first man who energized the country.

His love of country guides us. His passion for excellence inspires us. His name keeps us humble and trustworthy in providing banking that energizes the lives of our customers.

ECONOMIC ENVIRONMENT FOR THE BANK IN 2008

Philippine GDP in 2008 grew 4.6%, the lowest in 6 years and down from the 31-year high of 7.2% in 2007. Similarly, Philippine GNP growth slowed down to 6.1% vs. 8.0% in the previous year. The US economy, among the biggest export markets of the Philippines, was already in recession since December 2007. Developed countries (US, Europe, Japan), as well as the broader global economy, were expected to contract simultaneously for the first time since World War II. Nymex crude oil price was volatile in 2008—from US$95.98 in end-2007, it climbed to a record high of US$147.27 in July 2008, but subsequently collapsed, to close the year at US$44.60. The crisis in the global economy and financial markets was exacerbated by the huge financial market losses by some foreign banks that eventually received assistance from their respective governments.

Philippine GDP by industry: Services posted a slower growth of 4.9% vs. 8.2% in 2007, due to the slowdown in Transportation, Communication & Storage; Trade; Finance; and Private Services. Industry similarly slowed down to a growth of 5% vs. 7.1% in 2007 due to the sharply slower growth in Construction and Mining & Quarrying, though Manufacturing and Electricity, Gas, & Water posted slightly higher growth rates. Agriculture, Fishery, & Forestry grew by 3.2%, less than the 4.9% posted in 2007, after the rice crisis in the early part of 2008.

Philippine GDP by expenditure share: Consumer Spending slowed down to 4.5% vs. 5.8% in 2007, as average Unemployment Rate was slightly up at 7.4% vs. 7.3% in the previous year. Investments sharply slowed down to 4.2% vs. 11.2%, partly reflecting business adjustments amid the slowdown in both the local and global economy. Government Spending posted a slower growth of 4.3% vs. 8.3%, after the Budget Deficit for 2008 stood wider at PHP68.1 billion, compared to a deficit of PHP12.4 billion in the previous year.

Inflation averaged 9.3% in 2008, sharply up vs. the 2-decade low of 2.8% in 2007, after the sharp increase in the prices of oil, rice, and other global commodities in the early part of 2008. However, Inflation started to taper off from the 12.5% posted in August 2008, after prices of major global commodities collapsed in the latter part of 2008, as weaker global economic conditions translated to lower demand. By December 2008, Inflation receded to 8%.

The 91-Day Treasury Bill Rate as of end-2008 stood at 6.12%, nearly double the 3.67% posted a year earlier. The 3-month PDST-F yield was relatively volatile in 2008 from 4.19% in end-2007, it reached a high of 7.22% last Oct. 28, 2008 but subsequently tapered off, to end at 5.75% in 2008. The BSP already reduced its key overnight interest rates towards the end of the year, by 50 basis points last Dec. 18, in line with the global trend, as inflationary pressures eased with the collapse in the prices of oil and other major commodities. In November, the BSP reduced reserve requirements by 2 percentage points to 19%. Consequently, key Philippine interest rates in the secondary market, mostly fell to near 1-year lows towards end-2008.

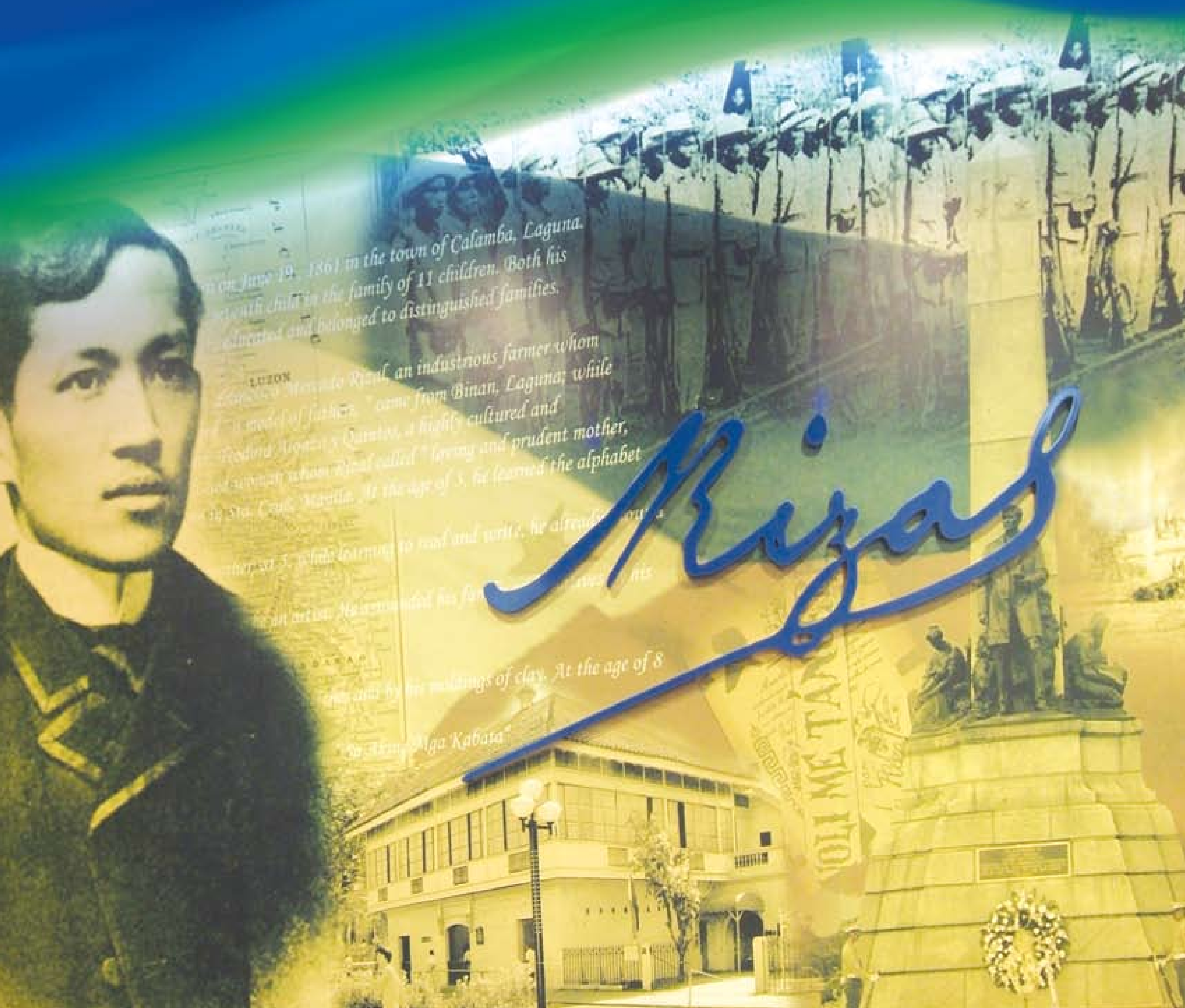
The Peso Exchange Rate depreciated in 2008, by 6.24 Pesos or 15% to close at 47.52 vs. 41.28 in the previous year, similar to the depreciation in most of the other Southeast Asian currencies. The peso was relatively volatile in 2008—from a low of 40.25 last Feb. 28, it reached a high of 50.17 last Nov. 21, before ending the year at 47.52. Philippine Gross International Reserves (GIR) reached a record high of US$37.6 billion or equivalent to 6 months worth of imports thereby increasing the country's foreign exchange buffer stock against speculative attacks on the currency.

OFW Remittances for 2008 increased by 13.7% to US$16.4 billion, slightly better than the 13.2% growth posted in 2007, as OFW Deployment increased by 28% to 1.4 million, significantly higher compared to the 1% growth in 2007. However, for the month of December 2008, OFW Remittances growth slowed to 1%, the lowest in more than two years, and OFW Deployment declined by 6%.

Exports declined by 3% to US$49 billion in 2008, compared to a growth of 6% in 2007. Exports for the month of December 2008 dramatically fell by 40%. Imports posted a slight growth of 2% in 2008 to US$56.6 billion vs. the 8% growth in the previous year. However, for the month of December 2008, Imports sharply declined by 34%. Trade Balance for 2008 was wider at -US$7.6 billion compared to –US$5 billion in the previous year.

Balance of Payments Surplus declined dramatically to +US$89 million vs. +US$8.6 billion in 2007, as Net Foreign Portfolio (Hot Money) Investments sharply declined by 151% to -US$1.8 billion and Net Foreign Direct Investments dropped by 48% to +US$1.5 billion vs. +US$2.9 billion in 2007, partly attributed to the increased volatility in the global financial markets.

Love and pride for the race



Financial Highlights

RESULTS OF OPERATIONS

RCBC registered a consolidated net income of P2.15 billion for full year 2008, with a Return on Equity of 7.4% and Return on Assets of 0.87%.

Total Revenue was maintained at P13.1 billion resulting from offsetting movements in Net Interest Income & Other Operating Income.

Interest Income increased by P0.4 billion to P15.7 billion given the increase in loan portfolio but Interest expenses increased at a faster rate by P0.7 billion at P7.2 billion due to bigger deposit volume. The resulting Net Interest Income was P8.5 billion or slightly lower by P0.3 billion from P8.8 billion the previous year.

Lower Net Interest Income was countered by increase in Other Operating Income by P0.3 billion to P4.6 billion. Improvements came from Foreign exchange gains, which increased by P1.0 billion to P852.0 million and Commissions and other income, which nearly doubled at P2.0 billion from P1.2 billion the previous year. Gains in Foreign Exchange Income & Commissions and Fees were offset by declines in other sources of income such as Trading Gains due to movements in the market resulting from the financial crisis.

Impairment losses on loans and investment securities amounted to P1.0 billion, slightly higher than the previous year's P942.5 million based on the bank's assessment of the fair value of its assets.

Operating Expenses increased by P0.8 billion to P9.0 billion as the bank expanded operations with a larger distribution network, the acquisition of Merchants Bank and investments in Information Technology.

FINANCIAL CONDITION

Total Resources of the bank at year-end stood at P268.3 billion, P29.2 billion or 12.2% ahead of the previous year. This was mainly driven by a P20.3 billion or 11.5% organic growth of deposits, which ended at a level of P196.2 billion by end 2008. Deposit growth can be broken down to: Demand deposits increased by 3.3% to P11.1 billion, Savings deposits grew by 13.43% to P75.7 billion and Time deposits increased by 11.1% to P109.4 billion.

The bank successfully raised P7.0 billion worth of Lower Tier 2 notes on February 22, 2008 and exercised its option on July 11, 2008 to redeem its existing P5.0 billion notes. Capital funds, including minority interest, reached P27.6 billion, net of P1.0 billion cash dividend. Despite more stringent Basel II requirements, Capital adequacy ratio stood strong at 17.3% as of year-end 2008.

Loans, excluding interbank loans and net of allowance for impairment losses, grew by P35.0 billion or 33.1% to P140.8 billion, as loans to the corporate, SME and consumer markets increased.

Investment securities were lower by P17.8 billion or -27.5% to P46.8 billion as the bank took a more conservative stance amidst a volatile investment environment. Moreover, per regulation as allowed per BSP circular No. 628, the bank reclassified a significant portion of its Investment Securities to Held to Maturity (HTM).

Non-performing loans (NPL), net of P1.8 billion in fully reserved accounts, decreased to P3.9 billion as a result of increased collection and foreclosure efforts. NPL ratio thus improved from 5.27% in 2007 to 2.42% in 2008.

Investment property, representing acquired real properties, net of depreciation and allowance, decreased to P7.4 billion mainly through 7 public auctions. Thus, Investment property over total assets ratio improved from 3.2% in 2007 to 2.8% in 2008.

Use of God-given talents

Operational Highlights

Corporate Banking

RCBC's Corporate Banking Group (CBG) continued with its expansion mode in 2008. CBG recorded a 41% growth in its loan portfolio, surpassing the 36.7% increase realized in 2007. Despite the challenging market conditions particularly during the second semester, the Group took an opportunistic stance by participating in the major debt raising and refinancing activities undertaken by major corporates acknowledged as dominant players in their respective market sectors. The year saw the Group increasing support to major corporates such as San Miguel Corporation, Ayala Land Inc., Globe Telecommunications, SM Prime Holdings, and JG Summit, among others.

The group and its corporate client base was able to stay resilient over the past year as there were opportunities and good prospects despite the economic slowdown. This was balanced by the group's risk management efforts during the year that helped create the foundation for prudent lending.

CBG continues to focus on the large domestic and multinational Corporates, the Japanese multinational companies which are mostly concentrated in the country's special economic zones, and the major Filipino – Chinese businesses which continue to account for a sizeable portion of local economy. In 2008, CBG embarked on a stronger solicitation of the Small and Medium Enterprises (SMEs), having laid the preparatory work the previous year.

The Group has been organized to deliver a wide range of corporate financial services designed for the investment and financing requirements of its identified corporate market segments. CBG's emphasis on relationship banking has allowed the Group's Relationship Managers to serve not just the credit needs of the Bank's corporate clients but to also expand the business relationship to other banking and financial lines, including those made available through the YGC.

Having identified the SMEs as a key growth area for the Bank, CBG launched its marketing programs targeted to this business sector which has attracted special attention because of its growing contributions to the local economy. After completing a new business program which includes a more rigid account monitoring systems, a credit scoring model, improved internal credit management processes, and reinforced marketing organization, the SME team, now known as The Commercial and Small Medium Enterprise Banking Division (CSMEBD), has rolled out this new business program which is envisioned to make this division a major contributor in the Group's efforts to diversify the loan portfolio and improve interest margins. CSMEBD has established lending centers across the country providing a wide coverage of the business activities in Metro Manila, Luzon, Visayas and even Mindanao. In 2008, CSMEBD achieved a loan portfolio increase of 24.39% in its initial year under the new business program. New initiatives are further to be expected from CSMEBD such as developing an internet-based platform designed to extend the bank's market reach into this SME sector.

CBG continues to pursue business development activities while adhering to the Bank's established Credit Risk Management policies. Cognizant of the fact that our Relationship Managers are the Bank's direct contact with our corporate clients, CBG further deepened the skills of our key frontliners by way of intensive marketing and credit training programs.

The bank's strong presence in the special economic zones has remained the key in CBG's sustained relationship with our Japanese clients. CBG's Japanese Ecozone Segment has further strengthened its foothold of clients operating in the economic zones. Also, CBG remains to be a leading provider of trade finance services to Filipino-Chinese businesses.

Retail Banking

The Retail Banking Group (RBG), true to its commitment to deepening customer relationships and broadening market reach, pursued more aggressive undertakings in deposit-generation, cross-selling and customer acquisition, in 2008.

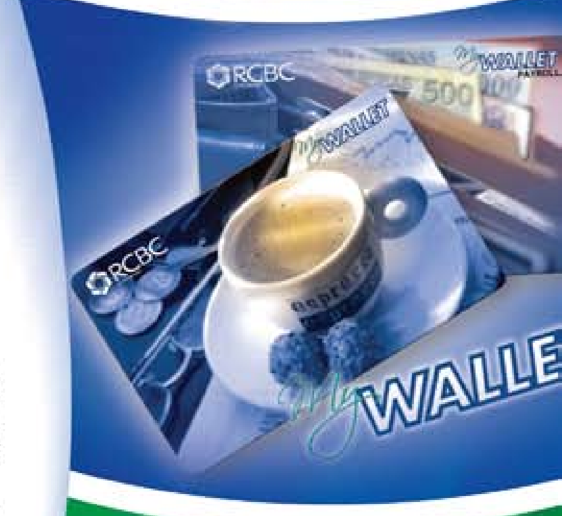
The strong growth strategy efforts of the RBG contributed to the increase in the bank's low-cost deposit base by 12%, attaining almost P87 billion in combined Demand and Savings Account Deposits. The sales culture in the business centers strengthened, as referral production doubled in volume in 2008. Customer acquisition efforts were significantly boosted with the introduction of the MyWallet Prepaid Stored Value Card, increasing the account base by almost 30%.

In the past 2 years, RBG has expanded its product offering while continuously enhancing existing products. It has also developed alternative distribution channels with the vision to migrate customer transactions from the counter to electronic channels, thereby freeing up branch personnel to concentrate on selling and more value-adding activities.

Product Initiatives

The bank has introduced and re-introduced a wide range products and services in 2008, that caters to likewise a wide range of customers.

In early 2008, the Bank repackaged and re-launched its Dragon Savings Account with a new passbook, ATM and Checkbook design. The Dragon Savings Account is a retail deposit product that offers a tiered interest rate scheme whereby higher rates of interest are paid to deposit balances that exceed certain threshold amounts.



To support the bank's strategy of growing its number of customers, the bank launched the RCBC MyWallet, a Prepaid Stored Value card. The RCBC MyWallet is envisioned to provide a steady source of fee-based revenues and serve as an all-purpose instrument that will accommodate low-value transactions for a cashless society. This is in preparation for the bank's e-Commerce initiatives. The Philippine Quill Award of Merit given to RCBC's MyWallet product is a testimony to the potential of the product to provide a valuable banking service to the customer.

In the middle of 2008, RCBC Savings Bank (RSB) launched a new deposit product called the e.Passbook. The e.Passbook is a specially designed expanded passbook (with an exclusively designed ATM card) that records the select transaction details and information that discriminating clients look for as part of their banking needs.

The Retail Banking Group envisions itself as a strong solutions provider for both retail and corporate clients. It will establish a direct link of the products and services for the Business-2-Business-2-Consumer (B2B2C) model.

The Bank embarked on an intensive campaign to push Cash Management solutions to provide more value to corporate customers' existing businesses. The bank launched the eCheck Payment Solution (eCPS), an enhancement to the current check writer solution of the Bank, which completes the roster of basic Cash Management solutions.The eCPS will provide clients with increased capacity and volume of issuing Managers Checks given its improved backroom support to accommodate volume-driven disbursements of large corporations.

Channel Initiatives

Complementing the launch of these products, channel expansion activities remained vigorous. RBG opened 9 new business centers in 2008: Alabang West Service Road in Metro Manila; San Fernando Robinsons, San Fernando Sindalan and Sta. Maria, Bulacan in North Luzon; Laguna Technopark and Sta. Rosa-Balibago in South Luzon; Cebu Business Park and Iloilo-Ledesma in the Visayas; and Davao NCCC Mall in Mindanao. RCBC Savings

RCBC's E-Biz Centers provide customers with 24/7 convenient access to various banking transactions.

Bank or RSB also opened 5 new business centers: Angeles, Pampanga; Ampid, San Mateo; Lingayen, Pangasinan; and San Jose, Batangas in Luzon and Tagbilaran, Bohol in Visayas. The acquisition of Merchants Bank contributed an additional 20 branches to the network.

As of December 2008, the Bank managed a total of 321 branches and 3 extension offices of which RSB had 115. There are still together with nine (9) Merchants Bank branches that have yet to be opened integrated by the 1st quarter of 2009.

Committed to providing easy access to a wider base of clients, the bank's expansion in electronic channels was also aggressive. By the end of 2008, the bank had a total of 380 ATMs. RCBC E-Biz Centers were also launched, providing 24x7 convenience to the Bank's customers. As the bank continues to expand electronic based products and services, E-Biz Centers are expected to increase in the coming years.

CONSUMER BANKING

Consumer loans are offered via RCBC's thrift bank subsidiary RCBC Savings Bank (RSB). RSB saw significant gains in 2008 as loans grew by 20% from last year's level reaching P33.9B. RSB had two successful loan promotional campaigns in 2008. The Fully Furnished Home Loan, gave away free appliances such as slimfit TVs and other prizes to qualified borrowers while the Fully Loaded Auto Loan, awarded a brand new Honda Civic as its top prize in the grand raffle. These twin promos generated substantial new loan bookings for the bank.

Consumer loan services were made available in RSB's 115 business centers (10 of which are open for Saturday banking), including 12 consumer lending centers and 2 consumer lending desks.

For RCBC Bankard, 2008 was a record year, with cards-in-force growing by 45% over last year's with 170,089 new cardmembers. The high number of cards contributed to the increased volume of customer transactions, growing its card issuing billings by 28%. Its merchant acquiring billings increased by 34% over that achieved during the same period last year.

As part of its continued efforts to provide its cardholders with the best in card features and technology and to offer cards that are targeted to the specific needs of specific market segments, two new RCBC Bankard card products were launched - the Landmark-Anson's MasterCard and the NATCCO-RCBC Bankard MasterCard.

Various financial solutions launched in 2008, from new card products to marketing promotions, enhanced RCBC's consumer services portfolio.

A breakthrough card product, the 3-in-1 Landmark-Anson's Card was launched in October 2008 in response to the clamor for a shopping card that combines the benefits of a loyalty card, a discount card, and a credit card all in one. While simplifying the shopping life of its cardholders, the card also provides them with loyalty points, weekly discounts and flexible installment terms including 0%.

The NATCCO-RCBC Bankard MasterCard launched in November 2008 is an exclusive co-branded card issued to members of the National Confederation of Cooperatives (NATCCO) under the widely accepted banner of MasterCard International. The card, which targets over a million members of the cooperative network through its primary cooperatives, aims to provide cardholders with a wide range of privileges and benefits that will help them manage their funds or avail of much-needed credit when they need to finance an expense and funds are short.

Apart from its acquisition programs, RCBC Bankard also launched several Marketing campaigns in 2008 to boost card usage and generate billings. Most notable is the relaunch of the RCBC Bankard Rewards Program. Positioned as the most generous, the fastest and the most flexible rewards program that provides the most choices because it is catalog-free, RCBC Bankard Rewards also has the unique feature of allowing cardholders to exchange their rewards points to cash via Manager's Check or credit to their RCBC or RSB accounts. Another major card feature – Easyterms Installment – allows cardholders to convert their retail purchases to installment in just one easy phone call to the RCBC Bankard Customer Service hotline. It also extends to them flexible installment terms. These two flagship marketing programs contributed to the increase in issuing billings that were realized in 2008.

OVERSEAS FILIPINO BANKING GROUP

2008 was characterized by bigger challenges in the Overseas Filipino Workers' (OFW) segment, with a volatile exchange rate and increased competition from other remittance service providers entering the market with new electronic based, tech savvy services in sending money to their beneficiaries in the Philippines.

These factors notwithstanding, the Overseas Filipino Banking Group (OFBG) rose above these challenges. OFBG, through its Telemoney business units, posted a remarkable 21% increase in its business in 2008, ahead of the country's remittance industry's growth of 13.7% for the same period. This was accomplished by a relentless passion for continued excellence in client service and aggressive market expansion.

Telemoney continued to expand its market reach in 2008, particularly in areas that are densely populated by overseas Filipinos. This year saw the opening of 2 new remittance offices in the United States, bringing the total number of brick-and-mortar Telemoney outlets in that area to 13. The San Jose, California center started operations in February 2008 while the center in Niles, Illinois was inaugurated in August 2008. Telemoney Europe SpA, RCBC's remittance subsidiary in Europe, extended its service to southern Italy by opening a new branch in Naples in July 2008. There were also 5 new remittance tie-ups in 2008, in Asia and in the Middle East. These new partners and branch upped Telemoney's

A more robust consumer banking thrust saw the launching of several RCBC products targeted to different markets.

total remittance network to an aggregate of 1,164 subsidiaries, tie-up partners and agents in 25 countries all over the world.

2008 also marked a strengthening of Telemoney's foothold in the seabased sector. The Domestic Business Line Division notched a 66% growth in its business from the previous year's figures. This was accomplished primarily by offering improved client servicing, very competitive rates and a more aggressive marketing campaign. A landmark agreement with the Philippine Overseas Employment Agency (POEA) was signed in July 2008 allowing Telemoney to join the in-house pre-departure orientation seminars (PDOS) of this agency. Telemoney was also able to join regular PDOS of 2 overseas manpower providers thereby providing the opportunity to improve our account opening campaign.

The group conducted a raffle for remitters in Saudi Arabia where several television sets were awarded to winning remitters. To sustain this effort, a bigger promotion, the Telemoney Global Raffle, was launched in October 2008 to run for 6 months. The Global Raffle program includes remitters from all Telemoney subsidiaries and tie-up offices.

TREASURY / FINANCIAL MARKETS

The year 2008 was unprecedented for Treasury Group's business due to the extreme volatility that prevailed in the financial markets. What started as an inflation scare in the early part of the year due to record oil prices ended up as a global financial crisis that triggered massive sell-offs in assets and a level of systemic risk that has never been seen before.

But despite these challenges Treasury was able to maintain its position as a market maker in the local securities market and the Philippine Dealing System (PDS). The Bank received an award from the Bureau of Treasury for being in the Top 10 Government Securities Eligible Dealer (GSED) in the secondary market trading of government securities. It also retained its position as one of the fixing banks in the PDS ranking 9th with estimated market share of 13%. It likewise maintained its position as a major market maker in dollar denominated securities.

The Global Distribution & Advisory (GDA) team, which handles the marketing and distribution of treasury products and services, had a record year with foreign currency transactions increasing by 38% while its fixed income volume increased by 200% for government securities and 70% for dollar denominated securities.

Treasury also played a significant role in the Bank's second issuance of Unsecured Subordinated Debt Lower Tier II Notes. Subscriptions received were in excess of the maximum issue amount approved by the Bangko Sentral ng Pilipinas and allowed RCBC to issue a total of P 7 billlion.

The Institutional Relationship Management Division, now called the Financial Institutions Management Division, continued to support Treasury and other banking units through its negotiations and cooperative projects with correspondent banks. The Division supported trading activities by evaluating local and foreign financial institutions, then establishing credit lines and opening new accounts as requested by Treasury. The division also provided liquidity funding through structured trade financing.

Treasury Group also reviewed its Table of Organization, which led to the segregation of trading and investment activities and increased emphasis on asset and liability management.

TRUST SERVICES

RCBC's Trust and Investment Division was able to show a strong performance even with the difficult investment environment in 2008. RCBC's revenues from the trust business grew by 11.45% in 2008 compared to 2007. RCBC Trust drew strength from over decades of experience and competency in fund management, combining pro-active management, a disciplined investment approach and risk management to generate better returns for its clients. It continued to be a leading retirement fund manager in the country as it managed to sign up several midsize and large companies to its already enviable roster of clients.

All five RCBC unit investment trust funds ranked among the top performing funds in their respective categories in terms of returns generated for 2008. RCBC continued to offer various UITFs suited to the clients' varying investment needs, preferences and risk appetite. These funds were rebranded from the unique prosperity symbols to a family of funds identified as the Rizal Unit Investment Trust Funds. The re-branded UITFs are as follows: Rizal Peso Money Market Fund (formerly dragon); Rizal Peso Bond Fund (formerly Unicorn); Rizal Dollar Money Market Fund (formerly Phoenix Dollar); Rizal Dollar Bond Fund (formerly Eagle Dollar); and Rizal Equity Fund (formerly Tiger Equity). This re-brandingstrategy not only simplified the names of the UITF products to facilitate easy understanding and recall by customers but more importantly, emphasized to investors the trust that is integral to its fund management business.

For conservative clients who looked for safe havens for their funds amid market volatility, RCBC Trust offered clients with the opportunity to take advantage of the Special Deposit Account facility of the Bangko Sentral ng Pilipinas.

RCBC likewise focused on its expertise in providing non-fund management services such facility agencies, mortgage trust indentures, bond trusteeship and escrows. RCBC's extensive experience in this type of business was tapped as it was appointed as facility agent for multi billion peso syndicated loans and corporate bond issues of prestigious clients such as Hedcor Sibulan Inc. of the Aboitiz Power Group and San Miguel Corporation.

The financial crisis notwithstanding, RCBC Trust remains optimistic as it plans to launch several new products for 2009 to augment its products and services in response to emerging needs. With the passage of the PERA Law, RCBC will bid to become administrator, investment manager and product provider for PERA investors.

WEALTH MANAGEMENT

The Wealth Management Group registered a growth of 12% in its assets under management (AUM) in 2008. Furthermore, it posted a robust performance by growing its client base by +56% during the same period.

The hard work and dedication of its select team of Relationship Managers were instrumental in generating the growth in AUM and number of clients. Adding to it was a marked inflow of offshore funds of clients to the local financial system due to the instabilities and problems besetting several international financial institutions. While the Philippines may not be completely immune to the effects of the crisis, it was a safer haven for many investors.

In 2008, the Group remained on track towards achieving its long-term vision of establishing itself as a major player in the wealth management / private banking market by continuing to hire new relationship managers; establishing new offices in Cebu and Ortigas; holding regular economic briefings and putting in place a Wealth Management System to improve its client services.

Further expansion in market coverage is expected in the future as the Group sets up offices in strategic areas around Metro Manila and key provincial cities.

HUMAN RESOURCES

The Human Resources Group's programs and activities for 2008 continued to focus on attracting, developing, retaining and motivating a highly competent workforce in order to meet organizational needs.

HRG reviewed key components of its compensation system to make it more current and market driven. The Bank also enhanced its staff recognition program, promoting meritocracy and rewarding performance.

Training and development activities focused on providing opportunities for staff to align skills under the new organizational structures and business processes. HR continued to provide regular in-house, external and international training to officers and staff – fundamental to developing, updating and retaining core competencies for optimum productivity as well as to delivering the increasing business volume. Experts in the field also conducted special programs, which included Financial Reporting for Credit Risk Analysis Seminar and Financial Statements Analysis Seminar, to provide the necessary skill set needed to improve the quality of loan portfolio and better manage risks. Risk management was a key focus in the training courses. Likewise for treasury related products, a seminar on Understanding Options and Derivatives, aimed at building stronger understanding of the various financial instruments.

As a way of building the officer core and ensuring organizational capability, the bank institutionalized an Officers Development Program (ODP) in 2008, building the core knowledge and skills of its first 15 participants and molding them into professional RCBC officers.

INFORMATION TECHNOLOGY

The organization of Information Technology (IT) in the bank went through a major transformation in 2008 by adopting the shared services operating model. With centralized governance over the information technology units of RCBC and its subsidiaries, the new IT Shared Services Group (ITSSG) is able to leverage on reduced operating cost, shared resources and capabilities, harmonized policies and an enterprise-wide IT direction -- resulting to efficiencies in the operating environment.

The shared services includes technology resource and infrastructure management, information security, quality assurance, IT risk management, and application development.

Major initiatives of the group include the expansion of the Data Center, strengthening the Bank's IT infrastructure, and the creation of the Operations Command Center - a key facility intended to provide proactive IT infrastructure and service monitoring.

An IT Risk Management unit was formally established to develop and implement sound risk management practices in the areas of IT planning and control, security, system development and acquisition, data center operations, network management and outsourced technology services. The unit also takes the lead on business continuity, disaster recovery and regulatory compliance initiatives of ITSSG.

The foundation for gathering data to generate more accurate information for business analytics has been laid out, paving the way for the creation of business intelligence portals with executive dashboards -- critical tools for strategic business decisions.

In support of business initiatives, ITSSG delivered a series of upgrades and enhancements on the existing electronic banking channels, enabling RCBC to gain a wider market reach and increased global presence. AccessOne, RCBC's retail internet banking facility, RCBC Mobile Banking and the RCBC Phone Banking facilities were all launched with enhanced features and capabilities, offering more products and services to RCBC clients.

The ATM core was also upgraded to meet the projected increase in transaction volume and the installation of additional machines covering the next five years. Its security module was also replaced to comply with the new data encryption requirements of VISA and Bancnet.

The Bank also invested in a comprehensive suite of solutions to support the retail card-based products, particularly e-Woman and RCBC MyWallet.

The Bank's treasury, trust business, wealth management and remittance systems were also upgraded to address new operational and business requirements.

SERVICE EXCELLENCE

Desiring to distinguish itself through service excellence and customer satisfaction, RCBC in 2008, streamlined its service excellence efforts, re-assigning key functional roles to bank units that are best suited to develop a new service culture among bank personnel. Given the task to take the lead in ensuring that employees are provided with the necessary tools, training and support needed to excel in Service Excellence were the Operations Group, which will strictly implement service level agreements; and the Human Resources and Corporate Communications Groups, which will spearhead training, promotion and feedback monitoring on the more exacting service standards. The end goal is not just to meet customers' expectations, but to go above and beyond these expectations.

RCBC Savings Bank intensified its consumer loans business with simultaneous exciting Housing and Auto Loans promotions.

To immediately score some quick wins toward this end, a new service equation was launched during the bank's anniversary in September. E+C@allx, which translates to "Efficient and Courteous Service At all Times," has now become not just a service formula but an extensive customer service training program that has been rolled out to the bank's frontline personnel. With the equation serving both as a catchy reminder and a good starting point in developing its new service culture, RCBC is confident of being able to deliver greater satisfaction among its truly discriminating customers.

RCBC SAVINGS BANK

Despite the onset of the global financial crisis in the latter part of 2008, RSB's net income grew 12% to P776M from P691M as net revenue from funds rose 4% while other income surged 27%. This resulted in a return of average equity of 13.7%.

RSB became the third largest thrift bank in the country as it registered total assets of P46.6B in 2008. In terms of lending, RSB ranks third among Philippine thrift banks. Its loan portfolio increased 20% to P33.9B, lifted by a strong growth in consumer loans. Meanwhile, the Bank ranks third as well in deposits with total deposits reaching P39.0B.

The total network of RSB has 115 business centers, including 12 consumer lending centers and 2 consumer lending desks. Saturday banking is made available in select areas. The savings bank had 94 automated teller machines in 2008.

RCBC Savings Bank received the "Best Collecting Thrift Bank" award from the Social Security System (SSS) as it served as a key collector of the government agency's SSS premiums from the public.

RCBC CAPITAL CORPORATION

RCBC Capital Corporation, a wholly owned subsidiary of the Bank, is a full service investment house providing a complete range of investment banking and financial services. Established in 1974, RCBC Capital has 35 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of foreign currency or peso loans, direct equity investment, securitization and financial advisory.

RCBC Capital maintained its standing among the most active investment banks in 2008 against the shifting general economic landscape. It was again a significant player in the debt capital market having raised funding for six debt issuances in 2008. RCBC Capital was the Lead Arranger for a Php2.0 Billion Syndicated Loan for RCBC Realty Corporation, as well as for a US$3.0 Million Short Term Credit Line for Alliance Tuna International, Inc. It was also Co-Lead Arranger for Manila Electric Company's Php5.0 Billion Corporate Notes and Roxas Holdings, Inc.'s Php2.0 Billion Syndicated Term Loan. The investment house also had its share of project financing as Joint Lead Arranger of the Php3.5 Billion facility for Hedcor Sibulan, Inc. and the US$100 Million Loan for Masinloc Power Partners Ltd.

Amidst the decline in the local equity markets, RCBC Capital managed to participate in the Php3.998 Billion Initial Public Offering ("IPO") of Pepsi Cola Products Philippines, Inc., the Php4.3 Billion Preferred Share Offering of First Philippine Holdings Corporation, and the Php6.0 Billion Preferred Share Offering of Ayala Corporation.

RCBC Capital also provided Financial Advisory services to Manila Electric Company ("Meralco") and Holcim Philippines, Inc. in 2008. It also continued its distributorship of the Grepalife Fixed Income Fund, an open-ended mutual fund.

RCBC SECURITIES

The overhang of the US sub-prime mortgage crisis which spilled over to other countries caused the Philippine market to decline in the most part of 2008.

The broad market index Philippine Stock Exchange index (PSEi) shed off 48% year-on year to close at 1,872.85 from 3621.60 at the end of 2007. After reports of the collapse in US investment bank Lehman Brothers and other institutions in the US as well as in other developed countries, reports of an impending recession in the US together and other economies, weighed down on markets including the Philippine market. This caused volatility in share price movements and warded off risk-averse investors.

Amidst the global financial crisis, RCBC Securities Inc. (RSEC) managed to turn in a positive net income of P5.7M in 2008 down from P16.8M in 2007 or lower by 66%. Revenues for 2008 were lower by 41% to P34M. The overall declines in revenues and income stemmed from lower volumes of trades from P18.5Bn from P11.5Bn as investors held back their investing activities on expectations of global crisis impacting on locally listed companies. RSEC's activity was sustained by increased retail clients' and a institutional clients' over-all trades which somehow recouped the lower volume of transactions in other client categories.

RCBC FOREX BROKERS CORPORATION

Behind the backdrop of a very turbulent market in 2008, RCBC Forex was able to spot opportunities among the major currencies, and was able to ride the volatility that characterized the past year. Thus, for the last four (4) years it remains to be the number one (1) bank-owned forex corporation in terms of revenue. Total Revenues increased by 29% from P 194 Million in 2007 to P 251 Million in 2008. The company was able to achieve this feat by quoting competitive rates and ensuring efficient and reliable service.

To further increase its clients reach and market awareness, RCBC Forex Brokers in 2008, established buying stations in Caticlan, the Diosdado Macapagal International Airport and at the YGC Center at the RCBC Plaza.

BANKARD, INC.

The year 2008 marked the second year of Bankard's transformation from a company engaged in the credit card business to a service provider tasked to handle end-to-end servicing of RCBC's credit card business.

Focused on its commitment to re-establish the re-branded RCBC Bankard credit card in the market, Bankard achieved a record year in 2008 through a healthy performance that resulted in such major accomplishments as: (1) a net income of P276.1 million which is 207.1% higher than the P89.9 million net income reported in 2007; (2) elimination of the qualified opinion applicable to the Company's 2007 Financial Statements due to the writing-off of the Deferred Tax Assets; and (3) completion of the last leg in the restructuring of the Company's Balance Sheet with the listing of the newly issued shares representing the debt to equity conversion and private placement transactions with RCBC and RCBC Capital Corporation on April 23 2008 at the Philippine Stock Exchange.

In line with its role as a servicing entity for RCBC's Credit Card business, Bankard was able to achieve optimum productivity which, alongside the strengthening of its core processes, resulted in significant operating efficiency that translated to bigger volumes of transactions/business processed in 2008 under a controlled headcount growth of an average of 228 vs. 223 in 2007.

ALLIANCE TUNA INTERNATIONAL, INC.
US$3 Million Short Term Loan Facility
RCBC CAPITAL CORP. Lead Arranger

RCBC REALTY CORPORATION
Php 2 Billion Syndicated Term Loan
RCBC CAPITAL CORP. Lead Arranger

MANILA ELECTRIC COMPANY
Php 5 Billion Corporate Notes
RCBC CAPITAL CORP. Co-Arranger

MASINLOC POWER PARTNERS CO. LTD.
US$ 270 Million Syndicated Term Loan
RCBC CAPITAL CORP. Co-Arranger

HEDCOR SIBULAN, INC.
Php 3.57 Billion Syndicated Term Loan
RCBC CAPITAL CORP. Joint Lead Arranger

CAC, INC.
CADP, INC.
ROXAS HOLDINGS, INC
Php 2 Billion Syndicated Term Loan
RCBC CAPITAL CORP. Joint Lead Arranger

AYALA CORPORATION
Php 6 Billion Preferred Shares
RCBC CAPITAL CORP. Underwriter

FIRST PHILIPPINE HOLDINGS CORP.
Php 4.3 Billion Preferred Shares
RCBC CAPITAL CORP. Participating Underwriter

PEPSI COLA PRODUCTS PHILIPPINES, INC.
Php 3.998 Billion Initial Public Offering
RCBC CAPITAL CORP. Participating Underwriter

MANILA ELECTRIC COMPANY
Php 100 Million Acquisition of Republic Insurance
RCBC CAPITAL CORP. Financial Advisor

HOLCIM PHILIPPINES, INC.
Acquisition of certain target Quarrying and Mining Companies
RCBC CAPITAL CORP. Financial Advisor

Respect and love for parents

Corporate Governance

The Bank has an established corporate governance policy, which is formulated at the Board level and is based on the guidelines of the Bangko Sentral ng Pilipinas (BSP) and the Securites and Exchange Commission (SEC). The Board of Directors on an annual basis conducts a self-assessment of its performance based on the principles of accountability, fairness/equity, transparency and professionalism.

In line with good corporate governance, the Bank has adopted fit and proper standards on key personnel taking into consideration their integrity, technical expertise, education, diligence, and experience or training. The Bank's corporate governance principles take into account the interest of the stakeholders and ensure that directors, officers and employees conduct business in a safe and sound manner. These principles also ensure that transactions entered into between the Bank and related interests are conducted at arm's length and in the regular course of business.

The Bank has sufficient number of independent directors that gives the assurance of independent views and perspective. Likewise, the independent functions of internal audit, the compliance office, and the risk management unit lend comfort to stakeholders, including the regulators, of the bank's commitment to the principles and practices of good corporate governance.

THE BOARD OF DIRECTORS

The corporate powers of the bank are vested in and exercised by the Board of Directors, composed of members elected by the stockholders.

There are 15 directors, 5 of whom are classified as independent directors under relevant law and regulation. All 15 directors are known for their independence, professionalism and integrity and make decisions for RCBC with complete fidelity to RCBC and cognizant of their responsibilities under relevant law and regulation.

The responsibility to act and pass upon matters for action in between meetings of the Board has been delegated to an Executive Committee.

The Board has delegated other responsibilities to its sub-committees. The Audit Committee provides oversight of the Bank's financial reporting and control, and internal and external audit functions. It monitors and evaluates the adequacy and effectiveness of the Bank's internal controls, including financial, operational and compliance controls, and risk management. The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities. It reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board. It is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It makes recommendations to the Board regarding the continuing education of directors. The Risk Management Committee oversees the system of limits to discretionary authority that the Board delegates to management. It ensures that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. It likewise enables the Board to establish the Bank's risk tolerance within a risk-reward framework and ensures that a risk management strategy is in place that adheres to this framework. The Trust Committee oversees the trust and fiduciary business of the Bank. The Technology Committee oversees the bank's hardware/software purchases, monitors performances of various IT applications of the bank as well as status of various IT projects. The Personnel Evaluation and Review Committee investigates cases of violation of clearly defined Bank policies, rules and regulations. It also recommends to the Board the disciplinary measures and penalties to be meted out.

OPERATING MANAGEMENT

Direct and immediate supervision over the operations of RCBC and implementation of all major business strategies rests on the President and Chief Executive Officer who is, in turn, supported by his senior management team.

RISK MANAGEMENT

Risk is an inherent part of the Bank's business activities. The Bank's risk management framework provides comprehensive controls and ongoing management of the major risks in the Bank's business activities. The Bank ensures it is able to properly identify, measure, monitor and report risk.

The Bank employs a committee system as a fundamental part of its process of managing risk. Each committee consists of the Chief Executive Officer/President, and other senior executives. The key committees are as follows:

- the Executive Committee, which approves exposure management standards, reviews concentrations of credit risk, sets documentation and credit support standards and reviews and approves large counterparty credit limits and consideration of credit-related transactions;
- the Risk Management Committee, which ensures wide portfolio diversification and establishes risk policies;
- the Senior Management Committee, which oversees all operational and other matters that affect the Bank's day to day activities and reviews new products and businesses and ensures that policies and procedures are established and in place prior to engaging in new business; and
- Assets and Liabilities Management Committee, which appraises market trends, economic, and political developments and provides strategic direction in the management of interest rate risk, liquidity risk, and trading and investment portfolio decisions.

The Bank has established a Corporate Risk Management Services (CRISMS), headed by a Chief Risk Officer, to identify, measure and assist in controlling and monitoring the risks inherent in its activities. CRISMS is independent of all business segments and reports directly to the Risk Management Committee.

The Bank distinguishes among four specific risks: liquidity risk, market risk, credit risk and operational risk.

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they become due, or only being able to meet these obligations at excessive costs.

Market risk arises from the uncertainty concerning changes in market prices and rates. These include interest rates, equity prices, foreign exchange rates and commodity prices.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor.

Operational risk is the risk of loss from failed processes, people, systems or external events.

LIQUIDITY RISK

Treasury is responsible for the management of liquidity risk. The Bank's liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed and approved by the Asset and Liability Management Committee (ALCO).

The Bank's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet credit 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.

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.

MARKET RISK

Market risk is present in both trading and non-trading activities. The bank assumes market risk by taking positions in debt, equity, foreign exchange and other securities. The bank uses risk sensitivities, value-at-risk, mark-to-market and stress testing metrics to manage market risks and establish limits. Value-at-risk is the primary measure used in managing market risk in the trading book. A summary of the value-at-risk position of the trading portfolio can be found in the notes to the bank's audited financial statements discussing "Risk Management Policies and Objectives".

Risk limits, both for position and performance, are recommended to and approved by the Board of Directors through the Risk Management Committee.

The value-at-risk measure estimates potential future losses that will not be exceeded in a defined period of time and with a defined confidence level. This assumes normal market conditions. Back testing is employed to validate the predictive property of the model. Stress testing is also employed to forecast potential losses under extreme market scenarios not covered by the confidence interval of the value-at-risk model.

Market risk in non-trading activities consists mainly of interest rate risk in the banking book, as well as other assets not subject to mark-to-market. An interest rate gap, as well as stress tests to non-mark-to-market assets, are controlled by a Capital At Risk limit, also approved by the Risk Committee. "An interest rate gap analysis of resources and liabilities as of December 31 based on re-pricing maturities, can be found in the notes to the bank's audited financial statements under the discussion on 'Risk Management Policies and Objectives', specifically Interest Rate Risk."

CREDIT RISK

This is the 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), event risk (risk that the Bank will incur risk in unusual situations which are not captured in the daily risk management tools), 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).

Credit risk management partners with business segments in identifying and aggregating credit risk exposure across all business lines. The credit policy framework establishes credit approval authorities, industry concentration limits, risk rating methodologies and portfolio review parameters. Wholesale credit is monitored both on an aggregate portfolio as well as individual name basis. The bank diversifies exposure by borrower and industry concentration. Monitoring of the portfolio consists of regular reports of aggregate credit exposure, limit exceptions, risk rating changes, as well as industry concentration and adequacy of provisions.

OPERATIONS RISK

This is the risk of loss arising out of failure of processes, systems, people as well as due to external events. Operational risk management is responsible for defining the operational risk framework and related policies. The responsibility for implementing the framework as well as day to day operational risk management lies with the business units.

Techniques used to efficiently manage operational risk consist of control self assessments, maintaining a loss events database, and the development and monitoring of key operational risk indicators.

In addition, the Bank ensures that its operating manuals are regularly updated. A Business Contingency Plan as well as Disaster Recovery Plan is in place. The Bank places emphasis on the security of its computer system and has a comprehensive IT security policy.

THE COMPLIANCE OFFICE

The Compliance Office, is tasked with overseeing the effective implementation of its compliance program, consistent with the Bank's mission of conducting its business with integrity, excellence and commitment. The program covers all banking laws, BSP rules & regulations. There are likewise separate programs developed for other regulatory agencies like the BIR, SEC and PDIC.

The Compliance Office also oversees the activities of the Bank's subsidiaries which are under BSP supervision. This ensures consistent and uniform implementation of the requirements of the BSP and other regulatory agencies.

The Compliance Office, likewise, oversees the proper implementation of the requirements of the Anti- Money Laundering Law, as amended, on covered and suspicious transactions as well as the freezing of accounts.

Corporate Social Responsibility

BUHAY RIZAL

RCBC took a leading role in the YGC-wide philanthropic effort called Buhay Rizal, which seeks to inculcate the values and teachings of Dr. Jose Rizal among today's youth and the general public. The program was launched on October 24, 2008 at the 47th floor of RCBC Plaza in the presence of Department of Education Secretary Jesli A. Lapus, former secretary of the Department of Interior and Local Government Jose D. Lina, top YGC executives, and the principals of twenty-two (22) public high schools that have partnered for the Books Donation component of Buhay Rizal.

The Books Donation drive required the participation of YGC employees who were encouraged to donate the equivalent of at least one (1) vacation leave to raise funds to buy a total of 22,000 copies of Rizal's Noli Me Tangere for distribution to the partner schools.

Major member-companies were assigned respective schools to sponsor the drive. During the launch event, RCBC, represented by President and CEO Lorenzo V. Tan, signed a memorandum of support with the principals of the following partner schools: Victorino Mapa HS, Manila; Polytechnic University of the Philippines HS; Gen. Ricardo G. Papa Sr. Memorial HS, Taguig; Don Quintin Paredes HS, Quezon City; Batasan Hills National HS, Quezon City; and Quezon City HS.

RCBC Savings Bank, represented by its President and CEO Lope M. Fernandez, Jr. likewise signed a memorandum of support with the principals of the following schools: Mariano Marcos Memorial HS, Manila; Las Pinas CAA National HS, Las Piñas; Don Alejandro Roces Sr. Science & Technology HS, Quezon City and Culiat HS, Quezon City. Bankard Inc.'s President, Oscar B. Biason, meanwhile, signed his company's support for Ramon Magsaysay HS, Quezon City and Manuel A. Roxas HS, Manila.

Aside from donations from its employees, Bankard Inc. also came up with a Customer Campaign program that allows its cardholders to donate their Rewards Points to the Rizal Book Donation Campaign. During the launch, the company presented to RCBC Chairperson Helen Y. Dee a check amounting to P500,000 as initial donation from its Bankard Customer Campaign program.

The RCBC Group, together with RCBC Savings Bank and Bankard, Inc. was assigned to donate 10,600 copies of Noli Me Tangere books with a total value of P2,120,000. The Rizal Book Donation Drive is scheduled to commence on the school opening of 2009.

RIZAL SHRINE RESTORATION PROJECT

In addition to the book donation campaign, RCBC also participated in the Rizal Shrine Restoration Project of the YGC. RCBC, headed by Chairperson Helen Y. Dee, President and CEO Lorenzo V. Tan, and Executive Vice President and Head of Retail Banking Group Ismael R. Sandig signed a memorandum of agreement with Baguio City Mayor Reinaldo Bautista, Jr. to sponsor the restoration efforts for the city's Rizal monument. The MOA signing took place at the Baguio Country Club on November 11, 2008, and the restored Rizal shrine was officially turned over to the city government on December 8, 2008.

Bankard, Inc. likewise participated in the project by sponsoring the restoration efforts in the city of Batangas. RCBC Chairperson Helen Y. Dee, Bankard President and CEO Oscar B. Biason, Executive Vice President and Chief Operating Officer Rafael Andres R. Reyes, and Assistant Vice President for General Services Felix L. Sincoñegue signed a memorandum of agreement with Batangas City Mayor Eduardo B. Dimacuha at the Hotel Pontefino on November 18, 2008. The restored Rizal shrine was officially turned over to the city government on February 26, 2009.

Achievement of dreams and aspirations

March 30, 2009

Statement of Management's Responsibility for Financial Statements

The management of Rizal Commercial Banking Corporation and subsidiaries are responsible for all information and representations contained in the statements of condition as of December 31, 2008 and 2007 and the related statements of income, changes in capital funds and cash flows for each of the three years in the period ended December 31, 2008. The financial statements have been prepared in conformity with Financial Reporting Standards in the Philippines for Banks (FRSPB) for 2008 and Philippine Financial Reporting Standards for the comparative financial statements for 2007 and 2006 and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Bank's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Bank.

Punongbayan and Araullo, the independent auditors appointed by the stockholders, have audited the Financial Statements of the Bank in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such audit in the attached report to the Board of Directors and Stockholders.

Helen Y. Dee
CHAIRMAN OF THE BOARD

Lorenzo V. Tan
PRESIDENT & CHIEF EXECUTIVE OFFICER

Ma. Teresita A. Nuñez
HEAD, CONTROLLERSHIP GROUP

Report of Independent Auditors

Punongbayan & Araullo

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation and Subsidiaries
Yuchengco Tower, RCBC Plaza
6819 Ayala 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 Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of condition as at December 31, 2008 and 2007, and the income statements, statements of changes in capital funds and cash flow statements for each of the three years in the period ended December 31, 2008, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management of the Group and the Parent Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in the Philippines for Banks (FRSPB) for the 2008 financial statements, and with the Philippine Financial Reporting Standards (PFRS), for the comparative financial statements for 2007 and 2006, as described in Note 2 to the financial statements. This responsibility includes: designing, implementing and maintaining internal control 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.

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.

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 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.

Basis for Qualified Opinion

A. *SPV Transactions of the Parent Company*

As discussed in Note 11, the Parent Company transferred to special purpose vehicles (SPVs) certain nonperforming assets (NPAs) totalling P51 million in 2008, P1,699 million in 2007, and P11,838 million in 2006 and prior years, in exchange primarily for subordinated/SPV notes and partly for cash under either separate "sale and purchase" or "asset sale" agreements pursuant to Republic Act No. 9182 (the SPV Act) and Bangko Sentral ng Pilipinas (BSP) Resolution No. 135. In recording the transfers of the NPAs to the SPVs, the Parent Company derecognized the NPAs from their financial records, but the related allowance for impairment was retained or "freed." In addition, the Parent Company deferred the recognition of the required additional allowance for impairment and the losses as determined on the NPAs transferred, such additional allowance for impairment and losses are instead being amortized over a period of 10 years in accordance with BSP Resolution No. 135. The terms of certain subordinated/SPV notes with certain SPVs provide that the payments of the subordinated/ SPV notes are dependent on the collections to be made by the SPVs on the NPAs transferred. Under PFRS, this is indicative of an incomplete transfer of the risks and rewards of ownership of the NPAs to the SPVs. PFRS requires that (a) an entity retaining majority of the residual risks and rewards of certain assets of the SPVs should reflect in its financial statements its proportionate interest in such SPVs and (b) an entity should substantially transfer all the risks and rewards of ownership of an asset before such asset could be derecognized. PFRS, likewise, requires the derecognition at the time of transfer of the related allowance for impairment of the NPAs where the risks and rewards of ownership are completely transferred and the full recognition of the required additional allowance for impairment and the losses determined on the NPAs transferred in the period the losses were determined, instead of amortizing it over future periods. The effects of these matters on the Group's and Parent Company's financial statements are discussed and presented in Notes 11 and 34.

B. *2006 Transactions with RCBC Capital Corporation and Bankard, Inc.*

As mentioned in Note 12, as part of its corporate restructuring strategy, on November 27, 2006, the Board of Directors (BOD) of the Parent Company approved the capital infusion of P1 billion each into RCBC Capital Corporation (RCBC Capital) and Bankard Inc. (Bankard), both subsidiaries of the Parent Company, by way of conversion of RCBC Capital's and Bankard's debt to the Parent Company into equity. The Parent Company reflected the effects of these transactions in its 2006 financial statements by recording the capital infusion as part of Investments in Subsidiaries and Associates account and, in addition, provided for allowance for impairment amounting to P200 million. However, BSP approved the transactions only on February 23, 2007. We believe that these transactions should have been recognized only at the time of the BSP approval. The effects of these matters in the 2006 financial statements of the Parent Company are more fully described and presented in Notes 12 and 34.

C. *Staggered Booking of Required Additional Allowance for Impairment on Credit Card Receivables*

As fully discussed in Note 11, based on BSP Circular No. 398, Bankard obtained BSP approval to stagger over a period of seven years starting in 2004 the booking of the P3.6 billion required additional allowance for impairment on its credit card receivables as of December 31, 2003. Of the P3.6 billion required additional allowance, Bankard already recognized P846.5 million in its books as of December 31, 2006 as follows: P486.3 million in 2006, P180.1 million in 2005 and P180.1 million in 2004. PFRS, however, requires the full recognition of required allowance for impairment against current operations in the period such losses were determined. On December 29, 2006, as discussed in Note 11, Bankard sold and transferred to the Parent Company its various credit card receivables totaling P7.2 billion under a Deed of Assignment of Receivables. The credit card receivables that were sold and transferred by Bankard to the Parent Company included receivables amounting to P2.8 billion which, as approved by the BSP, are provided with allowance for impairment on a staggered basis. After the sale and transfer, the Parent Company booked in 2006 an impairment loss on the credit card receivables transferred amounting to P162.1 million and wrote-off the remaining P2.6 billion impaired credit card receivables against the "freed" allowance for impairment, instead of charging those amounts against operations, pertaining to the NPAs transferred as discussed in the sixth paragraph of this report. The effects of these matters on the Group's and Parent Company's financial statements are more fully described and presented in Notes 11 and 34.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the Group and the Parent Company for the applicable years of the matters described in the *Basis for Qualified Opinion* section of this report, the financial statements referred to above present fairly, in all material respects, the financial position of the Group and of the Parent Company, and of their financial performance and their cash flows as of December 31, 2008 and for the year then ended in accordance with FRSPB, and their financial position and of their financial performance and their cash flows as of December 31, 2007 and 2006 and for the years then ended in accordance with PFRS, as described in Note 2 to the financial statements.

Other Matters

The financial statements of the following insignificant subsidiaries included in the consolidation were audited by other auditors: RCBC North America, Inc., RCBC Telemoney Europe and RCBC International Finance Limited and its subsidiary, RCBC Investment Ltd for 2008, 2007 and 2006; and New Pacific Resources Management (SPV-AMC), Inc. for 2006. The financial statements of certain insignificant associates, the investments in which are accounted for in the consolidated financial statements using the equity method, were also audited by other auditors.

PUNONGBAYAN & ARAULLO

By: Leonardo D. Cuaresma, Jr.
Partner
CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 1566064, January 5, 2009, Makati City
SEC Accreditation No. 0007-AR-2
BIR AN 08-002511-7-2008 (Nov. 25, 2008 to 2011)

March 30, 2009

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Statements of Condition

DECEMBER 31, 2008 AND 2007
(Amounts in Thousand Philippine Pesos)

	Notes	CONSOLIDATED 2008	CONSOLIDATED 2007	PARENT 2008	PARENT 2007
RESOURCES					
CASH AND OTHER CASH ITEMS	7	**P 6,807,939**	P 5,875,727	**P 5,595,736**	P 4,827,540
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	**16,390,973**	17,611,380	**15,656,119**	16,750,323
DUE FROM OTHER BANKS	7	**4,862,225**	4,744,925	**3,197,593**	3,021,668
INVESTMENT SECURITIES					
Financial Assets at Fair Value Through Profit or Loss	8	**3,437,138**	9,959,187	**3,084,380**	9,064,306
Held-to-maturity Investments	9	**20,673,614**	–	**17,892,114**	–
Available-for-sale Securities	10	**22,700,044**	54,625,359	**21,077,161**	50,512,612
LOANS AND RECEIVABLES - Net	11	**164,402,907**	117,195,202	**130,292,206**	88,056,623
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**4,294,182**	4,172,885	**10,311,051**	9,891,418
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**4,029,769**	3,503,816	**3,037,628**	2,713,974
INVESTMENT PROPERTY - Net	14	**7,387,613**	7,761,435	**3,500,460**	3,887,545
DEFERRED TAX ASSETS	28	**1,391,709**	1,645,768	**1,389,497**	1,389,497
OTHER RESOURCES - Net	15	**11,892,093**	12,002,250	**10,817,548**	11,405,827
TOTAL RESOURCES		**P 268,270,206**	P 239,097,934	**P 225,851,493**	P 201,521,333
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	17				
Demand		**P 11,125,069**	P 10,765,240	**P 8,392,524**	P 7,581,932
Savings		**75,738,446**	66,769,816	**66,269,393**	57,690,027
Time		**109,363,471**	98,393,819	**84,267,161**	77,219,209
Total Deposit Liabilities		**196,226,986**	175,928,875	**158,929,078**	142,491,168
BILLS PAYABLE	18	**21,452,609**	12,820,500	**21,410,087**	12,477,910
BONDS PAYABLE	19	**6,002,821**	5,650,670	**6,002,821**	5,650,670
OUTSTANDING ACCEPTANCES PAYABLE		**318,908**	234,717	**318,908**	234,717
ACCRUED TAXES, INTEREST AND OTHER EXPENSES	20	**2,787,456**	3,087,510	**1,976,052**	2,488,497
OTHER LIABILITIES	21	**6,902,803**	7,197,200	**5,638,902**	6,224,202
SUBORDINATED DEBT	22	**6,941,899**	5,158,070	**6,941,899**	5,158,070
Total Liabilities		**240,633,482**	210,077,542	**201,217,747**	174,725,234
CAPITAL FUNDS					
Attributable to Parent Company Shareholders					
Preferred Stock	24	**859,335**	859,512	**859,335**	859,512
Common Stock	24	**9,628,430**	9,628,369	**9,628,430**	9,628,369
Hybrid Perpetual Securities	25	**4,883,139**	4,883,139	**4,883,139**	4,883,139
Capital Paid in Excess of Par		**5,571,906**	5,571,793	**5,571,906**	5,571,793
Revaluation Reserves on Available-for-sale Securities	10	**(1,568,758)**	1,032,344	**(1,351,022)**	977,649
Revaluation Increment in Property of an Associate	12	**28,243**	7,014	–	–
Accumulated Translation Adjustment		**83,889**	63,937	–	–
Reserve for Trust Business	29	**276,973**	258,348	**270,024**	258,348
Other Reserves	12	**(240,889)**	–	–	–
Share in Additional Paid-in Capital of an Associate	12	**532,583**	532,583	–	–
Surplus	24	**7,626,144**	6,495,022	**4,771,934**	4,617,289
		27,680,995	29,332,061	**24,633,746**	26,796,099
Minority Interest		**(44,271)**	(311,669)	–	–
Total Capital Funds		**27,636,724**	29,020,392	**24,633,746**	26,796,099
TOTAL LIABILITIES AND CAPITAL FUNDS		**P 268,270,206**	P 239,097,934	**P 225,851,493**	P 201,521,333

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Income Statements

FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Thousand Philippine Pesos, Except Per Share Data)

		CONSOLIDATED			PARENT		
	Notes	**2008**	2007	2006	**2008**	2007	2006
INTEREST INCOME ON							
Loans and receivables	11	**P 10,885,349**	P 9,583,739	P 9,844,055	**P 7,365,395**	P 6,369,342	P 5,509,836
Investment securities	8,9,10	**3,991,885**	4,917,942	5,074,813	**3,735,538**	4,614,971	4,664,314
Others		**782,398**	828,726	409,073	**683,548**	694,513	295,400
		15,659,632	15,330,407	15,327,941	**11,784,481**	11,678,826	10,469,550
INTEREST EXPENSE ON							
Deposit liabilities	17	**5,128,787**	4,192,593	5,026,315	**3,772,306**	2,952,030	3,514,922
Bills payable and other borrowings	18	**2,060,697**	2,318,741	3,043,189	**2,032,540**	2,287,019	2,393,353
		7,189,484	6,511,334	8,069,504	**5,804,846**	5,239,049	5,908,275
NET INTEREST INCOME		**8,470,148**	8,819,073	7,258,437	**5,979,635**	6,439,777	4,561,275
IMPAIRMENT LOSSES - Net	11, 16	**998,492**	942,490	1,749,368	**830,597**	680,535	462,528
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**7,471,656**	7,876,583	5,509,069	**5,149,038**	5,759,242	4,098,747
OTHER OPERATING INCOME							
Service fees		**1,643,395**	1,514,472	1,078,656	**1,045,435**	1,032,985	587,310
Foreign exchange gains (losses) - net		**851,961**	(157,107)	(260,826)	**715,623**	(250,627)	(359,399)
Equity in net earnings of associates	12	**404,192**	351,842	231,350	**–**	–	–
Trust fees		**206,019**	184,849	246,540	**186,419**	164,212	238,202
Trading and securities gains (losses) - net	8	**(511,946)**	1,329,128	2,377,588	**(612,623)**	1,007,936	1,974,418
Commissions and other income		**2,003,059**	1,157,399	1,380,661	**1,814,650**	907,704	816,737
		4,596,680	4,380,583	5,053,969	**3,149,504**	2,862,210	3,257,268
OTHER OPERATING EXPENSES							
Employee benefits	26	**2,524,956**	2,384,398	2,184,417	**1,682,187**	1,640,155	1,498,326
Occupancy and equipment-related	27	**1,492,784**	1,410,766	1,435,073	**1,150,968**	1,107,099	1,025,030
Taxes and licenses	28	**1,143,463**	1,068,856	1,369,297	**849,633**	768,967	966,214
Depreciation and amortization	13	**407,881**	315,366	327,785	**288,499**	224,570	204,211
Miscellaneous	11	**3,406,723**	2,988,471	2,730,198	**2,588,221**	2,397,935	1,688,559
		8,975,807	8,167,857	8,046,770	**6,559,508**	6,138,726	5,382,340
INCOME BEFORE TAX		**3,092,529**	4,089,309	2,516,268	**1,739,034**	2,482,726	1,973,675
TAX EXPENSE	28	**919,424**	845,650	626,883	**568,720**	543,376	473,180
NET INCOME		**2,173,105**	3,243,659	1,889,385	**1,170,314**	1,939,350	1,500,495
NET INCOME (LOSS) ATTRIBUTABLE TO MINORITY INTEREST		**19,365**	36,027	(163,253)	–	–	–
NET INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		**P 2,153,740**	P 3,207,632	P 2,052,638	**P 1,170,314**	P 1,939,350	P 1,500,495
Earnings Per Share*	32						
Basic		**P 1.72**	P 2.93	P 2.82	**P 0.70**	P 1.53	P 2.06
Diluted		**P 1.66**	P 2.84	P 2.81	**P 0.67**	P 1.48	P 2.06

* After giving retroactive effect to the 15% stock dividends issued in 2007 (see Note 24).

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Statements of Changes in Capital Funds

FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Thousand Philippine Pesos)

		CONSOLIDATED			PARENT		
	Notes	**2008**	2007	2006	**2008**	2007	2006
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS							
PREFERRED STOCK							
Balance at beginning of year		**P 859,512**	P 1,054,940	–	**P 859,512**	P 1,054,940	–
Issuance (conversion) of preferred stock		**(177)**	(195,428)	1,054,940	**(177)**	(195,428)	1,054,940
Balance at end of year	24	**859,335**	859,512	1,054,940	**859,335**	859,512	1,054,940
COMMON STOCK							
Balance at beginning of year		**9,628,369**	6,329,640	6,329,640	**9,628,369**	6,329,640	6,329,640
Conversion of preferred stock to common stock		**61**	104,598	–	**61**	104,598	–
Issuance of common stock		–	2,100,000	–	–	2,100,000	–
Stock dividends		–	1,094,131	–	–	1,094,131	–
Balance at end of year	24	**9,628,430**	9,628,369	6,329,640	**9,628,430**	9,628,369	6,329,640
HYBRID PERPETUAL SECURITIES							
Issuance of hybrid perpetual securities	25	**4,883,139**	4,883,139	4,883,139	**4,883,139**	4,883,139	4,883,139
CAPITAL PAID IN EXCESS OF PAR							
Balance at beginning of year		**5,571,793**	2,118,688	2,118,688	**5,571,793**	2,118,688	2,118,688
Conversion of preferred stock to common stock		**113**	90,830	–	**113**	90,830	–
Issuance of common stock		–	3,362,275	–	–	3,362,275	–
Balance at end of year	24	**5,571,906**	5,571,793	2,118,688	**5,571,906**	5,571,793	2,118,688
REVALUATION RESERVES ON AVAILABLE-FOR-SALE SECURITIES							
Balance at beginning of year		**1,032,344**	2,907,648	39,246	**977,649**	2,747,231	24,184
Fair value gains (losses) on available-for-sale securities, net of tax	10	**(2,601,102)**	(1,875,304)	2,868,402	**(2,328,671)**	(1,769,582)	2,723,047
Balance at end of year		**(1,568,758)**	1,032,344	2,907,648	**(1,351,022)**	977,649	2,747,231
REVALUATION INCREMENT IN PROPERTY OF AN ASSOCIATE							
Balance at beginning of year		**7,014**	7,014	324	–	–	–
Increase during the year	12	**21,229**	–	6,690	–	–	–
Balance at end of year		**28,243**	7,014	7,014	–	–	–
ACCUMULATED TRANSLATION ADJUSTMENTS							
Balance at beginning of year		**63,937**	144,572	163,360	–	–	–
Translation adjustment during the year		**19,952**	(80,635)	(18,788)	–	–	–
Balance at end of year		**83,889**	63,937	144,572	–	–	–
RESERVE FOR TRUST BUSINESS							
Balance at beginning of year		**258,348**	247,595	223,774	**258,348**	247,595	223,774
Transfer from surplus free		**18,625**	10,753	23,821	**11,676**	10,753	23,821
Balance at end of year	29	**276,973**	258,348	247,595	**270,024**	258,348	247,595
OTHER RESERVES	12	**(240,889)**	–	–	–	–	–
SHARE IN ADDITIONAL PAID-IN CAPITAL OF AN ASSOCIATE	12	**532,583**	532,583	532,583	–	–	–
SURPLUS FREE							
Balance at beginning of year		**6,495,022**	5,448,793	3,419,976	**4,617,289**	4,839,342	3,362,668
Net income		**2,153,740**	3,207,632	2,052,638	**1,170,314**	1,939,350	1,500,495
Cash dividends	24	**(1,003,993)**	(1,056,519)	–	**(1,003,993)**	(1,056,519)	–
Transfer to reserve for trust business	29	**(18,625)**	(10,753)	(23,821)	**(11,676)**	(10,753)	(23,821)
Stock dividends	24	–	(1,094,131)	–	–	(1,094,131)	–
Balance at end of year		**7,626,144**	6,495,022	5,448,793	**4,771,934**	4,617,289	4,839,342
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS *(Carried Forward)*		**P 27,680,995**	P 29,332,061	P 23,674,612	**P 24,633,746**	P 26,796,099	P 22,220,575

	Notes	CONSOLIDATED 2008	2007	2006	PARENT 2008	2007	2006
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS (*Brought Forward*)		**P 27,680,995**	P 29,332,061	P 23,674,612	**P 24,633,746**	P 26,796,099	P 22,220,575
MINORITY INTEREST							
Balance at beginning of year		**(311,669)**	(282,699)	(116,726)	–	–	–
Fair value losses on available-for-sale securities, net of tax	10	**(5,441)**	(64,997)	(2,720)	–	–	–
Decrease in share of losses due to dilution	12	**240,889**	–	–	–	–	–
Increase in minority interest due to acquisition of a new subsidiary		**12,585**	–	–	–	–	–
Net income (loss) for the year		**19,365**	36,027	(163,253)	–	–	–
Balance at end of year		**(44,271)**	(311,669)	(282,699)	–	–	–
TOTAL CAPITAL FUNDS		**P 27,636,724**	P 29,020,392	P 23,391,913	**P 24,633,746**	P 26,796,099	P 22,220,575
Net Gains (Losses) Directly Recognized in Capital Funds		**(P 2,565,362)**	(P 2,020,936)	P 2,853,584	**(P 2,328,671)**	(P 1,769,582)	P 2,723,047

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Cash Flows Statements

FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Thousand Philippine Pesos)

		CONSOLIDATED			PARENT		
	Notes	**2008**	2007	2006	**2008**	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES							
Income before tax		**P 3,092,529**	P 4,089,309	P 2,516,268	**P 1,739,034**	P 2,482,726	P 1,973,675
Adjustments for:							
Impairment losses	11, 16	**998,492**	942,490	1,749,368	**830,597**	680,535	462,528
Depreciation and amortization	13	**407,881**	315,366	327,785	**288,499**	224,570	204,211
Amortization of deferred charges	15	**42,247**	30,410	59,275	**42,247**	34,067	59,275
Equity in net earnings of associates	12	**(404,192)**	(351,842)	(231,350)	–	–	–
Dividend income		–	–	–	**(30,979)**	–	–
Operating income before working capital changes		**4,136,957**	5,025,733	4,421,346	**2,869,398**	3,421,898	2,699,689
Decrease (increase) in financial assets at fair value through profit and loss		**5,583,598**	1,130,140	(3,740,824)	**5,568,698**	1,401,061	(3,791,328)
Increase in loans and receivables		**(41,812,593)**	(9,204,264)	(10,431,040)	**(36,557,885)**	(5,696,413)	(7,331,813)
Decrease in investment property		**357,354**	2,223,422	1,548,208	**387,085**	2,191,634	1,558,119
Decrease (increase) in other resources		**(4,702)**	55,581	(1,384,055)	**337,371**	294,402	(1,956,502)
Increase in deposit liabilities		**20,298,111**	18,378,706	24,269,934	**16,437,910**	17,034,785	20,581,020
Increase (decrease) in outstanding acceptances payable		**84,191**	720	(41,350)	**84,191**	720	(41,350)
Increase (decrease) in accrued taxes, interest and other expenses		**(244,348)**	660,633	359,799	**(509,907)**	358,163	832,195
Increase (decrease) in other liabilities		**(602,233)**	(2,750,354)	2,038,655	**(893,136)**	(2,790,374)	3,366,668
Cash generated from (used in) operations		**(12,203,665)**	15,520,317	17,040,673	**(12,276,275)**	16,215,876	15,916,698
Cash paid for taxes		**(721,071)**	(1,067,699)	(628,688)	**(571,258)**	(566,742)	(490,570)
Net Cash From (Used in) Operating Activities		**(12,924,736)**	14,452,618	16,411,985	**(12,847,533)**	15,649,134	15,426,128
CASH FLOWS FROM INVESTING ACTIVITIES							
Decrease (increase) in available-for-sale securities		**4,254,996**	(10,057,102)	(8,779,456)	**4,297,281**	(10,019,060)	(5,365,880)
Acquisitions of bank premises, furniture, fixtures and equipment	13	**(1,035,459)**	(571,515)	(361,339)	**(649,148)**	(407,980)	(474,465)
Cash dividends received	12	**230,718**	185,364	251,327	–	–	–
Decrease (increase) in investments in subsidiaries and associates		**85,991**	(1,956,812)	4,043	**(419,633)**	(2,925,562)	(400,956)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**85,708**	139,872	110,548	**36,995**	104,269	37,136
Increase in held-to-maturity investments		–	–	(1,554,499)	–	–	(4,987,380)
Net Cash From (Used in) Investing Activities		**3,621,954**	(12,260,193)	(10,329,376)	**3,265,495**	(13,248,333)	(11,191,545)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceed from (payments of) bills payable	18	**8,632,109**	(4,813,495)	2,778,665	**8,932,177**	(4,722,936)	2,752,567
Net proceeds from issuance of subordinated debt	22	**1,937,725**	–	–	**1,937,725**	–	–
Dividends paid	24	**(1,003,993)**	(1,056,519)	–	**(1,003,993)**	(1,056,519)	–
Redemption of bonds payable	19	**(433,954)**	–	–	**(433,954)**	–	–
Issuance of common shares	24	–	5,462,275	–	–	5,462,275	–
Issuance of hybrid perpetual securities		–	–	4,883,139	–	–	4,883,139
Issuance of preferred shares		–	–	1,054,940	–	–	1,054,940
Net Cash From (Used in) Financing Activities		**9,131,887**	(407,739)	8,716,744	**9,431,955**	(317,180)	8,690,646
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Carried Forward)*		**(170,895)**	P 1,784,686	P 14,799,353	**(150,083)**	P 2,083,621	P 12,925,229

	Notes	CONSOLIDATED 2008	2007	2006	PARENT 2008	2007	2006
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Brought Forward)*		**(170,895)**	P 1,784,686	P 14,799,353	**(150,083)**	P 2,083,621	P 12,925,229
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	7	**5,875,727**	5,005,742	5,389,129	**4,827,540**	4,181,906	4,043,856
Due from Bangko Sentral ng Pilipinas	7	**17,611,380**	13,787,927	3,032,805	**16,750,323**	12,844,278	2,514,365
Due from other banks	7	**4,744,925**	7,653,677	3,226,059	**3,021,668**	5,489,726	3,032,460
		28,232,032	26,447,346	11,647,993	**24,599,531**	22,515,910	9,590,681
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	7	**6,807,939**	5,875,727	5,005,742	**5,595,736**	4,827,540	4,181,906
Due from Bangko Sentral ng Pilipinas	7	**16,390,973**	17,611,380	13,787,927	**15,656,119**	16,750,323	12,844,278
Due from other banks	7	**4,862,225**	4,744,925	7,653,677	**3,197,593**	3,021,668	5,489,726
		P 28,061,137	P 28,232,032	P 26,447,346	**P 24,449,448**	P 24,599,531	P 22,515,910

Supplemental Information on Noncash Investing Activities

In 2008, the Group and the Parent Company made the following reclassifications of investment securities (see Notes 8, 9, 10 and 11):

- Financial assets at fair value through profit or loss (FVTPL) with a total carrying value of P411,228 were reclassified to held-to-maturity (HTM) investments both in the Group and Parent Company's financial statements.
- Available-for-sale (AFS) securities with a total carrying value of P5,960,822 were reclassified to loans and receivables in the Group and Parent Company's financial statements.
- Financial derivative instruments with a negative carrying value of P307,836 were reclassified to loans and receivables in the Group and Parent Company's financial statements .
- AFS securities with a total carrying value of P20,373,408 and P17,588,835 were reclassified from AFS securities to HTM investments in the Group and Parent Company's financial statements, respectively.
- Financial assets at FVTPL with carrying value of P527,223 were reclassified to AFS securities in the Group's financial statements.

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

DECEMBER 31, 2008, 2007 AND 2006

(Amounts in Thousands of Philippine Pesos, Except Per Share Data or as Indicated)

1. CORPORATE INFORMATION

Rizal Commercial Banking Corporation (the Parent Company) holds interest in the following subsidiaries and associates:

Subsidiaries/Associates	Country of Incorporation	Explanatory Notes	Effective Percentage of Ownership 2008	2007
Subsidiaries:				
RCBC Savings Bank, Inc. (RSB)	Philippines	(a)	**100.00**	100.00
RCBC Forex Brokers Corporation (RCBC Forex)	Philippines		**100.00**	100.00
RCBC Telemoney Europe	Italy		**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	California, USA	(b)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Hongkong		**99.99**	99.99
RCBC Investment Ltd.	Hongkong	(c)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Philippines	(d)	**99.96**	99.96
RCBC Securities, Inc. (RSI)	Philippines	(e)	**100.00**	100.00
Bankard, Inc. (Bankard)	Philippines	(f)	**91.69**	59.07
Merchants Savings and Loan Association, Inc. (Merchants Bank)	Philippines	(g)	**96.38**	-
Associates:				
RCBC Land, Inc. (RLI)	Philippines		**49.00**	49.00
YGC Corporate Services, Inc. (YCS)	Philippines		**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Philippines		**35.00**	35.00
Subic Power Corporation (SPC)	Philippines		**26.50**	26.50
RCBC Realty Corporation (RRC)	Philippines		**25.00**	25.00
Great Life Financial Assurance Corporation (GLFAC)	Philippines		**20.00**	20.00
Honda Cars Phils., Inc. (HCPI)	Philippines		**12.88**	12.88
Roxas Holdings, Inc. (RHI)	Philippines		**4.71**	4.71
New Pacific Resources Management (SPV-AMC), Inc. (NPRMI)	Philippines		-	5.00

(a) The Parent Company made an additional investment amounting to P1 billion in 2007.
(b) Includes 31% ownership of RCBC IFL
(c) A wholly owned subsidiary of RCBC IFL
(d) The Parent Company made an additional investment amounting to P872.7 million in 2007.
(e) A wholly owned subsidiary of RCBC Capital
(f) Owned 59.07% by RCBC Capital in 2007. In 2008, the Parent Company's P1 billion capital infusion by way of conversion of debt to equity was effected (see Note 12). As of December 31, 2008, the Parent Company has 66.58% direct ownership and 25.11% indirect ownership through RCBC Capital.
(g) In 2008, the Parent Company acquired 96.38% ownership in Merchants Bank from Finman Capital Corporation

The Parent Company is a universal bank engaged in all aspects of banking. 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. The Parent Company 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 are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans and mortgage/ housing loans), leasing and stock brokering. As of end of 2008, the Parent Company has 290 automated teller machines, 206 branches, 3 extension offices and 2 foreign exchange booths within and outside of the Philippines.

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE) and is a 41.99% 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.

The registered address of the Parent Company is located at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City. The accompanying financial statements for the year ended December 31, 2008 (including the comparatives for the years ended December 31, 2007 and 2006) were approved and authorized for issue by the Board of Directors (BOD) on March 30, 2009.

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 years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

The 2008 consolidated financial statements of Rizal Commercial Banking Corporation and its subsidiaries (together hereinafter referred to as the Group) and the separate financial statements of Rizal Commercial Banking Corporation have been prepared in accordance with the Financial Reporting Standards in the Philippines for Banks (FRSPB). The comparative financial statements for 2007 and 2006 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), except for the following matters: the staggered recognition of required additional allowance for impairment and losses; not writing-off of impaired credit card receivables against operations; the derecognition of certain non-performing assets (NPAs) transferred, as discussed fully in Note 11; and, the recording by the Parent Company of certain transactions pending approval by the BSP, as discussed in Note 12. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB). FRSPB are similar to PFRS, except for the following reclassifications of certain financial instruments which are not allowed under PFRS in 2007 and prior years, but allowed under FRSPB starting 2008 as permitted by the Bangko Sentral ng Pilipinas (BSP) for prudential regulation, and by the Securities and Exchange Commission (SEC) for financial reporting purposes: the reclassification of the embedded derivatives in credit-linked notes (CLNs) and other similar instruments that are linked to Republic of the Philippines

(ROP) bonds from the fair value through profit or loss (FVTPL) classification to loans and receivables and available-for-sale (AFS) classifications; and the reclassification of certain financial assets previously classified under AFS category due to the tainting of held-to-maturity (HTM) portfolio back to HTM category.

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

The following tables show the reconciliation of the capital funds and certain statement of condition items as of December 31, 2008 and net income for the year then ended determined under PFRS to FRSPB amounts as presented in the 2008 financial statements, considering the reclassifications of certain financial instruments as permitted by BSP and SEC for FRSPB starting in 2008.

(i) The reconciliation of the capital funds under PFRS to capital funds reported under FRSPB as of December 31, 2008 is shown below:

	Notes	Consolidated	Parent
Capital Funds under PFRS		**P 25,925,988**	**P 22,985,292**
Net unrealized losses on AFS reclassified to HTM	9	1,074,102	1,011,820
Mark-to-market loss on embedded derivatives on CLNs reclassified to loans and receivables	11	644,524	644,524
Trading gains of FVTPL reclassified to HTM	9	(13,319)	(13,319)
Interest income – effect of reclassification of CLNs and FVTPL	9, 11	5,429	5,429
		1,710,736	1,648,454
Capital Funds under FRSPB		**P 27,636,724**	**P 24,633,746**

(ii) Differences in the measurement of statement of condition items as of December 31, 2008 are summarized below:

		Consolidated	
	PFRS	**Difference**	**FRSPB**
Changes in resources:			
Investment securities:			
FVTPL	P 3,861,686	(P 424,548)	P 3,437,138
HTM Investments	-	20,673,614	20,673,614
AFS Securities	41,890,376	(19,190,332)	22,700,044
Loans and receivables	164,703,266	(300,359)	164,402,907
	210,455,328	**758,375**	**211,213,703**
Changes on other liabilities	**7,855,164**	(952,361)	**6,902,803**
	P 202,600,164		**P 204,310,900**
Total adjustments to capital funds		**P 1,710,736**	

		Parent	
	PFRS	**Difference**	**FRSPB**
Changes in resources:			
Investment securities:			
FVTPL	P 3,508,928	(P 424,548)	P 3,084,380
HTM Investments	-	17,892,114	17,892,114
AFS Securities	37,548,274	(16,471,113)	21,077,161
Loans and receivables	130,592,565	(300,359)	130,292,206
	171,649,767	**696,094**	**172,345,861**
Changes on other liabilities	**6,591,262**	(952,360)	**5,638,902**
	P 165,058,505		**P 166,706,959**
Total adjustments to capital funds		**P 1,648,454**	

(iii) The reconciliation of the net income under PFRS to net income reported under FRSPB for the year ended December 31, 2008 is as follows:

	Notes	Consolidated	Parent
Net income under PFRS		**P 1,517,106**	**P 533,680**
Mark-to-market loss on embedded derivatives on CLNs reclassified to loans and receivables	11	644,524	644,524
Trading gains of FVTPL reclassified to HTM	9	(13,319)	(13,319)
Interest income – effect of reclassification of CLNs and FVTPL	9, 11	5,429	5,429
		636,634	636,634
Net income under FRSPB		**P 2,153,740**	**P 1,170,314**

These financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent amounts in thousands except for per share data or when otherwise indicated (see also Note 2.17).

2.2 Impact of New Amendments and Interpretations to Existing Standards

(a) Effective in 2008 that are Relevant to the Group

In 2008, the Group adopted for the first time the following new and amended standards which are mandatory for accounting periods beginning on or after January 1, 2008.

Philippine Interpretation International Financial Reporting and Interpretations Committee (IFRIC) 14	:	Philippine Accounting Standard (PAS) 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
PAS 39 and PFRS 7 (Amendments)	:	PAS 39, Financial Instruments: Recognition and Measurements and PFRS 7, Financial Instruments: Disclosures

Discussed below are the effects on the financial statements of the new accounting interpretation and amended standards.

(i) Philippine Interpretation IFRIC 14, PAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective from January 1, 2008). This Philippine Interpretation provides general guidance on how to assess the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It standardizes practice and ensures that entities recognize an asset in relation to a surplus on a consistent basis. As any excess of the asset over the obligation is fully refundable to the Group based on the set-up of the pension trust fund, the Group has determined that the adoption of this Philippine Interpretation did not materially affect its financial statements.

(ii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement* and PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective from July 1, 2008). The amendments permit an entity to:

- reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of fair value through profit or loss category in particular circumstances; and
- transfer from the available-for-sale category to the loans and receivable category those financial assets that would have met the definition of loans and receivables, provided that the entity has the intention and the ability to hold those financial assets for the foreseeable future.

The amendments are applicable in a partially retrospective manner up to July 1, 2008 provided that the reclassification was made on or before November 15, 2008, the cut-off date set by the FRSC. After the cut-off date, all reclassifications will only take effect prospectively.

Related to this, the Monetary Board of the BSP approved the prudential reporting guidelines for banks governing the reclassification of investments in debt and equity securities between categories in accordance with the provisions of the foregoing amendments to PAS 39 and PFRS 7, and provided additional guidelines (under BSP Circular No. 628) which include, among others:

- The reclassification of CLNs and other similar instruments that are linked to ROP bonds out of the Held-for-trading (included under FVTPL category) into AFS, HTM, Unquoted debt securities classified as loans (UDSCL); or from AFS to UDSCL or HTM, without bifurcating the embedded derivatives from the host instruments.
- Financial assets that are booked under the AFS category because of the tainting of the HTM portfolio may be reclassified to HTM or UDSCL using the fair value carrying amount of the financial assets as of the effective date of reclassification.

Provided that these shall only apply for financial assets that are outstanding as of the effective date of reclassification, which shall not be on or later than November 15, 2008.

On February 2, 2009, the SEC approved the adoption of BSP Circular No. 628 as being compliant with generally accepted accounting principles for banks.

Pursuant to these amendments and guidelines, the Group reclassified certain financial assets out of FVTPL and AFS categories to HTM, AFS and loans and receivables categories (see Notes 8, 9, 10 and 11).

The first time application of these interpretation and amendments has not resulted in any prior period adjustments of statement of condition, net income or cash flows line items.

(b) Effective in 2008 but not Relevant to the Group

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group's operations:

Philippine Interpretation IFRIC 11	:	Group and Treasury Share Transactions
Philippine Interpretation IFRIC 12	:	Service Concession Arrangements

(c) Effective Subsequent to 2008

There are new and amended standards and Philippine Interpretation that are effective for periods subsequent to 2008. The following amended standards and interpretation are relevant to the Group which the Group will apply in accordance with their transitional provisions.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 23 (Revised 2007)	:	Borrowing Costs
PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PAS 32 and PAS 1 (Amendments)	:	Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
PFRS 3 (Revised 2008)	:	Business Combinations
PFRS 8	:	Operating Segments Philippine Interpretation
IFRIC 13	:	Customer Loyalty Programmes
Various Standards	:	2008 Annual Improvements to PFRS

Below is a discussion of the possible impact of these accounting standards.

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or statement of condition) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 financial statements.

(ii) PAS 23 (Revised 2007), *Borrowing Costs* (effective from January 1, 2009). Under the revised PAS 23, all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The option of immediately expensing borrowing costs that qualify for asset recognition has been removed. The Group has initially determined that adoption of this new standard will not have significant effects on the financial statements for 2009, as well as for prior and future periods, as the Group's current accounting policy is to capitalize all interest directly related to qualifying assets.

(iii) PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The amendment requires that dividends received out of the investee's pre-acquisition profits be no longer deducted from cost in the parent or investor's separate financial statements, instead, dividends receivable will be recorded as income (but may also give rise to impairment of the investment). Moreover, the amendment introduces new guidance on accounting when a parent reorganizes the structure of its group by establishing a new entity as its parent and the interests of shareholders are not affected. The Group will apply PAS 27 (Revised 2008) in its 2009 consolidated and separate financial statements.

(iv) PAS 32 (Amendment), *Financial Instruments: Presentation* and PAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009). The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions. The Group does not expect any impact on its financial statements when it applies the amendments in 2009.

(v) PFRS 3 (Revised), *Business Combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply PFRS 3 (Revised) prospectively to all business combinations from January 1, 2010.

(vi) PFRS 8, *Operating Segments* (effective for annual periods beginning on or after January 1, 2009). Under this new standard, a reportable operating segment is identified based on the information about the components of the entity that management uses to make decisions about operating matters. In addition, segment resources, liabilities and performance, as well as certain disclosures, are to be measured and presented based on the internal reports prepared for and reviewed by the chief decision makers. The Group identifies operating segments and reports on segment resources, liabilities and performance based on internal management reports, adoption of this new standard will not have a material impact on the Group's financial statements.

(vii) Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes,* (effective from July 1, 2008). This new Philippine Interpretation clarifies that when goods or services are sold together with a customer loyalty incentive (for example loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group's current accounting policy is to recognize the consideration in full and to provide for the estimated cost of the future awards. Consequently, the adoption of this interpretation will change the Group's accounting policy. However, the Group initially determined that adoption of this standard will not have material effect on its financial statements.

(viii) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to International Financial Reporting Standards 2008*. These amendments will become effective in the Philippines in annual periods beginning on or after January 1, 2009. The Group expects the amendments to the following standards to be relevant to the Group's accounting policies:

- PAS 23 (Amendment), *Borrowing Costs*. The amendment clarifies the definition of borrowing costs to include interest expense determined using the effective interest method under PAS 39. This amendment will be applied by the Group in 2009; however, management expects its effect to be insignificant.
- PAS 1 (Amendment), *Presentation of Financial Statements.* The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39 are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied. The Group determined that this amendment will have no impact in the Group's 2009 financial statements.
- PAS 19 (Amendment), *Employee Benefits.* The amendment includes the following:
  - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.
  - Change in the definition of return of plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - Removal of the reference to recognition in relation to contingent liabilities in order to be consistent with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* which requires contingent liabilities to be disclosed and not recognized.

  The Group's management assessed that this amendment to PAS 19 will have no impact on its 2009 financial statements.
- PAS 36 (Amendment), *Impairment of Assets*. Where fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply this amendment in its 2009 financial statements.
- PAS 38 (Amendment), *Intangible Assets.* The amendment clarifies when to recognize a prepayment asset, including advertising or promotional expenditures. In the case of supply of goods, the entity recognizes such expenditure as an expense when it has a right to access the goods. For services, an expense is recognized on receiving the service. Also, prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.
- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement.* The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was changed. A financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Group initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.
- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. At such time, the entity would be able to measure the investment property at fair value.
- PFRS 5 (Amendment), *Non-current Assets Held-for-Sale and Discontinued Operations.* The amendment clarifies that all the assets and liabilities of a subsidiary should be classified as held for sale if the entity is committed to a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply this amendment prospectively to all partial disposals of subsidiaries from January 1, 2009.

Minor amendments are made to several other standards; however, those amendments are not expected to have a material impact on the Group's financial statements.

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

The Group obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, 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 an impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

The Group accounts for its investments in subsidiaries and associates, and minority interest as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Parent Company obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered from the date in which the Parent Company controls another entity. Subsidiaries are fully consolidated from the date when the Parent Company obtains control. They are de-consolidated from the date the control ceases.

Acquired subsidiaries are subject to application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of condition at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill (positive) 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. Negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at date of acquisition over acquisition cost.

All intercompany balances and transactions with subsidiaries, including the unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

(b) *Transactions with Minority Interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of equity shares from minority interests may result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. In the consolidated financial statements, minority interest component is shown as part of statements of changes in capital funds.

(c) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interest in a 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 its income statement its share in the 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 recorded as reduction in the carrying values of the investments.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates. All subsequent changes to the share 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 charged against Equity in Net Earnings of Associates in the Group's income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale financial assets, are recognized in consolidated Capital Funds of the Group. Any non-financial income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or capital funds is recognized in the course of these transactions. 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.

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 transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Parent Company financial statements, the Parent Company's *Investments in Subsidiaries and Associates* are accounted for at cost, less any impairment loss. Investment costs are inclusive of unamortized positive goodwill, if any. If there is an objective evidence that the investments in subsidiaries and associates will not be recovered, an impairment loss is provided. Impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial assets. The amount of the impairment loss is recognized in the profit or loss.

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.

2.5 Financial Assets

Financial assets include cash and other financial instruments. The Group classifies its financial assets, other than hedging instruments, into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale securities. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and Cash Equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with the BSP and amounts due from other banks. Cash and cash equivalents are initially and subsequently measured at fair value.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

The foregoing categories of financial instruments are more fully described below.

(a) *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 entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as "held for trading" unless they are designated as hedges.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term. Derivatives and financial assets originally designated as financial assets at fair value through profit or loss may not be subsequently reclassified, except for derivatives embedded in CLNs linked to ROP bonds as allowed by BSP for prudential reporting and SEC for financial reporting purposes.

(b) *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, goods or services directly to the debtor with no intention of trading the receivables. Included in this category are those arising from direct loans to customers, interbank loans and receivables, sales contracts receivable and all receivables from customers and other banks.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss, except for changes in fair values of reclassified financial assets under PAS 39 and PFRS 7 (Amendments). Increases in estimates of future cash receipts from such financial assets shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the financial asset at the date of the change in estimate. Impairment losses is the estimated amount of losses in the Group's loan portfolio, based on the evaluation of the estimated future cash flows discounted at the loan's original effective interest rate or the last repricing rate for loans issued at variable rates (see Note 2.6). It is established through an allowance account which is charged to expense. Loans and receivables are written off against the allowance for impairment losses when management believes that the collectibility of the principal is unlikely, subject to BSP regulations.

(c) *Held-to-maturity Investments*

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

Held-to-maturity investments consist of government and private debt securities. Should the Group sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale securities. The tainting provision will not apply if the sales or reclassifications of held-to-maturity investments are 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 the financial asset's fair value; occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Group, is nonrecurring and could not have been reasonably anticipated by the Group. Financial assets that are booked under the available-for-sale category because of the tainting provision may be reclassified to held-to-maturity investments or loans and receivables using the fair value carrying amount of the financial assets as of the date of reclassification in accordance with BSP Circular No. 628.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows (see Note 2.6). Any changes to the carrying amount of the investment due to impairment are recognized in profit or loss.

(d) *Available-for-sale Securities*

This 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.

Non-derivative financial asset classified as available-for-sale may be reclassified to loans and receivables category that would have met the definition of loans and receivables (effective in July 1, 2008) if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity. Any previous gain or loss on the asset that has been recognized in the capital funds shall be amortized to profit or loss over the remaining life of the held-to-maturity investment, in case of financial asset with a fixed maturity, using the effective interest method. Any difference between the new amortized cost and maturity amount shall also be amortized over the remaining life of the financial asset using the effective interest method.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in capital funds, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when these are sold or when the investment is impaired.

In the case of impairment, the cumulative loss previously recognized directly in capital funds is transferred to the income statement (see Note 2.6). If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through the income statement. On the other hand, if in subsequent period, the fair value of a debt classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through the income statement.

Impairment losses recognized on financial assets are presented as part of Impairment Losses account in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques, which include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in Trading and Securities Gains (Losses) - Net account in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in capital funds, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in capital funds shall be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

Non-compounding interest and other cash flows resulting from holding impaired financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the right to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.6 Impairment of Financial Assets

The Group assesses at each statement of condition date 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 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 asset 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 to 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.

(a) Assets Carried at Amortized Cost

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 loss on loans and receivable or held-to-maturity investments carried at amortized cost 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 the income statement. If a loan or held-to-maturity investment 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 a collective evaluation of impairment, 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 a loan/receivable is determined to be uncollectible, it is written off against the related allowance for impairment. Such loan/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 the income statement.

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 the income statement.

(b) Assets Carried at Fair Value

In the case of equity investments classified as available-for-sale, 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 available-for-sale financial assets, 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 removed from Capital Funds and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale 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 the income statement.

(c) Assets Carried at Cost

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 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.

2.7 Derivative Financial Instruments and Hedge Accounting

The Parent Company is a party to various foreign currency forward contracts and cross-currency swaps. These contracts are entered into as a service to customers and as a means of reducing or managing the Parent Company's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts that are not included in the statement of condition.

Derivatives are initially recognized as Financial Assets at Fair Value Through Profit or Loss at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and options 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. All 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 Parent Company and certain subsidiaries recognize the profits at initial recognition.

Certain derivatives embedded in other financial instruments, such as credit default swaps in a credit linked note, 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 fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognized in the income statement 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 for prudential reporting.

Except for derivatives that qualify as a hedging instrument, changes in fair value of derivatives are recognized in profit and loss. For a derivative that is designated as a hedging instrument, the method of recognizing the resulting fair value gain or loss depends on the type of hedging relationship. The Parent Company designates certain derivatives as either: (a) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges); or (b) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

2.8 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amounts are reported in the statement of condition 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.

2.9 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are stated 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, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets as follows:

Buildings	20-25 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.

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.

The residual values and estimated useful lives of bank premises, furniture, fixtures and equipment are reviewed, and adjusted if appropriate, at each statement of condition date.

An item of bank premises, furniture, fixtures and equipment 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 the income statement in the year the item is derecognized.

2.10 Investment Property

Investment property pertains to land, buildings or condominium units foreclosed or acquired by the Group as payment from defaulting borrowers not held for sale in the next twelve months.

Investment property is initially recognized at cost, which includes acquisition price plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment losses.

The Group adopted the cost model in measuring its investment property, hence, it is carried at cost less accumulated depreciation and any impairment in value. Depreciation and impairment loss are recognized in the same manner as in Bank Premises, Furniture, Fixtures and Equipment.

Investment property is derecognized upon disposal or when permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the income statement in the year of retirement or disposal.

2.11 Assets Held-for-Sale

Assets held-for-sale (presented as part of Other Resources) include real and other properties acquired through repossession or foreclosure or purchase that certain subsidiaries intend to sell within one year from the date of classification as held-for-sale.

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. The profit or loss arising from the sale or revaluation of held-for-sale assets is included in the Other Operating Income (Expenses) account in the income statement.

2.12 Intangible Assets

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired and branch licenses at the date of acquisition. Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but would require an annual test for impairment. 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 cash generating units is represented by each primary reporting segment.

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 the basis of the expected useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an 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 software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding five years).

2.13 Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, bonds payable, subordinated debt, outstanding acceptances payable, accrued taxes, interest and other expenses, and other liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognized as an expense in the income statement.

Financial liabilities are generally at their fair value at initial recognition and subsequently measured at amortized cost less settlement payments.

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. Bills payable, bonds payable and subordinated debt are subsequently stated at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Preferred shares, if any, which carry mandatory coupons or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented as part of Other Liabilities in the statement of condition. The dividends on these preference shares are recognized in the income statement as interest expense on an amortized cost basis using the effective interest method.

Derivative financial liabilities represent the cumulative changes in net fair value losses arising from the Group's foreign currency forward transactions.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the BSP.

Financial liabilities are derecognized from the statement of condition only when the obligations are extinguished either through discharge, cancellation or expiration.

2.14 Provisions

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 commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. 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. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each statement of condition date 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.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence are not recorded.

Prior to 2007, Bankard, under a rewards program, offers monetized rewards to active cardholders. Provisions for rewards are recognized at a certain rate of cardholders' credit card availments, determined by management based on redeemable amounts. At present, the prescription period for the redemption of the reward points has not been set. The program was assumed by the Parent Company when Bankard sold certain assets, including credit card receivables, to the Parent Company.

2.15 Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Interest income and expenses* are recognized in the income statement for all instruments measured at amortized cost 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 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 Group 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)* recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess or deficiency of the selling price over the carrying amount of securities) and as a result of the mark-to-market valuation of the securities at year-end.

(c) *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 items purchased.

(d) *Late payment fees* are billed on delinquent credit card receivable balances until 179 days past due. These late payment fees are recognized as income upon collection.

(e) *Loan fees* are recognized as earned over the terms of the credit lines granted to each borrower. *Loan syndication fees* are recognized upon completion of all syndication activities and where there are no further obligations to perform under the syndication agreement. *Service charges and penalties* are recognized only upon collection or accrued where there is a reasonable degree of certainty as to its collectibility.

(f) *Discounts earned,* net of interchange costs, are recognized as income upon presentation by member establishments of charges arising from Bankard and non-Bankard (associated with MasterCard, JCB and VISA labels) credit card availments passing through the credit terminals of Bankard. These discounts are computed based on agreed rates and are deducted from amounts remitted from member establishments. Interchange costs pertain to the other credit card companies' share in Bankard's merchant discounts whenever their issued credit cards transact in a Bankard terminal.

(g) *Profit from assets sold or exchanged* is recognized when the title to the acquired assets is transferred to the buyer, or when the collectibility of the entire sales price is reasonably assured.

Cost and expenses are recognized in the income statement upon utilization of the assets or services or at the date they are incurred.

2.16 Leases

(a) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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 are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases, wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are presented as receivable 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. Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease collections are recognized as income in the income statement on a straight-line basis over the lease term.

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.

2.17 Functional Currency and Foreign Currency Transactions

(a) *Functional and Presentation Currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Group's functional currency.

(b) *Transaction and Balances*

Except for the foreign subsidiaries and accounts from the Group's foreign currency denominated 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 prevailing Philippine Dealing System closing rates (PDSCR) at the statement of condition date.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on PDSCR prevailing at the end of the year (for resources and liabilities) and at the average PDSCR for the year (for income and expenses).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary resources and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in capital funds as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognized as part of the unrealized gain or loss in the market value of available-for-sale securities presented in capital funds.

(c) *Translation of Financial Statements of Foreign Subsidiaries*

The results and financial position of all the 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:

- Assets and liabilities for each statement of condition presented are translated at the closing rate at the date of that statement of condition;
- Income and expenses for each income statement are translated at average exchange rates during the year (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
- All resulting exchange differences are recognized as a separate component of capital funds.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to Capital Funds. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

The translation on 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.

2.18 Impairment of Non-financial Assets

The Group's investments in associates, bank premises, furniture, fixtures and equipment, investment property and other resources (including intangible assets) are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.19 Employee Benefits

(a) *Retirement Benefit Asset/Obligation*

Pension benefits are provided to employees through a defined benefit plan, as well as defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension 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 pension 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 defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of condition for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the statement of condition date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives.

Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

A defined contribution plan is a pension 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 and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(b) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the statement of condition date. They are included in the Accrued Taxes, Interest and Other Expenses account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Income Taxes

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 statement of condition date. 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 income statement.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the statement of condition date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet 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 carryforward 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.

The carrying amount of deferred tax assets is reviewed at each statement of condition date 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of condition date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to capital funds are charged or credited directly to capital funds.

2.21 Related Parties

Parties are considered related when one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2.22 Capital Funds

Preferred and common stocks are carried at their nominal values.

Hybrid perpetual securities reflect the net proceeds from the issuance of non-cumulative step-up callable perpetual securities.

Capital paid in excess of par includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves on available-for-sale securities pertain to changes in the fair values of available-for-sale securities resulting in net gains and losses as a result of the revaluation of available-for-sale financial assets.

Revaluation increment in property of an associate consists of gains arising from the revaluation of land.

Accumulated translation adjustment represents the cumulative gain from the translation of the financial statements of foreign subsidiaries whose functional currency is different to that of the Group.

Reserve for trust business represents the accumulated amount set aside under existing regulations requiring the Parent Company and a subsidiary to carry to surplus 10% of its net profits accruing from trust business until the surplus shall amount to 20% of authorized capital stock. 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 refers to the amount attributable to the Parent Company arising from the change in the ownership of the minority interest in the Parent Company's subsidiary.

Share in additional paid-in capital of an associate represents the share of the Parent Company in the additional paid-in capital of an associate accounted for under the equity method in the consolidated financial statements.

Surplus includes all current and prior period results as disclosed in the income statement.

Minority interests represent the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the Group income statement and within equity in the Group statements of condition and changes in equity.

2.23 Earnings Per Share

Basic earnings per share is determined by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends declared in the current year.

Diluted earnings per common share is also computed by dividing net income by the weighted average number of common shares subscribed and issued during the period. However, net income attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive preferred shares. Preferred shares are deemed to have been converted into common shares at transaction date.

2.24 Trust Activities

The Group commonly acts as trustees 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. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.25 Subsequent Events

Any post-year-end event that provides additional information about the Group's position at the statement of condition date (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. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements require management to make judgments and estimates that affect 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 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 and the Parent Company'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) *Held-to-maturity Investments*

The Group follows the guidance of PAS 39, *Financial Instruments: Recognition and Measurement,* in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, 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 the allowed specific circumstances – for example, selling a not insignificant amount close to maturity – it will be required to reclassify the entire class to available-for-sale securities. However, the tainting provision will not apply if the sales or reclassifications of held-to-maturity investments are 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 the financial asset's fair value; or occurs after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Group, is nonrecurring and could not have been reasonably anticipated by the Group. The investments would therefore be measured at fair value and not at amortized cost.

In 2008, the Group was permitted by the BSP and SEC to reclassify certain financial assets previously classified under AFS category due to the tainting of HTM portfolio back to HTM category (see Note 2.1).

(b) *Impairment of Available-for-sale Securities*

The Group also follows the guidance of PAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, 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 bankcruptcy, 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.

The Group recognized allowance for impairment on its available-for-sale financial assets amounting to P811,207 in 2008 and P779,304 in 2007 both in the consolidated and Parent Company's financial statements (see Note 10).

(c) *Distinction Between Investment Property and Owner-occupied Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generated cash flow largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portion can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion 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.

(d) *Operating and Finance Leases*

The Group has entered into various lease agreements as either a lessor or lessee. Critical 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.

Rent expense charged to operations amounted to P477,383 in 2008, P440,943 in 2007 and P384,876 in 2006 in the consolidated financial statements; and P374,226 in 2008, P363,779 in 2007 and P339,240 in 2006 in the Parent Company financial statements (see Note 27).

(e) *Classification of Acquired Properties and Fair Value Determination of Assets Held- for-Sale and Investment Property*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held-for-Sale if the Group expects that the properties will be recovered through sale rather than use, as Investment Property if the Group intends to hold the properties for capital appreciation or as Financial Assets in accordance with 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.

(f) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 31.

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 statement of condition date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(f) *Impairment Losses on Financial Assets (Loans and Receivables and Held-to-maturity Investments)*

The Group reviews its loan and held-to-maturity investments portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, 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. 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 Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Impairment losses-net of recoveries amounted to P998,492 in 2008, P942,490 in 2007 and P1,749,368 in 2006 in the consolidated financial statements; and P830,597 in 2008, P680,535 in 2007 and P462,528 in 2006 in the Parent Company financial statements (see Note 16).

(b) *Useful Lives of Bank Premises, Furniture, Fixtures and Equipment and Investment Property*

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment and investment property 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 and investment property are analyzed in Notes 13 and 14, respectively. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. There are no changes in the useful lives of bank premises, furniture, fixtures and equipment and investment property during the year.

(c) *Fair Values of Financial Assets and Liabilities*

The following table summarizes the carrying amounts and fair values of those significant financial assets and liabilities not presented on the statement of condition at their fair value.

	Consolidated			
	2008		2007	
	Cost	**Fair Value**	Cost	Fair Value
Due from BSP	**P 16,390,973**	**P 16,390,973**	P 17,611,380	P 17,611,380
Due from other banks	**4,862,225**	**4,862,225**	4,744,925	4,744,925
Held-to-maturity investments	**20,673,614**	**19,483,613**	-	-
Loans and receivables	**164,402,907**	**164,306,650**	117,195,202	117,195,202
Deposit liabilities:				
Demand	**11,125,069**	**11,125,069**	10,765,240	10,765,240
Savings	**75,738,446**	**75,738,446**	66,769,816	66,769,816
Time	**109,363,471**	**109,363,471**	98,393,819	98,393,819
Bills payable	**21,452,609**	**21,452,609**	12,820,500	12,820,500
Bonds payable	**6,002,821**	**6,002,821**	5,650,670	5,650,670
Subordinated debt	**6,941,899**	**6,941,899**	5,158,070	5,158,070

	Parent			
	2008		2007	
	Cost	**Fair Value**	Cost	Fair Value
Due from BSP	**P 15,656,119**	**P 15,656,119**	P 16,750,323	P 16,750,323
Due from other banks	**3,197,593**	**3,197,593**	3,021,668	3,021,668
Held-to-maturity investments	**17,892,114**	**16,764,396**	-	-
Loans and receivables	**130,292,206**	**130,195,949**	88,056,623	88,056,623
Deposit liabilities				
Demand	**8,392,524**	**8,392,524**	7,581,932	7,581,932
Time	**84,267,161**	**84,267,161**	77,219,209	77,219,209
Savings	**66,269,393**	**66,269,393**	57,690,027	57,690,027
Bills payable	**21,410,087**	**21,410,087**	12,477,910	12,477,910
Bonds payable	**6,002,821**	**6,002,821**	5,650,670	5,650,670
Subordinated debt	**6,941,899**	**6,941,899**	5,158,070	5,158,070

See Notes 2.5 and 2.13 for a description of the accounting policies for each category of financial instrument. A description of Group's risk management objectives and policies for financial instruments is provided in Note 4.

(d) *Fair Value of Derivatives*

The fair value of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation.

Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of condition date.

(e) *Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at each statement of condition date 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 value of deferred tax assets as of December 31, 2008 and 2007 is disclosed in Note 28.

(f) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements 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.

(g) *Retirement Benefits*

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit asset and net unrecognized actuarial losses amounted to P75,583 and P168,676, respectively, in the 2008 consolidated financial statements, and P5,351 and P138,817, respectively, in the 2007 consolidated financial statements. The retirement benefit asset and net unrecognized actuarial losses amounted to P36,225 and P257,339, respectively, in the 2008 Parent Company financial statements, and P6,641 and P146,572, respectively, in the 2007 Parent Company financial statements. While the fair value of plan assets amounted to P1,167,540 and P1,670,105 in the 2008 and 2007 consolidated financial statements, respectively, and P772,209 and P1,352,251 in the 2008 and 2007 Parent Company financial statements, respectively (see Note 26).

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks that are particular to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objective in risk management is 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.

4.1 Parent Company's and RSB's Strategy in Using Financial Instruments

Majority of the Group's operating, investing and financing activities are undertaken by the Parent Company and RSB, its subsidiary savings bank. It is the Parent Company's and RSB's intent to generate returns mainly from their traditional financial intermediation and service-provision activities, rather than from any substantial 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 Parent Company and RSB are exposed to liquidity risk and interest rate risk inherent in the statement of condition, and other market risks, which include foreign exchange risk. In the course of performing financial intermediation function, the Parent Company and RSB accept deposits from customers at fixed and floating rates, and for various periods, and seek to earn above-average interest margins by investing these funds in high-quality assets. Given a normal upward-sloping yield curve, a conventional strategy to enhance margin is the investment of short-term funds in longer-term assets, including fixed-income securities. While, in doing so, the Parent Company and RSB maintain liquidity at prudent levels to meet all claims that fall due, the Parent Company and RSB fully recognize the consequent interest rate risk exposure. Foreign exchange risk arises from the Parent Company's and RSB's net foreign exchange positions.

The investment portfolio is composed mainly of marketable, sovereign-risk fixed-income securities. It also includes a small portfolio of equity securities and a modest exposure to credit derivatives, in most of which the underlying is Republic of the Philippines sovereign debt. Other than aforementioned derivatives, short-term foreign currency forward contracts are used mostly in the context of swap transactions where an offsetting spot position is taken at the same time. There are outstanding long-term, cross-currency swaps where the Parent Company is committed to pay fixed-rate interest and principal in US dollars and is entitled to receive fixed-rate interest and principal in pesos. But these closely match, in terms of interest rate characteristics, tenor and amount, the local currency Subordinated Debt issued in 2003 which was redeemed in 2008 on one hand, and certain foreign currency denominated assets on the other.

A committee system is a fundamental part of the Parent Company's and RSB's process of managing risk. Three 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.
- The Risk Management Committee (RMC), which meets monthly, carries out the BOD's oversight responsibility for risk management, covering credit, market and operational risk. Market risk limits are reviewed and approved by the RMC.
- The Audit Committee, which meets monthly, reviews results of Internal Audit examinations and recommends remedial actions to the BOD as appropriate.

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

- The Credit and Collection Committee, chaired by the Chief Executive Officer and composed of the heads of credit risk-taking business units and the head of credit risk management, 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 but with the Chief Executive Officer and key business and support unit heads including the President of RSB participating, 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 page) are not breached; or if breached, provides guidance on the handling of the relevant risk exposure.

The Parent Company established a Corporate Risk Management Services (CRISMS) group, headed by a chief risk officer, to ensure that the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the risk profile. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's RMC. It participates in the Credit and Collection Committee (through the head of credit risk management) and in ALCO.

In addition to the risk management systems and controls, the Parent Company and RSB hold capital commensurate with the levels of risk they undertake (see Note 5.1) in accordance with minimum regulatory capital requirements.

4.2 Liquidity Risk

Liquidity risk is the potential insufficiency of funds available to meet the credit demands of the Parent Company's and RSB's customers and repay maturing liabilities. The Parent Company and RSB manage liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability. The Parent Company and RSB recognize the liquidity risk inherent in their activities, and identify, measure, monitor and control the liquidity risk inherent as financial intermediaries.

The Parent Company's and RSB's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet credit demands of its customers and to enable deposits to be repaid on maturity.

The Parent Company's and RSB's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirement based on assumptions and uses asset and liability maturity *gap analysis*.

The gap analyses as of December 31, 2008 and 2007 in accordance with account classification of the BSP are presented below (amounts in millions).

Parent and RSB

	2008					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More Than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash	P 1,202	P -	P -	P -	P 5,588	P 6,790
Cash equivalents	5,645	-	-	-	15,723	21,368
Loans and receivables	38,683	11,028	22,661	17,443	86,203	176,018
Investments	17,110	2,342	11,089	16,075	9,020	55,636
Other resources	298	53	179	114	23,591	24,235
Total resources	62,938	13,423	33,929	33,632	140,125	284,047
Liabilities:						
Deposits liabilities	44,142	13,766	3,771	-	136,292	197,971
Bills payable and due to other banks	11,451	5,902	3,321	771	1	21,446
Bonds payable	-	-	-	6,003	-	6,003
Subordinated debt	-	6,942	-	-	-	6,942
Other liabilities	3,988	10	-	-	5,445	9,443
Total liabilities	59,581	26,620	7,092	6,774	141,738	241,805
Capital funds	-	-	-	-	30,674	30,674
Total liabilities and capital funds	59,581	26,620	7,092	6,774	172,412	272,479
On-book gap	3,357	(13,197)	26,837	26,858	(32,287)	11,568
Cumulative on-book gap	3,357	(9,840)	16,997	43,855	11,568	-
Contingent resources	44,951	3,760	549	-	-	49,260
Contingent liabilities	25,487	3,702	2,447	-	3,021	34,657
Total gap	19,464	58	(1,898)	-	(3,021)	14,603
Cumulative off-book gap	19,464	19,522	17,624	17,624	14,603	-
Cumulative total gap	P 22,821	P 9,682	P 34,621	P 61,479	P 26,171	P -

Parent and RSB

	2007					
	One to Three Months	Three Months to One Year	One to Five Years	More Than Five Years	Non-maturity	Total
Resources:						
Cash	P 1,048	P -	P -	P -	P 4,816	P 5,864
Cash equivalents	6,129	-	-	-	16,443	22,572
Loans and receivables	17,450	7,890	17,137	9,738	71,559	123,774
Investments	35,479	3,931	9,489	10,871	17,690	77,460
Other resources	-	-	-	-	19,974	19,974
Total resources	60,106	11,821	26,626	20,609	130,482	249,644
Liabilities:						
Deposits liabilities	27,166	2,319	3,855	-	142,918	176,258
Bills payable and due to other banks	6,217	3,513	2,894	671	-	13,295
Bonds payable	441	-	-	5,210	-	5,651
Subordinated debt	-	5,158	-	-	-	5,158
Other liabilities	4,126	55	-	-	5,268	9,449
Total liabilities	37,950	11,045	6,749	5,881	148,186	209,811
Capital funds	-	-	-	-	31,408	31,408
Total liabilities and capital funds	37,950	11,045	6,749	5,881	179,594	241,219
On-book gap	22,156	776	19,877	14,728	(49,112)	8,425
Cumulative on-book gap	22,156	22,932	42,809	57,537	8,425	-
Contingent resources	23,698	8,233	-	-	4,258	36,189
Contingent liabilities	24,796	7,843	-	-	6,849	39,488
Total gap	(1,098)	390	-	-	(2,591)	(3,299)
Cumulative off-book gap	(1,098)	(708)	(708)	(708)	(3,299)	-
Cumulative total gap	P 21,058	P 22,224	P 42,101	P 56,829	P 5,126	P -

Parent only

	2008					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More Than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash	P 8	P -	P -	P -	P 5,588	P 5,596
Cash equivalents	3,553	-	-	-	15,301	18,854
Loans and receivables	35,334	2,810	2,197	5,539	84,412	130,292
Investments	16,980	1,948	9,977	14,388	9,072	52,365
Other resources	-	-	-	-	18,745	18,745
Total resources	55,875	4,758	12,174	19,927	133,118	225,852
Liabilities:						
Deposits liabilities	23,415	12,142	30	-	123,342	158,929
Bills payable and due to other banks	11,416	5,902	3,321	771	1	21,411
Bonds payable	-	-	-	6,003	-	6,003
Subordinated debt	-	6,942	-	-	-	6,942
Other liabilities	3,605	10	-	-	4,318	7,933
Total liabilities	38,436	24,996	3,351	6,774	127,661	201,218
Capital funds	-	-	-	-	24,634	24,634
Total liabilities and capital funds	38,436	24,996	3,351	6,774	152,295	225,852
On-book gap	17,439	(20,238)	8,823	13,153	(19,177)	-
Cumulative on-book gap	17,439	(2,799)	6,024	19,177	-	-
Contingent resources	44,951	3,760	549	-	-	49,260
Contingent liabilities	25,485	3,702	2,447	-	1,235	32,869
Total gap	19,466	58	(1,898)	-	(1,235)	16,391
Cumulative off-book gap	19,466	19,524	17,626	17,626	16,391	-
Cumulative total gap	P 36,905	P 16,725	P 23,650	P 36,803	P 16,391	P -

Parent only

	2007					
	One to Three Months	Three Months to One Year	One to Five Years	More Than Five Years	Non-maturity	Total
Resources:						
Cash	P 12	P -	P -	P -	P 4,816	P 4,828
Cash equivalents	3,329	-	-	-	16,443	19,772
Loans and receivables	14,848	1,851	45	8	71,305	88,057
Investments	32,609	3,893	8,934	6,342	17,690	69,468
Other resources	-	-	-	-	19,396	19,396
Total resources	50,798	5,744	8,979	6,350	129,650	201,521
Liabilities:						
Deposits liabilities	11,212	937	16	-	130,326	142,491
Bills payable and due to other banks	6,175	3,513	2,894	671	-	13,253
Bonds payable	441	-	-	5,210	-	5,651
Subordinated debt	-	5,158	-	-	-	5,158
Other liabilities	3,782	55	-	-	4,335	8,172
Total liabilities	21,610	9,663	2,910	5,881	134,661	174,725
Capital funds	-	-	-	-	26,796	26,796
Total liabilities and capital funds	21,610	9,663	2,910	5,881	161,457	201,521
On-book gap	29,188	(3,919)	6,069	469	(31,807)	-
Cumulative on-book gap	29,188	25,269	31,338	31,807	-	-
Contingent resources	23,695	8,233	-	-	-	31,928
Contingent liabilities	24,796	7,843	-	-	2,588	35,227
Total gap	(1,101)	390	-	-	(2,588)	(3,299)
Cumulative off-book gap	(1,101)	(711)	(711)	(711)	(3,299)	-
Cumulative total gap	P 28,087	P 24,558	P 30,627	P 31,096	(P 3,229)	P -

Pursuant to applicable BSP regulations, the Parent Company and RSB are required to maintain liquidity reserve and statutory legal reserve which are based on a certain percentages of deposits. A portion of the required reserve must be deposited with BSP. The remaining portion of the required reserve may be held by the Parent Company and RSB in the form of cash in vault and or government securities.

Under a current BSP circular, the liquidity reserve is required to be in the form of reserve deposits with the BSP. The BSP also requires the Parent Company and RSB to maintain asset cover of 100% for foreign currency liabilities of their FCDU, 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 Parent Company and RSB maintain significant exposure. Specifically, the Parent Company and RSB ensure that their measurement, monitoring, and control systems accounts for these exposures as well. The Parent Company and RSB set and regularly review limits on the size of their cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Parent Company and RSB also assess their access to foreign exchange markets when setting up their risk limits.

4.3 Market Risk

The Parent Company's and RSB's exposure to market risk, as mentioned earlier, is the potential diminution of accrual 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 Parent Company and RSB are (a) foreign exchange risk, (b) interest rate risk, and (c) equity price risk. The Parent Company and RSB manage this risk 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.
- 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 movement 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 Bank 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 assets and liabilities). Foreign Exchange position VaR uses a 1-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 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.
- Earnings-at-Risk (EaR) – more specifically, in its current implementation, this refers to the impact on Net Interest Income for a 12-month horizon of adverse movements in interest rates. For this purpose the Parent Company and RSB employs a *gap analysis* to measure the interest rate sensitivity of their statements of condition (local and foreign currencies). As of a given statement of condition date, the *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 statement of condition date. A positive gap means net asset sensitivity, which implies that an increase in the interest rates would have a positive effect on the Parent Company's and RSB'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 Parent Company's and RSB's net interest income. The rate movements assumed for measuring EaR are consistent with a 99% confidence level with respect to historical rate volatility, assuming a 1-year holding period.

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 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 already mentioned earlier.

A summary of the VaR position of the trading portfolios at December 31 is as follows:

Parent and RSB

	2008			
	At December 31	**Average**	**Maximum**	**Minimum**
Foreign currency risk	P 4,618	P 6,865	P 18,973	P 816
Interest rate risk	14,860	53,711	171,771	5,097
Overall	**P 19,478**	**P 60,576**	**P 190,744**	**P 5,913**

	2007			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 14,289	P 9,765	P 32,763	P 8,447
Interest rate risk	38,803	69,484	134,731	45,163
Overall	P 53,092	P 79,249	P 167,494	P 53,610

Parent only

		2008						
		At December 31		**Average**		**Maximum**		**Minimum**
Foreign currency risk	P	3,442	P	6,095	P	17,693	P	581
Interest rate risk		12,811		43,214		152,175		3,048
Overall	**P**	**16,253**	**P**	**49,309**	**P**	**169,868**	**P**	**3,629**

		2007						
		At December 31		Average		Maximum		Minimum
Foreign currency risk	P	14,059	P	9,465	P	32,713	P	7,867
Interest rate risk		19,833		51,444		123,911		19,233
Overall	P	33,892	P	60,909	P	156,624	P	27,100

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 assets and foreign currency liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Parent Company and RSB and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Parent Company and RSB manage their foreign exchange exposure by limiting it to within conservative levels justifiable from a return/risk perspective. In addition, the Parent Company and RSB regularly calculate VaR for each currency position, which is incorporated in market risk management discussion in Note 4.3.

The breakdown of the financial resources and liabilities as to foreign and peso-denominated balances as of December 31 is as follows:

Parent and RSB

		2008				
		Foreign Currency		**Peso**		**Total**
Resources:						
Due from BSP	P	-	P	16,360,396	P	16,360,396
Due from other banks		4,620,947		386,560		5,007,507
Financial assets at fair value through profit or loss		2,578,987		505,393		3,084,380
Available-for-sale securities		8,382,477		13,416,268		21,798,745
Held-to-maturity investments		18,143,421		2,350,997		20,494,418
Loans and receivables		43,626,103		120,605,063		164,231,166
Other resources		2,935,430		8,585,520		11,520,950
Liabilities:						
Deposit liabilities		52,767,476		145,203,807		197,971,283
Bills payable		13,675,252		7,770,269		21,445,521
Derivative liabilities		248,075		81,430		329,505
Bonds payable		6,002,821		-		6,002,821
Other liabilities		2,072,869		4,436,714		6,509,583
Due to other banks		-		1,452		1,452
Subordinated debt		-		6,941,899		6,941,899

		2007				
		Foreign Currency		Peso		Total
Resources:						
Due from BSP	P	-	P	17,584,379	P	17,584,379
Due from other banks		2,938,031		1,220,045		4,158,076
Financial assets at fair value through profit or loss		4,313,952		4,750,354		9,064,306
Available-for-sale securities		35,390,075		18,695,784		54,085,859
Loans and receivables		27,203,864		89,193,377		116,397,241
Other resources		1,822,470		10,167,255		11,989,725
Liabilities:						
Deposit liabilities		38,708,494		137,550,070		175,258,564
Bills payable		12,441,308		78,231		12,519,539
Derivative liabilities		9,849		374,487		384,336
Bonds payable		5,650,670		-		5,650,670
Due to other banks		774,040		1,452		775,492
Other liabilities		815,219		5,023,409		5,838,628
Subordinated debt		-		5,158,070		5,158,070

Parent only

		2008				
		Foreign Currency		**Peso**		**Total**
Resources:						
Due from BSP	P	-	P	15,656,119	P	15,656,119
Due from other banks		2,943,916		253,677		3,197,593
Financial assets at fair value through profit or loss		2,578,987		505,393		3,084,380
Available-for-sale securities		8,382,477		12,694,684		21,077,161
Held-to-maturity investments		15,541,116		2,350,998		17,892,114
Loans and receivables		42,923,236		87,368,970		130,292,206
Other resources		2,728,038		8,089,510		10,817,548
Liabilities:						
Deposit liabilities		47,961,695		110,967,383		158,929,078
Bills payable		13,675,252		7,734,835		21,410,087
Derivative liabilities		248,075		81,430		329,505
Bonds payable		6,002,821		-		6,002,821
Due to other banks		-		1,452		1,452
Other liabilities		1,934,482		3,702,968		5,637,450
Subordinated debt		-		6,941,899		6,941,899

	2007		
	Foreign Currency	Peso	Total
Resources:			
Due from BSP	P -	P 16,750,323	P 16,750,323
Due from other banks	2,911,819	109,849	3,021,668
Financial assets at fair value through profit or loss	4,313,952	4,750,354	9,064,306
Available-for-sale securities	32,402,941	18,109,671	50,512,612
Loans and receivables	26,880,643	61,175,980	88,056,623
Other resources	1,667,569	9,738,258	11,405,827
Liabilities:			
Deposit liabilities	34,437,109	108,054,059	142,491,168
Bills payable	12,441,308	36,602	12,477,910
Derivative liabilities	9,849	374,487	384,336
Bonds payable	5,650,670	-	5,650,670
Due to other banks	774,040	1,452	775,492
Other liabilities	751,959	4,312,415	5,064,374
Subordinated debt	-	5,158,070	5,158,070

4.3.2 Interest Rate Risk

The interest risk inherent in the Parent Company's and RSB's statement of condition arises from re-pricing mismatches between resources and liabilities. The Parent Company and RSB follow a policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. ALCO meets at least weekly to set rates for various financial assets and liabilities and trading products. ALCO employs *interest rate gap analysis* to measure interest rate sensitivity of its assets and liabilities.

The *interest rate gap analyses* of resources and liabilities as of December 31 based on re-pricing maturities appears below and on the succeeding pages. It should be noted that this interest rate gap analysis is based on certain assumptions, the key ones being:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, do not re-price.
- Held-for-trading securities are treated as if they are assets subject to re-pricing within the first month maturity bucket; available-for-sale securities re-price on contractual maturity.
- Non-rate sensitive deposits such as Demand Accounts and Savings Accounts have a certain volatile portion that is responsive to interest rate changes. The size of this portion as well as its rate sensitivity was determined from historical analysis.

Parent and RSB

	2008					
	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 8,143	P -	P -	P -	P 24,442,499	P 24,450,642
Loans and advances to banks	22,113,666	381,709	-	381,709	-	22,877,084
Loans and advances to customers	12,463,680	2,396,373	1,469,394	5,952,017	85,184,862	107,466,326
Investment securities	17,702,663	2,058,149	5,591,439	10,455,496	6,249,179	42,056,926
Total resources	P 52,288,152	P 4,836,231	P 7,060,833	P 16,789,222	P 115,876,540	P 196,850,978
Liabilities:						
Deposits from banks	P 7,460,783	P 9,859,434	P 3,320,562	P 770,759	P -	P 21,411,538
Deposits from customers	18,950,677	16,628,757	33,571	-	123,355,115	158,968,120
Debt securities issued	-	-	6,002,821	-	-	6,002,821
Subordinated liabilities	-	-	6,941,899	-	-	6,941,899
Total liabilities	P 26,411,460	P 26,488,191	P 16,298,853	P 770,759	P 123,355,115	P 193,324,378
Gap 1	P 25,876,692	(P 21,651,960)	(P 9,238,020)	P 16,018,463	(P 7,478,575)	P 3,526,600
Cumulative gap	P 25,876,692	P 4,224,732	(P 5,013,288)	P 11,005,175	P 3,526,600	

	2007					
	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 3,021,668	P -	P -	P -	P 24,583,863	P 27,605,531
Loans and advances to banks	11,322,703	331,586	-	-	-	11,654,289
Loans and advances to customers	54,380,357	5,814,194	18,397,603	19,595,387	9,171,793	107,359,334
Investment securities	9,271,036	2,862,311	19,538,077	25,392,994	6,085,500	63,149,918
Total resources	P 77,995,764	P 9,008,091	P 37,935,680	P 44,988,381	P 39,841,156	P 209,769,072
Liabilities:						
Deposits from banks	P 9,040,049	P 4,175,814	P 28,043	P 9,496	P -	P 13,253,402
Deposits from customers	89,189,286	5,218,425	3,986,489	-	77,863,959	176,258,159
Debt securities issued	482,788	-	5,209,882	-	-	5,692,670
Subordinated liabilities	-	5,158,070	-	-	-	5,158,070
Total liabilities	P 98,712,123	P 14,552,309	P 9,224,414	P 9,496	P 77,863,959	P 200,362,301
Gap 1	(P 20,716,359)	(P 5,544,218)	P 28,711,266	P 44,978,885	(P 38,022,803)	P 9,406,771
Cumulative gap	(P 20,716,359)	(P 26,260,577)	P 2,450,689	P 47,429,574	P 9,406,771	

Parent only

	2008										
		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	8,119	P	-	P	-	P	-	P	24,441,329	P	24,449,448
Loans and advances to banks		22,112,203		381,709		-		381,709		-		22,875,621
Loans and advances to customers		12,461,783		2,388,112		1,448,759		5,940,000		85,177,931		107,416,585
Investment securities		17,702,533		2,057,755		5,590,327		10,453,809		6,249,231		42,053,655
Total resources	P	52,284,638	P	4,827,576	P	7,039,086	P	16,775,518	P	115,868,491	P	196,795,309
Liabilities:												
Deposits from banks	P	7,460,783	P	9,859,434	P	3,320,562	P	770,759	P	-	P	21,411,538
Deposits from customers		18,929,955		16,627,133		29,830		-		123,342,160		158,929,078
Debt securities issued		-		-		6,002,821		-		-		6,002,821
Subordinated liabilities		-		-		6,941,899		-		-		6,941,899
Total liabilities	P	26,390,738	P	26,486,567	P	16,295,112	P	770,759	P	123,342,160	P	193,285,336
Gap 1	P	25,893,900	(P	21,658,991)	(P	9,256,026)	P	16,004,759	(P	7,473,669)	P	3,509,973
Cumulative gap	P	25,893,900	P	4,234,909	(P | 5,021,117)	P	10,983,642	P	3,509,973		

	2007											
		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	3,021,668	P	-	P	-	P	-	P	21,577,863	P	24,599,531
Loans and advances to banks		10,285,703		331,586		-		-		-		10,617,289
Loans and advances to customers		53,749,357		4,604,194		7,764,603		3,500,387		7,820,793		77,439,334
Investment securities		6,433,036		2,862,311		19,538,077		25,392,994		5,350,500		59,576,918
Total resources	P	73,489,764	P	7,798,091	P	27,302,680	P	28,893,381	P	34,749,156	P	172,233,072
Liabilities:												
Deposits from banks	P	9,040,049	P	4,175,814	P	28,043	P	9,496	P	-	P	13,253,402
Deposits from customers		73,235,286		3,836,425		147,498		-		65,271,959		142,491,168
Debt securities issued		440,788		-		5,209,882		-		-		5,650,670
Subordinated liabilities		-		5,158,070		-		-		-		5,158,070
Total liabilities	P	82,716,123	P	13,170,309	P	5,385,423	P	9,496	P	65,271,959	P	166,553,310
Gap 1	(P	9,226,359)	(P	5,372,218)	P	21,917,257	P	28,883,885	(P	30,522,803)	P	5,679,762
Cumulative gap	(P	9,226,359)	(P	14,598,577)	P	7,318,680	P	36,202,565	P	5,679,762		

4.3.3 Equity Price Risk

The Parent Company and RSB have minimal exposures to equity securities price risk on their investments held and classified on the statement of condition as available-for-sale. The Group is not exposed to commodity price risk. To manage this risk, the Parent Company and RSB diversify their portfolio. Diversification of the portfolio is done in accordance with the limits set by the Parent Company and RSB.

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 Parent Company and RSB. 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.

Credit Risk Division of CRISMS assists senior management : (a) to develop credit policy; (b) to establish risk concentration limits accepted at the level of the single borrower, related-borrower group, industry segments, and sovereign jurisdiction; and, (c) to continuously monitor the actual credit risk portfolio from the perspective of those limits and other risk management objectives. In performing this function, the Credit Risk Division works hand in hand with the business units and with the Corporate Planning Group.

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) branch managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchased, acceptance of second endorsed checks, and 1: 1 loan accommodations; (c) an independent credit risk assessment by the Credit Risk Division 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 statement of condition date. Significant changes in the economy, or in particular industry segments that represent a concentration in the Parent Company's and RSB's portfolio, could result in losses that are different from those provided for at the statement of condition date. Management therefore carefully monitors the changes and adjusts its exposure to such credit risk, as necessary.

4.4.1 Exposure to Credit Risk

The carrying amount of financial resources recorded in the consolidated financial statements, grossed up for any allowances for losses, which represents the maximum exposure to credit risk, without taking into account of the value of any collateral obtained, as of December 31 follows:

Parent and RSB

	2008	
	Loans and Receivables	**Investment Securities**
Carrying Amount	**P 164,231,165**	**P 45,377,712**
Individually Impaired		
Grade 1 to 5: Unclassified	629,000	-
Grade 6 to 7: Impaired	477,319	-
Grade 8: Impaired	1,699,807	-
Grade 9: Impaired	999,817	-
Grade 10: Impaired	874,873	-
Gross amount	4,680,816	2,466,280
Allowance for impairment	(1,571,731)	(811,207)
Carrying amount	3,109,085	1,655,073
Collectively Impaired		
Grade 1 to 5: Unclassified	111,883,119	-
Grade 6 to 7: Impaired	9,691,743	-
Grade 8: Impaired	1,438,809	-
Grade 9: Impaired	29,840	-
Grade 10: Impaired	548,000	-
Gross amount	123,591,511	-
Allowance for impairment	(4,745,066)	-
Carrying amount	118,846,445	-
Unquoted debt securities classified as loans	6,621,885	-
Allowance for impairment	(1,082,467)	-
Carrying amount	5,539,418	-
Neither Past Due Nor Impaired	36,736,217	43,722,639
Total Carrying Amount	**P 164,231,165**	**P 45,377,712**

	2007	
	Loans and Receivables	Investment Securities
Carrying Amount	P 101,492,822	P 62,217,827
Individually Impaired		
Grade 1 to 5: Unclassified	705,000	-
Grade 6 to 7: Impaired	32,349	-
Grade 8: Impaired	2,949,671	-
Grade 9: Impaired	659,775	-
Grade 10: Impaired	559,916	-
Gross amount	4,906,711	2,430,958
Allowance for impairment	(2,182,543)	(779,304)
Carrying amount	2,724,168	1,651,654
Collectively Impaired		
Grade 1 to 5: Unclassified	76,210,609	-
Grade 6 to 7: Impaired	14,218,293	-
Grade 8: Impaired	2,664,211	-
Grade 9: Impaired	-	-
Grade 10: Impaired	657,000	-
Gross amount	93,750,113	-
Allowance for impairment	(4,477,187)	-
Carrying amount	89,272,926	-
Neither Past Due Nor Impaired	9,495,728	60,566,173
Total Carrying Amount	P 101,492,822	P 62,217,827

Parent Only

	2008	
	Loans and Receivables	**Investment Securities**
Carrying Amount	P 130,292,206	P 41,135,509
Individually Impaired		
Grade 6: Impaired	383,219	-
Grade 7: Impaired	94,100	-
Grade 8: Impaired	1,699,807	-
Grade 9: Impaired	999,817	-
Grade 10: Impaired	874,873	-
Gross amount	4,051,816	2,466,280
Allowance for impairment	(1,571,731)	(811,207)
Carrying amount *(carried forward)*	P 2,480,085	P 1,655,073

		2008		
		Loans and Receivables		**Investment Securities**
Carrying Amount *(Brought forward)*	P	2,480,085	P	1,655,073
Collectively Impaired				
Grade 1 to 5: Unclassified		94,300,118		-
Grade 6: Watchlist		2,797,107		-
Grade 7: Special Mention		303,637		-
Grade 8: Sub-standard		711,809		-
Grade 9: Doubtful		29,840		-
Grade 10: Loss		-		-
Gross amount		98,142,511		-
Allowance for impairment	(	1,526,066)		-
Carrying amount		96,616,445		-
Unquoted debt securities classified as loans		6,621,885		-
Allowance for impairment	(	1,082,467)		-
Carrying amount		5,539,418		-
Neither Past Due Nor Impaired		25,661,921		39,480,436
Total Carrying Amount	**P**	**130,292,206**	**P**	**41,135,509**

Parent Only

		2007		
		Loans and Receivables		Investment Securities
Carrying Amount	P	88,056,623	P	58,644,580
Individually Impaired				
Grade 6: Impaired		-		-
Grade 7: Impaired		32,349		-
Grade 8: Impaired		2,949,671		-
Grade 9: Impaired		659,775		-
Grade 10: Impaired		526,916		-
Gross amount		4,168,711		2,430,958
Allowance for impairment	(	2,105,543)	(	779,304)
Carrying amount		2,063,168		1,651,654
Collectively Impaired				
Grade 1 to 5: Unclassified		61,466,609		-
Grade 6: Watchlist		3,954,714		-
Grade 7: Special Mention		2,324,579		-
Grade 8: Sub-standard		2,002,211		-
Grade 9: Doubtful		-		-
Grade 10: Loss		-		-
Gross amount		69,748,113		-
Allowance for impairment	(	1,644,187)		-
Carrying amount		68,103,926		-
Neither Past Due Nor Impaired		17,889,529		56,992,926
Total Carrying Amount	P	88,056,623	P	58,644,580

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 Parent Company and RSB hold 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. Collateral, generally, is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2008 and 2007.

The Parent Company and RSB hold collateral against Loans and Other Receivables in the form of hold-out on deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of shares, personal and corporate guaranty and other forms of security. An estimate of the fair value of collateral and other security enhancements held against financial assets as of December 31, 2008 and 2007 are shown below and on the following page:

Parent and RSB

		2008		2007
Against individually impaired				
Real property	**P**	**4,648,242**	P	4,967,627
Chattels		**392,084**		231,333
Equities		**461,000**		-
Others		**236,980**		-
Against past due but not impaired				
Real property		**18,700,355**		25,554,016
Chattels		**12,751,047**		10,028,630
Equities		**710,190**		597,000
Debt securities		**-**		3,236,318
Others		**1,422,824**		1,276,546
Against neither past due nor impaired				
Real property		**42,111,183**		5,464,428
Chattels		**486,000**		1,294,887
Others		**14,645,252**		24,471,318
Total	**P**	**96,565,157**	P	77,122,103

Parent Only

		2008		2007
Against individually impaired				
Real property	P	**4,020,242**	P	4,230,628
Chattels		**392,084**		231,333
Equities		**461,000**		-
Others		**236,980**		-
Against past due but not impaired				
Real property		**5,983,355**		12,800,016
Chattels		**837,047**		134,630
Equities		**710,190**		597,000
Debt securities		**-**		3,236,318
Others		**814,824**		801,546
Against neither past due nor impaired				
Real property		**34,407,183**		1,308,428
Chattels		**-**		747,887
Others		**14,645,252**		24,471,318
Total	P	**62,508,157**	P	48,559,104

4.4.3 Concentrations of Credit Risk

The Parent Company and RSB monitor concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown in Note 11.

4.5 Operations Risk and Reputation Risk

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

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Parent Company's and RSB's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Parent Company and RSB to litigation, financial loss, or damage to their 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 Parent Company's and RSB's earnings or impairs capital. This risk is present in activities such as asset management and regulatory compliance.

The Parent Company and RSB maintain departmental operations manuals that are periodically updated. The Parent Company and RSB have also developed a Business Contingency Plan which is tested at least annually and updated for any major changes in systems procedures.

Transactions and items of value are subject to a system of dual control whereby the work of one person is verified by a second person to ensure that the transaction is properly authorized, recorded and settled.

The Parent Company and RSB place emphasis on the security of its computer system and has a comprehensive information technology (IT) security policy. The Parent Company and RSB designate a security administrator independent of the front office who is responsible for maintaining strict control over user access privileges to the Parent Company and RSB's information systems. The Parent Company's and RSB's IT Groups have also created a disaster recovery plan to cover the recovery of critical data and contingency processing requirements in the event of a disaster.

4.6 Legal Risk and Regulatory Risk Management

Changes in laws and regulations could adversely affect the Parent Company and RSB. In addition, the Parent Company and RSB face legal risks in enforcing its rights under its loan agreements, such as foreclosing on collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Parent Company and RSB use 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 Parent Company and RSB seek 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 Parent Company and RSB to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of a country. The Parent Company's and RSB'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 branches and Head Office units, and reporting compliance findings to the Audit Committee and the Board of Directors.

4.7 Anti-Money Laundering Controls

The Anti-Money Laundering Act was passed in September 2001 and was amended in March 2003. Under the Anti-Money Laundering Act, as amended, the Parent Company and RSB are required to submit "Covered Transaction Reports" involving single transactions in cash or other equivalent monetary instruments in excess of P500,000 within one banking day. The Parent Company and RSB are also required to submit "Suspicious Transaction Reports" to the Anti-Money Laundering Council of the BSP in the event that there are reasonable grounds to believe that any amounts processed are the proceeds of money-laundering activities. The Parent Company and RSB are required to establish and record the identities of its clients based on official documents. In addition, all records of transactions are required to be maintained and stored for five years from the date of the transaction. Records of closed accounts must also be kept for five years after their closure.

Under BSP Circular No. 279 dated April 2, 2001, within 20 banking days after the end of each financial year, the Parent Company and RSB are required to submit to the BSP a certificate signed by the President and the Chief Compliance Officer stating that they have monitored compliance and that the Parent Company and RSB are complying with the anti-money laundering rules and regulations.

In an effort to further prevent money laundering activities, the Parent Company and RSB have adopted *Know Your Customer* policies and guidelines. 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.

Each business unit is also required to monitor account activities to determine whether transactions conform to the normal or expected transactions for a customer or an account. For a high-net worth individual whose source of funds is unclear a more extensive due diligence is required. Decisions to enter into a business relationship with a higher risk customer, such as a politically exposed person or a private individual holding a prominent position, are made exclusively at the senior management level.

The Parent Company's and RSB's procedures for compliance with the Anti-Money Laundering Act are set out in its Anti-Money Laundering Policy Manual. The Parent Company's and RSB's Compliance Offices monitor compliance and conduct compliance testing of business units.

The Parent Company's and RSB's Anti-Money Laundering Committee evaluates suspicious transaction reports submitted by branches for final determination if the suspicions are based on reasonable grounds and are therefore reportable to the Anti-Money Laundering Council. All banking groups are required to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules & Regulations on a quarterly basis.

4.8 Other Subsidiaries' Policies and Objectives

The other subsidiaries have essentially the same risk management policies and objectives as that of the Parent Company and RSB. The other subsidiaries risk management is coordinated with the Parent Company, in close cooperation with their respective BOD.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

The BSP, Group's lead regulator, sets and monitors capital requirements of the Parent Company, RSB and RCBC Capital and the Group as a whole.

In implementing current capital requirements, BSP requires the Parent Company and the Group to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets or the capital adequacy ratio (CAR).

Risk-weighted assets is the sum of credit risk, market risks, and operational risks, computed based on BSP-prescribed formula provided under its circulars.

Under the relevant provisions of the current BSP regulations, the minimum capitalization of the Parent Company, RSB and RCBC Capital is P4.95 billion, P325 million and P300 million, respectively. In computing CAR, the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital, and (ii) Tier 2 Capital; less deductions from the Total Tier 1 and Tier 2 for the following:

a. Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;

b. Investments in debt capital instruments of unconsolidated subsidiary banks;

c. Investments in equity of subsidiary insurance companies and non-financial allied undertakings;

d. Reciprocal investments in equity of other banks/enterprises; and,

e. Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks. Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

Tier 1 Capital and Tier 2 Capital are defined as follows:

a. Tier 1 Capital includes the following:

i. paid-up common stock;
ii. paid-up perpetual and non-cumulative preferred stock;
iii. common and perpetual, non-cumulative preferred stock dividends distributable;
iv. surplus;
v. surplus reserves;
vi. undivided profits (for domestic banks only);
vii. unsecured subordinated debt (with prior BSP approval); and,
viii. minority interest in the equity of subsidiary financial allied undertakings;

Subject to following deductions:

i. treasury shares;
ii. unrealized losses on underwritten listed equity securities purchased;
iii. unbooked valuation reserves, and other capital adjustments based on the latest report of examination;
iv. outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI);
v. goodwill; and,
vi. deferred income tax.

b. Tier 2 Capital includes:

i. perpetual and cumulative preferred stock;
ii. limited life redeemable preferred stock with or without the replacement requirement upon subject to BSP conditions;
iii. dividends distributable of i and ii above;
iv. appraisal increment reserve – bank premises, as authorized by the Monetary Board(MB);
v. net unrealized gains on underwritten listed equity securities purchased;
vi. general loan loss provision;
vii. unsecured subordinated debt with a minimum original maturity of at least ten years (with prior BSP approval);
viii. unsecured subordinated debt with a minimum original maturity of at least five years (with prior BSP approval); and,
ix. deposit for stock subscription on:
  - common stock,
  - perpetual and non-cumulative preferred stock,
  - perpetual and cumulative preferred stock subscription, and,
  - limited life redeemable preferred stock subscription with the replacement requirement upon redemption;

Subject to following deductions:

i. Perpetual and cumulative preferred stock treasury shares;
ii. Limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption;
iii. Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption;
iv. Limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption; and,
v. Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption.

The Group's regulatory capital position as of December 31 is presented as follows:

		2008		2007
Tier 1 Capital	**P**	**26,015,850**	P	25,143,941
Tier 2 Capital		**8,111,092**		6,070,738
Total Regulatory Capital		**34,126,942**		31,214,679
Reciprocal investment in equity of other banks		-		-
Total Qualifying Capital, after deductions	**P**	**34,126,942**	P	31,214,679
Total Risk Weighted Assets	**P**	**197,222,586**	P	166,908,472
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets		**17.30%**		18.70%
Total Tier 1 expressed as percentage of total risk weighted assets		**13.19%**		15.06%

The Parent Company's regulatory capital position as of December 31 is presented as follows:

		2008		2007
Tier 1 Capital	**P**	**21,369,107**	P	21,137,684
Tier 2 Capital		**3,235,534**		1,633,362
Total Regulatory Capital		**24,604,641**		22,771,046
Reciprocal investment in equity of other banks		-		-
Total Qualifying Capital, after deductions	**P**	**24,604,641**	P	22,771,046
Total Risk Weighted Assets	**P**	**151,148,326**	P	125,040,924
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets		**16.28%**		18.21%
Total Tier 1 expressed as percentage of total risk weighted assets		**14.14%**		16.90%

The preceding capital ratios comply with the related BSP prescribed ratio of at least 10%.

6. SEGMENT INFORMATION

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different 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, term loans, revolving credit lines, overdraft facilities, trade finance, payment remittances, and foreign exchange transactions.

b. *Corporate Banking* – principally handles loans and other credit facilities and deposit and current accounts for corporate 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 group 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 segment, 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.

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2008 and 2007 (in millions of Philippine Pesos) follows:

	2008				
	Retail Banking Group	**Corporate Banking Group**	**Treasury Group**	**Others**	**Total**
Results of operations					
Net interest income	P 3,123	P 930	P 311	P 4,106	P 8,470
Non-interest income	1,177	548	1,014	1,858	4,597
Total revenue	4,300	1,478	1,325	5,964	13,067
Non-interest expense	2,349	411	227	6,988	9,975
Income (loss) before tax	1,951	1,067	1,098	(1,024)	3,092
Tax expense	-	-	-	919	919
Minority interest in net income	-	-	-	(19)	(19)
Net income (loss)	P 1,951	P 1,067	P 1,098	(P 1,962)	2,154
Statement of condition					
Total Resources	P 144,720	P 63,248	P 69,421	(P 9,119)	P 268,270
Total Liabilities	P 144,720	P 63,248	P 69,421	(P 36,756)	P 240,633
Other segment information					
Capital expenditures	P 225	P 38	P 7	P 765	P 1,035
Depreciation and amortization	P 131	P 9	P 11	P 257	P 408

	2007				
	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
Results of operations					
Net interest income	P 1,847	P 3,246	P 179	P 3,547	P 8,819
Non-interest income	833	638	1,965	945	4,381
Total revenue	2,680	3,884	2,144	4,492	13,200
Non-interest expense	1,084	416	284	7,326	9,110
Income (loss) before tax	1,596	3,468	1,860	(2,834)	4,090
Tax expense	-	-	-	846	846
Minority interest in net income	-	-	-	36	36
Net income (loss)	P 1,596	P 3,468	P 1,860	(P 3,716)	3,208
Statement of condition					
Total Resources	P 100,445	P 52,497	P 67,472	P 18,684	P 239,098
Total Liabilities	P 100,445	P 52,497	P 74,797	P 17,661	P 210,078
Other segment information					
Capital expenditures	P 78	P 8	P 4	P 482	P 572
Depreciation and amortization	P 93	P 10	P 7	P 205	P 315

Secondary information (by geographical location) as of and for the years ended December 31, 2008 and 2007 (in millions of Philippine pesos) follows:

	2008			
	Philippines	**United States**	**Asia and Europe**	**Total**
Results of operations				
Total revenues	P 20,045	P 97	P 114	P 20,256
Total expenses	17,873	132	97	18,102
Net income (loss)	P 2,172	(P 35)	P 17	P 2,154
Statement of condition				
Total resources	P 267,490	P 246	P 534	P 268,270
Total liabilities	P 240,138	P 207	P 288	P 240,633
Other segment information				
Capital expenditures	P 1,008	P 23	P 4	P 1,035
Depreciation and amortization	P 405	P 2	P 1	P 408

	2007			
	Philippines	United States	Asia and Europe	Total
Results of operations				
Total revenues	P 19,518	P 115	P 78	P 19,711
Total expenses	16,328	104	71	16,503
Net income	P 3,190	P 11	P 7	P 3,208
Statement of condition				
Total resources	P 238,530	P 255	P 313	P 239,098
Total liabilities	P 209,792	P 177	P 109	P 210,078
Other segment information				
Capital expenditures	P 567	P 3	P 2	P 572
Depreciation and amortization	P 313	P 2	P -	P 315

7. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents are as follows:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
Cash and other cash items	**P 6,807,939**	P 5,875,727	**P 5,595,736**	P 4,827,540
Due from BSP	**16,390,973**	17,611,380	**15,656,119**	16,750,323
Due from other banks	**4,862,225**	4,744,925	**3,197,593**	3,021,668
	P 28,061,137	P 28,232,032	**P 24,449,448**	P 24,599,531

Cash consists primarily of funds in the form of Philippine currency notes and coins in the bank's vault and those in the possession of tellers, including automated teller machines. Other cash items includes cash items (other than currency and coins on hand), such as checks drawn on other banks or other branches after the bank's 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 and to serve as clearing account for interbank claims.

The balance of Due from Other Banks account represents regular deposits with the following:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Foreign banks	**P 3,120,283**	P 2,914,996	**P 1,872,693**	P 2,477,636
Local banks	**1,741,942**	1,829,929	**1,324,900**	544,032
	P 4,862,225	P 4,744,925	**P 3,197,593**	P 3,021,668

The breakdown of Due from Other Banks by currency is shown below:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Foreign currencies	**P 4,116,106**	P 3,352,723	**P 2,943,916**	P 2,911,819
Philippine pesos	**746,119**	1,392,202	**253,677**	109,849
	P 4,862,225	P 4,744,925	**P 3,197,593**	P 3,021,668

Interest rates on these deposits range from 0.5% to 7% in 2008 and 1% to 4.5% in 2007.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of the following:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Government bonds	**P 1,940,272**	P 4,274,136	**P 1,619,470**	P 4,100,968
Other debt securities	**1,059,205**	3,111,253	**1,059,205**	3,111,253
Derivative financial assets	**405,705**	1,852,085	**405,705**	1,852,085
Equity securities				
Quoted	**31,431**	721,177	-	-
Unquoted	**525**	536	-	-
	P 3,437,138	P 9,959,187	**P 3,084,380**	P 9,064,306

The carrying amounts of the above financial assets are classified as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Held-for-trading	**P 1,762,624**	P 4,822,731	**P 1,619,470**	P 4,100,968
Designated as fair value through profit or loss on initial recognition	**1,674,514**	5,136,456	**1,464,910**	4,963,338
	P 3,437,138	P 9,959,187	**P 3,084,380**	P 9,064,306

Financial assets at fair value through profit or loss represent various treasury bills and other securities issued by the government and other private corporations earning annual interest as follows:

	2008	2007	2006
Peso denominated	**5.50% - 18.75%**	5.50% - 16.50%	5.65% - 14.50%
Foreign currency denominated	**6.25% - 10.625%**	6.38% - 10.63%	6.88% - 10.63%

All amounts presented have been determined directly by reference to published price quoted in an active market.

Fair values of government bonds were determined directly by reference to published closing prices available from electronic financial data service providers which had been based on price quoted or actually dealt in an active market.

Fair values of derivative financial assets were determined through valuation techniques using net present value computation. Derivatives instruments used by the Parent Company include foreign currency short term forwards and cross-currency swaps. 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.

The aggregate contractual or notional amount of derivatives financial instruments and the aggregative fair values of derivative financial assets and liabilities as of December 31 both in the consolidated and Parent Company financial statements are set out below:

	2008		
	Notional Amount	**Fair Values**	
		Assets	**Liabilities**
Currency swaps	(P 1,911,200)	P 192,752	P 247,108
Currency forwards/futures	(4,447,600)	176,751	82,397
Debt warrants	-	36,202	-
	(P 6,358,800)	**P 405,705**	**P 329,505**

	2007		
	Notional Amount	Fair Values	
		Assets	Liabilities
Currency swaps	(P 4,614,059)	P 1,299,581	P 7,372
Currency forwards/futures	(6,569,843)	472,236	376,964
Credit default swaps	-	80,268	-
	(P 11,183,902)	P 1,852,085	P 384,336

The derivative liabilities of P329,505 and P384,336 as of December 31, 2008 and 2007, respectively, are shown as part of Other Liabilities (see Note 21).

The Group recognized the decrease in value of financial assets designated as at fair value through profit or loss of P1,316,222 in 2008, and the increase in value of P80,504 in 2007 and P71,613 in 2006 both in the consolidated and Parent Company financial statements, which were included under the line item Trading and Securities Gains (Losses)-Net in the income statements.

In 2008, the Group reclassified certain debt securities and embedded derivatives of CLNs from financial assets at fair value through profit or loss to held-to-maturity investments, available-for-sale securities and loans and receivables categories (see Notes 9, 10 and 11).

9. HELD-TO-MATURITY INVESTMENTS

The balance of this account as of December 31, 2008 is composed of the following:

		Consolidated		Parent
Government bonds	P	20,621,861	P	17,840,361
Other debt securities		51,753		51,753
	P	20,673,614	P	17,892,114

As to currency, held-to-maturity investments comprise of the following:

		Consolidated		Parent
Foreign currency	P	18,143,420	P	15,541,116
Philippine pesos		2,530,194		2,350,998
	P	20,673,614	P	17,892,114

Changes in the held-to-maturity investments account in 2008 are summarized below:

	Notes		Consolidated		Parent
Balance at beginning of year		P	-	P	-
Reclassification from financial assets at fair value through profit or loss	8		411,228		411,228
Reclassification from available-for-sale securities	10		20,373,408		17,588,835
Amortization/ accretion of discount or premium		(	111,022)	(	107,949)
Balance at end of year		P	20,673,614	P	17,892,114

9.1 Reclassification to HTM

The Monetary Board of the BSP, through BSP Circular No. 628, approved the prudential reporting guidelines for banks governing the reclassification of investments in debt and equity securities between categories in accordance with the provisions of the amendments to the PAS 39 and PFRS, and provided additional guidelines which include, among others, the reclassification of certain financial assets previously classified under available-for-sale securities due to tainting of held-to-maturity portfolio back to held-to-maturity investments category.

On February 2, 2009, the SEC approved the adoption of such BSP Circular No. 628 as being compliant with generally accepted accounting principles for banks.

Pursuant to these amendments and guidelines, the Group and the Parent Company reclassified certain financial assets classified under AFS Securities due to the tainting of HTM portfolio and certain financial assets at fair value through profit or loss to HTM Investments category with an aggregate carrying value of P20,784,636 and P18,000,063, respectively, as presented below:

Consolidated

		At Reclassification Date						At December 31, 2008		
Reclassifications		Carrying Value		Fair Value		Estimated Cash Flows		Carrying Amount		Fair Value
From FVTPL to HTM	P	411,228	P	411,228	P	411,228	P	409,180	P	424,548
From AFS to HTM		20,373,408		20,373,408		20,373,408		20,264,434		19,059,065
	P	20,784,636	P	20,784,636	P	20,784,636	P	20,673,614	P	19,483,613

Parent

		At Reclassification Date						At December 31, 2008		
Reclassifications		Carrying Value		Fair Value		Estimated Cash Flows		Carrying Amount		Fair Value
From FVTPL to HTM	P	411,228	P	411,228	P	411,228	P	409,180	P	424,548
From AFS to HTM		17,588,835		17,588,835		17,588,835		17,482,934		16,339,848
	P	18,000,063	P	18,000,063	P	18,000,063	P	17,892,114	P	16,764,396

Total trading gains of FVTPL reclassified to HTM both in the consolidated and Parent Company financial statements which were recognized in profit or loss in 2008 amounted to P26,908. On the other hand, the net trading gain that would have been recognized in the period following the reclassification during 2008 if the reclassifications had not been made amounted to P13,319 both for the consolidated and Parent Company financial statements. Also, had no reclassification been made, interest income on investment securities would have increased by P2,048 both in the consolidated and Parent Company financial statements. Effective interest rates of FVTPL denominated in foreign currency and peso which were reclassified to HTM range from 7.75% to 10.63% and 8.43% to 8.85%, respectively, both in the consolidated and Parent Company financial statements.

Net unrealized fair value losses in debt securities reclassified from AFS to HTM at reclassification dates amounted to P217,265 and P200,569 in the consolidated and Parent Company financial statements, respectively, while amortization of net unrealized fair value losses recognized in the profit or loss from the date of reclassification to December 31, 2008 amounted to P29,651 and P36,598 in the consolidated and Parent Company financial statements, respectively. The balance of net unrealized fair value losses that would have been recognized in capital funds as of December 31, 2008 if the reclassifications had not been made amounted to P1,311,269 for the Group and P1,248,986 for the Parent Company.

10. AVAILABLE-FOR-SALE SECURITIES

The Group's available-for-sale securities consist of the following:

		Consolidated		Parent	
	Note	2008	2007	2008	2007
Government bonds		**P 17,424,645**	P 42,287,281	**P 16,338,845**	P 38,223,557
Debt securities		**4,632,718**	12,148,338	**4,631,377**	12,136,021
Equity securities		**1,453,888**	969,044	**918,146**	932,338
		23,511,251	55,404,663	**21,888,368**	51,291,916
Allowance for impairment	16	**(811,207)**	(779,304)	**(811,207)**	(779,304)
		P 22,700,044	P 54,625,359	**P 21,077,161**	P 50,512,612

Available-for-sale securities include government bonds and other debt securities which earn annual interest as follows:

	2008	2007	2006
Consolidated	**5.00% - 17.50%**	4.00% - 13.00%	5.00% - 13.00%
Parent	**5.23% - 17.50%**	4.00% - 10.625%	6.56% - 11.50%

Changes in available-for-sale securities are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
Balance at beginning of year	**P 54,625,359**	P 47,816,694	**P 50,512,612**	P 43,571,270
Additions	**45,142,502**	80,694,324	**44,793,212**	80,121,964
Reclassification from FVTPL	**527,223**	-	-	-
Reclassification to held-to-maturity investments	**(20,373,408)**	-	**(17,588,835)**	-
Reclassification to loans and receivables	**(5,960,822)**	-	**(5,960,822)**	-
Provision for impairment losses	**(31,903)**	(230,226)	**(31,903)**	(230,226)
Fair value losses	**(2,600,845)**	(1,875,304)	**(2,328,671)**	(1,769,582)
Amortization / accretion of discount or premium	**(2,492,453)**	1,426,024	**(2,521,051)**	1,426,024
Sale/disposal	**(50,132,550)**	(68,628,236)	**(49,794,322)**	(68,028,921)
Revaluation impact of foreign currency investments	**3,996,941**	(4,577,917)	**3,996,941**	(4,577,917)
	P 22,700,044	P 54,625,359	**P 21,077,161**	P 50,512,612

The changes in fair values from available-for-sale securities which was recognized directly to capital funds amounted to fair value losses of P2,601,102 in 2008 and P1,875,304 in 2007, and fair value gain of P2,868,402 in 2006 in the consolidated financial statements; and fair value losses of P2,328,671 in 2008 and P1,769,582 in 2007, and fair value gain of P2,723,047 in 2006 in the Parent Company financial statements.

Certain government securities are deposited with BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with the Bank's trust operations (see Note 29).

In 2008, the Group reclassified financial assets at FVTPL to AFS in accordance with PFRS. The carrying value and fair value of the securities at the date of reclassification amounted to P527,223. Had no reclassification been made, the Group would have incurred additional loss of P232,726. The carrying amount of the securities as of December 31, 2008 amounted to P294,497 in the consolidated financial statements.

Also in 2008, the Group reclassified private and government debt securities with carrying value at the date of reclassification of P20,373,408 to held-to-maturity investments in accordance with FRSPB (see Note 9). In addition, the Parent Company reclassified CDOs and CLNs that are linked to ROP bonds, with an aggregate carrying value of P5,960,822 to loans and receivables (see Note 11).

11. LOANS AND RECEIVABLES

This account consists of the following:

	Consolidated		Parent	
	2008	2007	2008	2007
Loans and discounts	**P 113,607,267**	P 94,606,067	**P 78,727,671**	P 64,973,609
Customers' liabilities on acceptances, import bills and trust receipts	**15,883,708**	6,723,996	**15,883,708**	6,723,997
Bills purchased	**2,106,007**	2,243,512	**2,085,789**	2,219,217
Securities purchased under reverse repurchase agreements	**488,000**	554,000	-	-
	132,084,982	104,127,575	**96,697,168**	73,916,823
Interbank loans receivables	**23,598,507**	11,420,289	**22,875,621**	10,617,289
Unquoted debt securities classified as loans	**6,621,885**	-	**6,621,885**	-
Credit card receivables	**8,256,256**	8,454,403	**5,497,159**	5,475,414
Accrued interest receivable	**2,205,587**	2,472,697	**1,955,747**	2,220,735
Accounts receivable	**1,921,735**	1,585,008	**1,247,660**	924,871
Sales contract receivables	**1,196,328**	1,323,138	**767,117**	963,985
Miscellaneous	**52,721**	102,497	**30,979**	-
	175,938,001	129,485,607	**135,693,336**	94,119,117
Allowance for impairment (see Note 16)	**(7,943,278)**	(9,935,036)	**(4,943,286)**	(5,812,828)
Unearned discount	**(2,149,136)**	(1,840,833)	**(155,933)**	(39,029)
Prompt payment discount	**(363,597)**	(303,899)	-	-
Reserves for credit card	**(1,079,083)**	(210,637)	**(301,911)**	(210,637)
	P 164,402,907	P 117,195,202	**P 130,292,206**	P 88,056,623

Loans and receivables bear average interest rates of 3.4% to 9.7% per annum in 2008, 3.4% to 10.5% in 2007 and 2.5% to 10.6% in 2006 in the consolidated and Parent Company financial statements.

Included in these accounts in the consolidated financial statements are non-performing loans amounting to P3,930,841, net of allowance of P1,799,778 as of the end of 2008 and P6,479,981, net of allowance of P1,080,311 as of the end of 2007, and in the Parent Company financial statements amounting to P3,141,378, net of allowance of P1,352,750 as of the end of 2008 and P5,458,916, net of allowance of P787,442 as of the end of 2007.

Loans and receivables amounting to P10,729,055 and P38,013 as of December 31, 2008 and 2007, respectively, both in the consolidated and Parent Company financial statements are assigned as collateral to BSP as security for rediscounting availments (see Note 18).

The concentration of credit as to industry follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Real estate, renting and other related activities	**P 46,547,757**	P 39,780,197	**P 13,733,296**	P 12,067,003
Manufacturing (various industries)	**30,281,180**	21,236,268	**30,261,981**	21,213,697
Other community, social and personal activities	**13,925,284**	3,838,427	**13,923,573**	3,676,655
Wholesale and retail trade	**10,165,040**	10,415,186	**9,002,426**	9,392,375
Transportation and communication	**7,503,127**	1,377,094	**7,503,127**	1,220,327
Financial intermediaries	**7,481,284**	14,175,833	**7,456,284**	14,044,550
Agriculture, fishing and forestry	**663,740**	1,839,424	**299,469**	1,548,689
Others	**15,517,570**	11,465,146	**14,517,012**	10,753,527
	P 132,084,982	P 104,127,575	**P 96,697,168**	P 73,916,823

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio.

The breakdown of total loans as to secured and unsecured follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Secured:				
Real estate mortgage	**P 47,739,934**	P 28,704,547	**P 26,646,468**	P 11,003,443
Deposit hold-out	**11,731,613**	15,506,711	**11,123,949**	15,032,087
Chattel mortgage	**12,549,276**	10,998,449	**148,981**	556,875
Other securities	**6,207,297**	14,666,166	**5,744,296**	14,074,095
	78,228,120	69,875,873	**43,663,694**	40,666,500
Unsecured	**53,856,862**	34,251,702	**53,033,474**	33,250,323
	P 132,084,982	P 104,127,575	**P 96,697,168**	P 73,916,823

A reconciliation of the allowance for impairment at the beginning and end of 2008 and 2007 is shown below:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Balance at beginning of year	**P 9,935,036**	P 10,394,956	**P 5,812,828**	P 6,011,367
Provisions during the year	**1,928,086**	859,864	**1,830,597**	680,535
Recovery of impairment losses	**(1,054,541)**	-	**(1,000,000)**	-
Accounts written off/others	**(2,865,303)**	(1,319,784)	**(1,700,139)**	(879,074)
Balance at end of year	**P 7,943,278**	P 9,935,036	**P 4,943,286**	P 5,812,828

The maturity profile of loans follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Due within one year	**P 52,497,992**	P 57,364,437	**P 49,816,491**	P 54,568,838
Due beyond one year	**79,586,990**	46,763,138	**46,880,677**	19,347,985
	P 132,084,982	P 104,127,575	**P 96,697,168**	P 73,916,823

11.1 Reclassification to Loans and Receivables

Presented below is the reclassification of CLNs linked to ROP bonds (including embedded derivatives) and collateralized debt obligations (CDOs) to Loans and Receivables made by the Parent Company in 2008 in accordance with FRSPB (see Notes 8 and 10):

	At Reclassification Date			At December 31, 2008	
Reclassification	**Value**	**Carrying Fair Value**	**Estimated Future Cash Flows**	**Amount**	**Carrying Fair Value**
CLNs:					
From AFS – host contract	P 6,321,713	P 6,321,713	P 5,916,240	P 6,028,297	P 6,295,730
From FVTPL – embedded derivative	(307,836)	(307,836)	-	-	(952,361)
CDOs – from AFS	594,000	118,801	380,160	593,588	99,792
	6,607,877	6,132,678	6,296,400	6,621,885	5,443,161
Less allowance for impairment	(954,891)	-	-	(1,082,467)	-
Net carrying amount	**P 5,652,986**	**P 6,132,678**	**P 6,296,400**	**P 5,539,418**	**P 5,443,161**

Unrealized fair value losses in equity of CLNs (host contract) linked to ROP bonds and CDOs which were reclassified from AFS to Loans and Receivables at reclassification dates amounted to P93,487 and P356,400, respectively. Effective interests at reclassification date range from 4.9% to 10.5% and 5.0% to 8.8% for CLNs and CDOs, respectively. Unrealized fair value losses as of December 31, 2008 that should have been recognized in the Parent Company's capital funds had the CLNs and CDOs not been reclassified to Loans and Receivables amounted to P134,962 and P375,408, respectively. Had the embedded derivatives not been reclassified by the Parent Company, interest income on loans and receivables would have decreased by P7,477 while additional trading losses to be recognized in profit or loss amounted to P644,524 from the date of reclassification to December 31, 2008.

11.2 Bankard

On August 21, 2003, the BSP issued Memo Circular No. 398 which became effective on December 1, 2003. The BSP Circular prescribes, among others, the standard valuation reserves requirements for delinquent and potentially non-collectible credit card receivables. Based on this BSP Circular, Bankard has determined that the required allowance for impairment in the amount of P3,602,000 on the total credit card receivable portfolio as of December 31, 2003 would have a significant impact on the 2003 financial statements of Bankard if the whole amount would be recognized as of December 31, 2003. Bankard's management requested an approval from the BSP to allow the staggered booking of the required allowance for impairment in 2003 over a period of seven years starting in 2004.

The BSP, through its letter dated January 14, 2004, informed Bankard that the MB, under its Resolution No. 1872 dated December 22, 2003, has granted its request to stagger the booking of the valuation reserves of P3,602,000 over seven years. Also, Resolution No. 1872 requires it to infuse fresh capital equal to the amount of valuation reserves booked in accordance with the terms of the BSP approval. On December 29, 2005, the Parent Company made a fresh capital infusion amounting to P190,474 to comply with this BSP requirement.

The BSP-approved staggered booking of valuation reserves over the seven year period is shown below:

Year	Percentage	Amount
2004	5	P 180,100
2005	5	180,100
2006	18	648,360
2007	18	648,360
2008	18	648,360
2009	18	648,360
2010	18	648,360
	100	P 3,602,000

Based on a separate determination made by Bankard of the required valuation reserves as of December 31, 2003 following the provisions of the BSP Circular, the computed required additional allowance for impairment approximates the BSP-approved amount of P3,602,000. However, in connection with the review of the allowance for impairment as of December 31, 2005, it was ascertained that this required additional allowance of P3,602,000 determined in 2003 did not pertain wholly to 2003, but a significant portion of such amount pertained to 2002 and prior years. Based on Bankard's recomputation, of the required additional allowance, P749,355 pertained to 2003 and P2,852,645 pertained to 2002 and prior years. In computing these amounts, the rules under BSP Circular No. 398 were applied.

Of the P3,602,000 required additional allowance, Bankard already recognized P846,470 in its books as of December 31, 2006 as follows: P180,100 in 2004, P180,100 in 2005 and P486,270 in 2006. PFRS, however, requires the full recognition of the required allowance for impairment against current operations in the period such losses were determined.

As mentioned in Note 11.4, Bankard sold and transferred to the Parent Company its various credit card receivables on December 29, 2006 totaling P7,239,913 under a Deed of Assignment of Receivables. The credit card receivables that were sold and transferred by Bankard to the Parent Company included credit card receivables amounting to P2,755,530 which, as approved by the BSP, are provided with allowance for impairment on a staggered basis. After the sale and transfer, the Parent Company charged in 2006 the impairment loss for the credit card receivables transferred amounting to P162,090 and wrote-off the remaining balance of these impaired credit card receivables amounting to P2,593,440 against the "freed" allowance for impairment pertaining to the non-performing assets (NPAs) transferred as discussed in Note 11.3. The confirmation from the BSP that it interposes no objection to the sale and transfer of the credit card receivables was obtained by the Parent Company through a letter from the BSP dated March 15, 2007. However, the write-off of the remaining balance of impaired credit card receivables should have been charged against the 2006 operations. Had the write-off of the impaired credit card receivables been charged against the 2006 operations, the Parent Company's Loans and Receivables and Surplus would have decreased by P2,593,440 as of December 31, 2008 and 2007, and its 2006 net income would have decreased by the same amount (see also Note 34).

In the consolidated financial statements, had the write-off of the impaired credit card receivables been charged by the Parent Company against the 2006 operations and had Bankard recognized the required allowance for impairment in the period the losses were determined, the Group Loans and Receivables account and Surplus account would have decreased by P2,593,440 as of December 31, 2008 and 2007, and the consolidated net income would have decreased by P2,107,170 in 2006 (see also Note 34).

11.3 Special Purpose Vehicle (SPV) Transactions

In accordance with the provisions of Republic Act No. 9182 (the SPV Act) and BSP Resolution No. 135, the Parent Company entered into either "sale and purchase" or "asset sale" agreements with SPVs, namely:

- New Pacific Resources Management (SPV-AMC), Inc. (NPRMI) on May 14, 2008 and February 26, 2007,
- Star Two (SPV-AMC), Inc. (Star Two) on November 15, 2006,
- Philippine Investments One, Inc. (PIOI) on August 25, 2004 and April 12, 2005,
- Global Ispat Holdings and Global Steelworks International (collectively referred herein as the Global SPVs) on October 15, 2004, and
- Asian Pacific Recoveries (SPV-AMC) Corporation (Asian Pacific Recoveries) on February 21, 2005.

The agreements cover the transfer of specific NPAs, consisting of non-performing loans (NPLs) and real and other properties acquired (ROPA; presented as Investment Property), amounting to P50,728 in 2008 and P1,698,558 in 2007 to NPRMI; P3,878,781 in 2006 to Star Two, P3,770,948 and P1,433,228 in 2004 and 2005, respectively to PIOI; P685,561 to Global SPVs in 2004; and P2,070,064 to Asian Pacific Recoveries in 2005. The agreement with the Global SPVs was made in conjunction with other participating banks.

The agreement with Star Two also covers the sale of NPAs not eligible under the SPV Act amounting to P486,142. The loss on sale related to the sale of NPAs to Star Two not eligible under the SPV Act amounting to P169,160 is recognized as part of Miscellaneous Other Operating Expenses in the 2006 income statement.

The Certificates of Eligibility, obtained for purposes of availing of the tax exemptions and privileges on the NPLs transferred and ROPAs sold were completely issued by the BSP to the Parent Company on various dates in 2004, 2005, 2007 and 2008.

The significant terms and conditions of the "sale and purchase" agreements with PIOI and the "asset sale" agreement with NPRMI, among others, follow:

- The SPV shall issue 10-year subordinated/SPV notes in exchange for the NPLs transferred. The issuance of the subordinated/SPV notes constitutes full settlement for the NPLs transferred.
- The subordinated/SPV notes are subordinated in priority of payment to the senior notes and any other working capital notes of the SPV.
- The amount and schedule of payment of the subordinated/SPV notes shall be contingent and dependent on the amount and timing of collections to be made by the SPV on the NPLs transferred, subject to the rights and privileges of the SPV's other creditors.

In addition, the SPV note issued by PIOI to the Parent Company relative to the April 12, 2005 "sale and purchase" agreement shall have a maturity of 10 years. Interest shall accrue on the amount of the aggregate allocated loan asset amount and shall be payable for each quarter in arrears in reckoning date at an interest rate equal to the 91-day rate for Philippine treasury bills per annum.

The total consideration for the sale of NPAs (for eligible and not eligible under the SPV Act) to Star Two amounted to P1,190,410. Based on the terms and conditions of the "asset sale and purchase" agreement with Star Two, the risk and rewards of the ownership of the sold NPAs was transferred completely to Star Two. The asset sale and purchase agreement also requires Star Two to pay an earnest money deposit equivalent to 20% of the total purchase price within five days after the bid award date. The 20% earnest money deposit amounting to P238,082 was received by the Parent Company in November 2006. The remaining outstanding balance of the purchase price amounting to P952,328 was recorded as part of Loans and Receivable in the statement of condition as of December 31, 2006. Such amount was subsequently collected on February 9, 2007.

The significant terms and conditions of the Parent Company's "sale and purchase" agreement with the Global SPVs, among others, follow:

- The SPVs shall pay cash up front and issue 8-year zero-coupon subordinated notes to the Parent Company and other participating banks in exchange for the NPLs transferred. The issuance of the subordinated notes and the upfront cash payment to the Parent Company constitute full settlement for the NPLs transferred.
- The subordinated notes shall be issued to the Parent Company and other participating banks in two tranches, namely, Tranche A and Tranche B. The subordinated notes shall be secured by a first-ranking mortgage and security interest over the plant assets of the Global SPVs and standby letters of credit to be delivered by the Global SPVs from time to time in accordance with the agreement subject to the rights and privileges of the SPVs' other creditors.
- The amount and schedule of payment of the subordinated notes to the Parent Company and other participating banks shall be based on the repayment schedule set forth in the "sale and purchase" agreement.

The significant terms and conditions of the Parent Company's "sale and purchase" agreement with Asian Pacific Recoveries, among others, follow:

- The SPV shall pay P20 million as bid deposit.
- On closing date, the SPV shall pay the Parent Company the purchase price balance by wire transfer in full settlement of the NPLs transferred.
- SPV acknowledges and agrees that if there is occurrence of a default by any obligor under any loan document, SPV will remain bound by all terms and conditions to purchase all the loans in the transaction without any adjustment or alteration in the purchase price unless the Bank removes loans from the transaction prior to closing.

In relation to such transactions, the BSP has informed the Parent Company that the allowance for impairment amounting to P23,280 and P289,994 on the NPAs transferred to NPRMI in 2008 and 2007, respectively; P1,474,440 on the NPAs transferred to Star Two in 2006, P2,225,558 and P163,814 to PIOI and the Global SPVs, respectively, in 2004; and P1,211,332 to PIOI and P245,477 to Asian Pacific Recoveries in 2005, shall be "freed" and used only for general loan loss provision and/or for specific provision of loan accounts that may be classified in the future. In 2006, the Parent Company charged the freed allowance for the write-off of the remaining balance of impaired credit card receivables amounting to P2,593,440 (see Note 11.2). In 2008, the Parent Company reversed portion of the freed allowance amounting to P1,000,000 by charging it to the current operations. PFRS, however, requires the derecognition of the related allowance for impairment of the NPAs transferred that qualified for derecognition at the time of sale.

The face value of the subordinated/SPV notes issued by NPRMI in 2008 amounted to P48,192 and P1,688,902 in 2007; subordinated/SPV notes issued by PIOI in 2005 amounted to P1,418,896 and P3,770,948 in 2004; the SPV note issued by Global SPVs amounted to P548,930 in 2004. In addition to the subordinated notes, the Global SPV also paid cash to the Parent Company amounting to P27,439 in 2004 and PIOI and Asian Pacific Recoveries paid cash amounting to P14,332 and 427,564, respectively, for the 2005 transfer, and NPRMI paid cash amounting to P2,536 in 2008 and P9,656 in 2007. In recording the transfers of the NPAs, the Parent Company derecognized the NPAs from their financial records and recorded the subordinated/SPV notes as part of Available-for-sale Securities (unquoted debt securities) at their fair values as of the dates of issuance. However, one of the significant conditions stated in the terms of the subordinated/SPV notes from NPRMI and PIOI is that the amount and timing of payment of the subordinated/SPV notes are dependent on the collections to be made by NPRMI and PIOI on the NPAs transferred. Under PFRS, this is indicative of an incomplete transfer of the risks and rewards of ownership of the NPAs from the Parent Company to NPRMI and PIOI. PFRS requires that: (a) the entity retaining majority of the residual risks and rewards of ownership of certain assets of SPV should reflect in its financial statements its proportionate interest in such SPV; and (b) an entity should substantially transfer all the risks and rewards of ownership of an asset before such asset could be derecognized.

As permitted under BSP Resolution No. 135, the Parent Company has deferred over 10 years the recognition of the required additional allowance for impairment as determined from the NPAs transferred to PIOI, and the losses determined from the NPAs transferred to the Star Two, Global SPVs and Asian Pacific Recoveries, totaling to P1,335,149 in 2006, P1,604,587 in 2005 and P1,955,768 in 2004. The schedule of amortization of the required additional allowance for impairment and losses as prescribed under BSP Resolution No. 135 shall be 5% for the first three years, 10% for the next four years, and 15% for the remaining three years. The Parent Company recorded the amortization determined in accordance with BSP Resolution No. 135 amounting to P536,683 in 2008 and P503,268 in 2007 (charged against the "freed" allowance for impairment as discussed above) and P208,658 in 2008 and P15,712 in 2004 (charged against operations). In addition, the Parent Company recorded in 2005 an additional amortization of P37,556, on top of the amount of amortization prescribed by BSP Resolution No. 135. While this accounting treatment is allowed under BSP Resolution No. 135, PFRS, however, requires the full recognition of the required additional allowance for impairment and losses against current operations in the period such impairment and losses were determined instead of capitalizing it as deferred charges and amortizing it over future periods.

Had the Parent Company (i) reflected in its financial statements its interest in NPRMI and PIOI and not derecognized the NPAs transferred; (ii) derecognized the allowance for impairment related to the NPAs transferred that qualified for derecognition at the time of sale; and, (iii) not deferred the recognition of the required additional allowance for impairment and the losses determined from the NPAs transferred in accordance with PFRS, the gross balance of the Group's and Parent Company's Loans and Receivables account would have increased by P5,204,176 in 2008 and 2007, respectively; Allowance for Impairment would have increased by P1,979,036 and P1,442,354 in 2008 and 2007, respectively; Available-for-sale Securities would have decreased by P1,423,820 and P1,398,908 in 2008 and 2007, respectively; Investment Property would have increased by P1,436,012 and P1,408,564 in 2008 and 2007, respectively; Deferred Charges (part of Other Resources account in Note 15) would have decreased by P7,844,385 and P8,589,726 in 2008 and 2007, respectively; Other Liabilities would have increased by P26,524 and P23,988 in 2008 and 2007, respectively; net income would have decreased by P791,342 and P1,335,149 in 2008 and 2006, respectively (see also Note 34).

11.4 Acquisition of Credit Card Receivables and Other Assets and Assumption of Certain Liabilities of Bankard

On November 27, 2006, the BOD of the Parent Company approved the acquisition of credit card receivables and other assets and assumption of certain liabilities of Bankard. This was effected by the Parent Company on December 29, 2006 through the following transactions with Bankard:

a. Bankard executed a Deed of Assignment of Receivables in favor of the Parent Company under which both parties agreed that in consideration of the assumption by the Parent Company of certain liabilities due to creditors and other suppliers, Bankard irrevocably sold and transferred its credit card receivables to the Parent Company with an estimated amount of P7,239,913. Both parties also agreed that the credit card accounts of Bankard's cardholders will be transferred to the Parent Company;

b. The Parent Company and Bankard executed a Deed of Absolute Sale for the sale of Bankard's 30 condominium units located at the Robinsons Equitable Tower, Bankard's principal place of business, with a net book value of P278,120 for a consideration of P285,029;

c. Bankard executed a Deed of Sale of Assets with Parent Company for the sale of its various assets amounting to P72,148 in consideration for the assumption by the Parent Company of certain liabilities due to creditors and suppliers totaling P2,791,418. Bankard paid the Parent Company P2,719,270 for the net liabilities that were assumed by the Parent Company.

Relative to the above transaction, on December 29, 2006, Bankard entered into a service agreement with the Parent Company. Under this agreement, Bankard agreed to provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services to the Parent Company in connection with the operation of the credit card business. This agreement is pursuant to the terms and conditions of the Deed of Assignment of Receivables where Bankard sold its right, title and interest to its receivables to the Parent Company.

The Parent Company requested for BSP's confirmation on the above transactions and the BSP formally informed the Parent Company on March 15, 2007 that it interposes no objection.

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in subsidiaries and associates are as follows:

		Consolidated	
	Effective Percentage of Ownership	**2008**	2007
Acquisition costs of associates:			
RRC	25.00	**P 1,999,934**	P 2,071,777
RLI	49.00	**921,076**	921,076
GLFAC	20.00	**200,000**	200,000
SPC	26.50	**120,095**	120,095
RHI	4.71	**101,665**	101,665
HCPI	12.88	**91,050**	91,050
LIPC	35.00	**52,500**	52,500
YCS	40.00	**5,070**	5,070
NPRMI	-	**-**	1,563
		3,491,390	3,564,796
Equity in net earnings (losses):			
Balance at beginning of year		**128,006**	(38,472)
Equity in net earnings		**404,192**	351,842
Dividends		**(230,718)**	(185,364)
Balance at end of year		**301,480**	128,006
		3,792,870	3,692,802
Share in additional paid-in capital of an associate		**532,583**	532,583
Increase in revaluation reserves		**21,229**	-
		4,346,682	4,225,385
Allowance for impairment (see Note 16)		**(52,500)**	(52,500)
		P 4,294,182	P 4,172,885

		Parent	
	Effective Percentage of Ownership	**2008**	2007
Subsidiaries:			
RSB	100.00	**P 3,190,000**	P 3,190,000
RCBC Capital	99.96	**2,230,673**	2,230,673
Bankard	66.58	**1,000,000**	-
Merchants Bank	96.38	**493,039**	-
RCBC Forex	100.00	**150,000**	150,000
RCBC IFL	99.99	**58,013**	58,013
RCBC North America*	100.00	**36,046**	36,046
RCBC Telemoney Europe	100.00	**16,055**	16,055
		7,173,826	5,680,787
Associates:			
RRC	25.00	**1,999,934**	2,071,777
RLI	49.00	**921,076**	921,076
GLFAC	20.00	**200,000**	200,000
SPC	26.50	**120,095**	120,095
HCPI	12.88	**91,050**	91,050
LIPC	35.00	**52,500**	52,500
YCS	40.00	**5,070**	5,070
NPRMI	-	**-**	1,563
		3,389,725	3,463,131
		10,563,551	9,143,918
Allowance for impairment		**(252,500)**	(252,500)
Deposit for future stock subscription		**-**	1,000,000
		P 10,311,051	P 9,891,418

*Includes the 31% ownership of RCBC IFL in RCBC North America

The following table presents audited financial information (except for GLFAC for which 2008 information were based on unaudited financial statements) on the significant associates as of and for the years ended December 31, 2008 and 2007:

	Assets	Liabilities	Revenues	Income (Loss)
2008:				
RRC	P 9,060,000	P 2,608,410	P 1,154,322	P 335,398
RLI	1,027,227	175,198	38,747	(17,750)
GLFAC	3,210,333	2,148,668	617,376	26,981
2007:				
RRC	P 9,911,743	P 2,793,516	P 953,671	P 318,002
RLI	2,529,152	1,659,373	548,682	293,439
GLFAC	2,890,716	1,691,248	456,245	13,504

The Parent Company under a shareholders 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 accounted for using the equity method.

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, representing 54.68% of the outstanding capital stock thereof, which they respectively own and hold, to regulate the conduct of the voting and the relationship between them with respect to the exercise of the voting rights. Thus, notwithstanding the RCBC Capital's ownership of only 4.71% in RHI, its investment is carried under the equity method of accounting.

NPRMI was incorporated with the SEC on September 17, 2004 as a 100%-owned RCBC shelf-SPV solely for the purpose of facilitating the sale of the Bank's NPAs under the SPV Act of 2002. Financial institutions' formation of shelf-SPVs was encouraged by the BSP particularly to cater to the requirements of NPA investors which lacked the SPV vehicles which would purchase these assets from certain banks, provided these shelf-SPVs were duly incorporated not later than the SPV Act's original deadline of September 18, 2004. Although the SPV Act expired in the first semester of 2005, RCBC was allowed by the BSP to retain its shelf-SPV in a MB approval of October 6, 2005 in consideration of the likely extension/renewal of the SPV Act, and the Parent Company's plan to dispose of more NPAs, together with the remaining shelf-SPV, within the extended law's parameters. In 2006, the SPV Act was extended up to May 2008. On February 26, 2007, the Parent Company sold total NPAs of P1,698,558 to Innovative Property Solutions (IPS), a corporation duly organized and existing under Philippine Laws. On July 16, 2007, IPS through an Accession Agreement, assigned to NPRMI all of the former's rights and obligations as purchaser of NPAs sold. On June 27, 2007, the Parent Company sold, transferred and assigned to third parties its 95% interests in NPRMI including subscription liabilities for P30,278. The financial statement accounts of NPRMI are accordingly deconsolidated starting with the 2007 statement of condition.

On November 27, 2006, as part of its corporate restructuring strategy, the Parent Company's BOD approved the capital infusion of P1 billion each into Bankard and RCBC Capital. The Parent Company, in its letter to the BSP dated January 9, 2007, requested for the approval of such capital infusion by way of conversion of Bankard's and RCBC Capital's debt to the Parent Company into equity. The Parent Company reflected the effects of the transaction in its 2006 financial statements by recording the capital infusion as part of Investments in Subsidiaries and Associates - Deposit for Future Stock Subscription and, in addition, provided for allowance for impairment amounting to P200,000. However, BSP approved the transaction only on February 23, 2007. Had the capital infusion not been recorded in 2006, the Parent Company's Loans and Receivables would have increased by P2,000,000, Investments in Subsidiaries and Associates would have been decreased by P1,800,000 and its 2006 net income would have been increased by P200,000 (see Note 34). Thereafter, on January 4, 2008, the application for increase in Bankard's authorized capital to cover the Parent Company's capital infusion was approved by the SEC. Starting 2008, with the capital infusion (previously classified as Deposit for Stock Subscription) applied against subscription to Bankard's capital stock, the Parent Company now holds direct percentage interest of 66.58%. Prior to 2008 and the additional capital infusion made by the Parent Company to Bankard, the Parent Company owns 59% indirectly of Bankard's net assets through RCBC Capital. As a result of the capital infusion, the Parent Company's interest in Bankard's net assets increased to 91.69% (representing 66.58% direct ownership and 25.11% indirect ownership through RCBC Capital). This change in ownership with Bankard did not result on gaining or losing control.

In accordance with the relevant accounting standards, Parent Company and Minority Interest (other than RCBC Capital) share in Bankard's net assets were adjusted to reflect the changes in their relative interest. The difference between the amount of additional investment made by the Parent Company and the adjustment in the Minority Interest share in Bankard's net assets amounting to P240,889, was recognized directly in equity and presented as Other Reserves.

On July 30, 2007, the Parent Company's BOD approved the capital infusion to RSB amounting to P1,000,000. The request of the Parent Company to increase its equity investment in RSB was approved by the BSP on September 26, 2007.

After a series of earlier consultations and discussions among the parties and BSP, the Parent Company entered into a formal Reorganization Agreement and Deed of Assignment of Rights with PMMIC and RLI on December 26, 2007 to transfer RLI's ownership with RRC to the Parent Company and PMMIC by 25% and 15%, respectively, in exchange of partial and full settlement of RLI's obligations with the Parent Company and PMMIC, respectively. The Parent Company recorded its equity investment with RRC by the carrying amount of loan paid and the interest income accrued which amounted to P2,071,777. This was earlier approved by the BSP on September 27, 2007 through MB Resolution No. 1097. In 2008, RRC redeemed a certain percentage of its preferred shares which resulted to the decrease in the Parent Company's cost of investment by P71,843.

On October 30, 2007, the Parent Company's BOD approved the acquisition of 96.38% interest in Merchants Bank for P493,039.

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment at the beginning and end of 2008 and 2007 are shown below:

	Land	Buildings	Consolidated Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2008					
Cost	P 1,102,951	P 1,579,867	P 2,941,206	P 956,548	P 6,580,572
Accumulated depreciation, amortization and impairment	(10,831)	(616,060)	(1,878,153)	(45,759)	(2,550,803)
Net carrying amount	**P 1,092,120**	**P 963,807**	**P 1,063,053**	**P 910,789**	**P 4,029,769**
December 31, 2007					
Cost	P 1,074,222	P 1,494,050	P 2,420,036	P 799,484	P 5,787,792
Accumulated depreciation, amortization, and impairment	-	(533,786)	(1,735,538)	(14,652)	(2,283,976)
Net carrying amount	P 1,074,222	P 960,264	P 684,498	P 784,832	P 3,503,816
January 1, 2007					
Cost	P 1,089,649	P 1,506,340	P 2,476,470	P 741,591	P 5,814,050
Accumulated depreciation, amortization, and impairment	-	(517,394)	(1,893,827)	(15,290)	(2,426,511)
Net carrying amount	P 1,089,649	P 988,946	P 582,643	P 726,301	P 3,387,539

	Land	Buildings	Parent Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2008					
Cost	P 668,740	P 1,288,176	P 2,195,692	P 821,491	P 4,974,099
Accumulated depreciation and amortization	-	(484,029)	(1,452,442)	-	(1,936,471)
Net carrying amount	**P 668,740**	**P 804,147**	**P 743,250**	**P 821,491**	**P 3,037,628**
December 31, 2007					
Cost	P 678,438	P 1,269,650	P 1,821,953	P 731,406	P 4,501,447
Accumulated depreciation and amortization	-	(431,924)	(1,355,549)	-	(1,787,473)
Net carrying amount	P 678,438	P 837,726	P 466,404	P 731,406	P 2,713,974
January 1, 2007					
Cost	P 678,492	P 1,285,623	P 1,937,097	P 697,150	P 4,598,362
Accumulated depreciation and amortization	-	(424,359)	(1,539,170)	-	(1,963,529)
Net carrying amount	P 678,492	P 861,264	P 397,927	P 697,150	P 2,634,833

A reconciliation of the carrying amounts at the beginning and end of 2008 and 2007, of bank premises, furniture, fixtures and equipment is shown below.

	Land	Buildings	Consolidated Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2008, net of accumulated depreciation, amortization, and impairment	P 1,074,222	P 960,264	P 684,498	P 784,832	P 3,503,816
Additions	69,358	96,851	650,963	218,287	1,035,459
Disposals	(40,629)	(15,988)	(29,091)	-	(85,708)
Depreciation and amortization charge for the year	-	(72,234)	(243,317)	(92,330)	(407,881)
Impairment loss (see Note 16)	(10,831)	(5,086)	-	-	(15,917)
Balance at December 31, 2008, net of accumulated depreciation, amortization, and impairment	**P 1,092,120**	**P 963,807**	**P 1,063,053**	**P 910,789**	**P 4,029,769**

	Land		Buildings		Consolidated Furniture, Fixtures and Equipment		Leasehold Rights and Improvements		Total
Balance at January 1, 2007, net of accumulated depreciation, amortization, and impairment	P	1,089,649	P	988,946	P	582,643	P	726,301	P 3,387,539
Additions		9,791		44,885		381,591		135,248	571,515
Disposals	(	25,218)	(	7,712)	(	97,008)	(	9,934)	(139,872)
Depreciation and amortization charge for the year		-	(	65,855)	(	182,728)	(	66,783)	(315,366)
Balance at December 31, 2007, net of accumulated depreciation, amortization, and impairment	P	1,074,222	P	960,264	P	684,498	P	784,832	P 3,503,816

	Land		Buildings		Parent Furniture, Fixtures and Equipment		Leasehold Rights and Improvements		Total
Balance at January 1, 2008, net of accumulated depreciation and amortization	P	678,438	P	837,726	P	466,404	P	731,406	P 2,713,974
Additions		650		25,093		455,382		168,023	649,148
Disposals	(	10,348)	(	4,455)	(	22,192)		-	(36,995)
Depreciation and amortization charge for the year	(	-)	(	54,217)	(	156,344)	(	77,938)	(288,499)
Balance at December 31, 2008, net of accumulated depreciation and amortization	**P**	**668,740**	**P**	**804,147**	**P**	**743,250**	**P**	**821,491**	**P 3,037,628**
Balance at January 1, 2007, net of accumulated depreciation and amortization	P	678,492	P	861,264	P	397,927	P	697,150	P 2,634,833
Additions		-		32,539		271,696		103,745	407,980
Disposals	(	54)	(	3,162)	(	91,196)	(	9,857)	(104,269)
Depreciation and amortization charge for the year	(	-)	(	52,915)	(	112,023)	(	59,632)	(224,570)
Balance at December 31, 2007, net of accumulated depreciation and amortization	P	678,438	P	837,726	P	466,404	P	731,406	P 2,713,974

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 RSB. As of December 31, 2008 and 2007, the Parent Company and RSB have satisfactorily complied with this BSP requirement.

14. INVESTMENT PROPERTY

Investment property consists of various land and building acquired through foreclosure or dacion as payment of outstanding loans by the borrowers. A reconciliation of the carrying amounts at the beginning and end of 2008 and 2007, and the gross carrying amounts and the accumulated depreciation and impairment of investment property are as follows:

	Consolidated				Parent			
		2008		2007		**2008**		2007
Balance at January 1, net of accumulated depreciation and impairment	**P**	**7,761,435**	P	9,984,857	**P**	**3,887,545**	P	6,079,179
Additions		**1,338,653**		913,378		**563,040**		244,684
Disposal	**(**	**1,338,863)**	(	3,010,401)	**(**	**886,704)**	(	2,370,800)
Write-off	**(**	**244,779)**		-		-		-
Depreciation and impairment charges for the year	**(**	**128,833)**	(	126,399)	**(**	**63,421)**	(	65,518)
Balance at December 31, net of accumulated depreciation and impairment	**P**	**7,387,613**	P	7,761,435	**P**	**3,500,460**	P	3,887,545
December 31								
Cost	**P**	**9,013,278**	P	9,894,299	**P**	**4,354,687**	P	5,024,112
Accumulated depreciation and impairment (see Note 16)	**(**	**1,625,665)**	(	2,132,864)	**(**	**854,227)**	(	1,136,567)
Net carrying amount	**P**	**7,387,613**	P	7,761,435	**P**	**3,500,460**	P	3,887,545

The fair value of investment property as of December 31, 2008 and 2007, based on the available appraisal values, amounted to P11,025,506 and P11,786,383, respectively, for the Group and P5,670,707 and P7,126,826, respectively, for the Parent Company.

In November 2003, RSB entered into a memorandum of Agreement (MOA) with certain borrowers for the settlement of their indebtedness with RSB amounting to P4.1 billion through dacion of certain real properties. Under the MOA, the transfer of the properties may be effected through the creation of special purpose companies (SPCs). On June 17, 2004, RSB entered into another MOA setting the guidelines in creating the SPC as well as the ultimate assignment to RSB of the shares of stock of the SPCs. On various dates in 2005 and 2004, certain SPCs were incorporated and created, covering certain real properties with carrying values of P2,472,830 and P1,938,234 in 2005 and 2004, respectively, being assigned to the SPCs. Moreover, the shares of stock of certain SPCs were transferred to RSB in 2005 and 2004. In 2008, the remaining properties covered by the MOA have been transferred to specific SPCs, and the ultimate assignment of the corresponding shares of stock of these specific SPCs to RSB has been effected. There were no new SPCs that were incorporated nor shares of stock that were transferred to RSB in 2006, 2007 and 2008.

The real properties, although assigned to the incorporated SPCs or will be incorporated SPCs, are recognized by RSB as part of Investment Property on the basis that the SPCs are merely transitory holders of the assets while RSB is looking for ways to eventually dispose of such assets. This treatment is consistent with the letter of the BSP to RSB which emphasized that the dacioned properties be recorded as ROPA-Real Properties, and which were subsequently reclassified as Investment Property when RSB transitioned to PFRSs. In addition, the management of RSB believes that there is no transfer of risks and rewards over the properties as the management and control of these assets still rest with RSB.

In its meeting on February 19, 2007, RSB's BOD approved the sale of certain non-performing assets (NPAs) to Innovative Property Solutions, Inc. (IPSI), a corporation duly organized and existing under Philippine laws. An Asset Sale Agreement was executed by both parties on February 26, 2007 to formalize the sale of the NPAs. Subsequently, in a separate Accession Agreement dated July 16, 2007, IPSI assigned all its rights and obligations as the purchaser in the aforementioned Asset Sale Agreement to NPRMI, an SPV entity. The BSP approved and issued on August 28, 2007 the certificate of eligibility of the NPAs under the SPV Act of 2002 and transfer/sale of the assets to NPRMI. In November 2008, RSB completed the obligations as stated under the Asset Sale Agreement and Accession Agreement to fully consummate the transaction and in accordance with the provisions of Republic Act No. 9182 (the SPV Act) and BSP Resolution No. 135, recognized the aforementioned sale. The significant terms and conditions of the "asset sale" agreement follow:

- The SPVs shall issue 10-year subordinated/SPV notes in exchange for the NPLs transferred. The issuance of the subordinated/SPV notes constitutes full settlement for the NPLs transferred.
- The subordinated/SPV notes are subordinated in priority of payment to the senior notes and any other working capital notes of the SPV.
- The amount and schedule of payment of the subordinated/SPV notes shall be contingent and dependent on the amount and timing of collections to be made by the SPVs on the NPLs transferred, subject to the rights and privileges of the SPV's other creditors.

In consideration of the sale, RSB received cash amounting to P347 and subordinated note with a face value of P 60,097. One of the significant conditions stated in the terms of the subordinated/SPV notes from New Pacific is that the amount and timing of payment of the subordinated/SPV notes are dependent on the collections to be made by New Pacific on the NPAs transferred. RSB initially recognized the subordinated note as AFS securities amounting to P60,097 but subsequently provided an allowance for impairment for the entire amount.

15. OTHER RESOURCES

Other resources consist of the following:

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Deferred charges - net (see Note 11.3)	**P 8,094,653**	P 9,167,132	**P 8,094,653**	P 9,167,132
Foreign currency notes and coins on hand	**1,701,866**	1,199,001	**1,494,082**	1,166,636
Prepaid expenses	**510,866**	253,218	**457,683**	224,929
Goodwill - net	**426,635**	268,655	**-**	-
Returned checks and other cash items	**168,469**	365,476	**168,465**	210,612
Unused stationery and supplies	**154,954**	120,227	**153,843**	120,041
Inter-office float items	**59,721**	211,550	**187,909**	307,674
Miscellaneous checks and other cash items	**20,492**	13,991	**20,487**	13,986
Miscellaneous (see Note 26)	**919,987**	787,495	**372,429**	384,640
	12,057,643	12,386,745	**10,949,551**	11,595,650
Accumulated depreciation	**(15,270)**	(15,270)	**(15,270)**	(15,270)
Allowance for impairment (see Note 16)	**(150,280)**	(369,225)	**(116,733)**	(174,553)
	P 11,892,093	P 12,002,250	**P 10,817,548**	P 11,405,827

Deferred charges mainly represent the unamortized balance of the required additional allowance for impairment and losses as determined from the asset exchanges of the Parent Company's NPAs to certain SPVs; these are amortized over a period of 10 years in accordance with BSP Resolution No. 135 (see Note 11.3). In addition, this account also includes the cost of software, net of accumulated amortization. The following shows the movement in the Group's Deferred Charges account.

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Balance at beginning of year	**P 9,167,132**	P 9,791,124	**P 9,167,132**	P 9,791,124
Additions	**167,089**	13,139	**167,089**	13,139
Amortization/disposals	**(1,239,568)**	(637,131)	**(1,239,568)**	(637,131)
Balance at end of year	**P 8,094,653**	P 9,167,132	**P 8,094,653**	P 9,167,132

16. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized as follows:

	Notes	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Balance at beginning of year					
Loans and receivables	11	**P 9,935,036**	P 10,394,956	**P 5,812,828**	P 6,011,367
Available-for-sale securities	10	**779,304**	549,078	**779,304**	549,078
Investment in subsidiaries and associates	12	**52,500**	52,500	**252,500**	252,500
Investment properties	14	**1,244,281**	1,546,005	**491,015**	539,388
Other resources	15	**369,225**	307,008	**174,553**	186,600
		12,380,346	12,849,547	**7,510,200**	7,538,933
Provisions during the year		**2,053,033**	942,490	**1,830,597**	680,535
Recovery of impairment losses		**(1,054,541)**	-	**(1,000,000)**	-
Charge-offs during the year		**(3,439,196)**	(1,411,691)	**(1,787,888)**	(709,268)
Balance at end of year					
Loans and receivables	11	**7,943,278**	9,935,036	**4,943,286**	5,812,828
Available-for-sale securities	10	**811,207**	779,304	**811,207**	779,304
Investment in subsidiaries and associates	12	**52,500**	52,500	**252,500**	252,500
Bank premises	13	**18,911**	-	-	-
Investment properties	14	**963,466**	1,244,281	**429,183**	491,015
Other resources	15	**150,280**	369,225	**116,733**	174,553
		P 9,939,642	P 12,380,346	**P 6,552,909**	P 7,510,200

17. DEPOSIT LIABILITIES

The following is the breakdown of the deposit liabilities:

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Demand	**P 11,125,069**	P 10,765,240	**P 8,392,524**	P 7,581,932
Savings	**75,738,446**	66,769,816	**66,269,393**	57,690,027
Time	**109,363,471**	98,393,819	**84,267,161**	77,219,209
	P 196,226,986	P 175,928,875	**P 158,929,078**	P 142,491,168

The maturity profile of the deposit liabilities follows:

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Within one year	**P 191,875,263**	P 171,727,385	**P 158,739,468**	P 142,360,714
Beyond one year, within five years	**4,351,723**	4,201,490	**189,610**	130,454
	P 196,226,986	P 175,928,875	**P 158,929,078**	P 142,491,168

Deposit liabilities are in the form of savings, demand and time deposit accounts with annual interest rates of 0.5% to 5% in 2008, 0.5% to 4.25% in 2007 and 1% to 5% in 2006. Deposit liabilities are stated at amounts they are to be paid which approximate the market value.

Under existing BSP regulations, non-FCDU deposit liabilities of the Group are subject to liquidity reserves equivalent to 11% as of December 31, 2008 and 2007, and statutory reserves of 8% and 10% as of December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007, the Group is in compliance with such regulations.

Available reserves as of December 31, 2008 and 2007 follow:

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Cash and other cash items	**P 6,409,809**	P 7,092,927	**P 5,215,356**	P 6,073,680
Due from BSP	**4,240,275**	5,650,159	**3,535,622**	4,816,103
Reserve deposit account (BSP)	**11,797,000**	11,591,200	**11,797,000**	11,591,200
Available-for-sale securities	**553,498**	515,902	**110,361**	100,664
Securities purchased under reverse repurchase agreement	**25,000**	-	-	-
	P 23,025,582	P 24,850,188	**P 20,658,339**	P 22,581,647

18. BILLS PAYABLE

This account consists of borrowings from:

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Foreign banks	**P 12,842,101**	P 12,214,400	**P 12,842,101**	P 12,214,400
BSP	**7,925,719**	19,840	**7,925,719**	19,840
Local banks	-	-	**523,142**	207,068
Others	**684,789**	586,260	**119,125**	36,602
	P 21,452,609	P 12,820,500	**P 21,410,087**	P 12,477,910

The maturity profile of bills payable follows:

		Consolidated				Parent		
		2008		2007		**2008**		2007
Within one year	**P**	**21,388,718**	P	9,876,373	**P**	**21,381,630**	P	9,575,055
Beyond one year, within five years		**63,891**		2,944,127		**28,457**		2,902,855
	P	**21,452,609**	P	12,820,500	**P**	**21,410,087**	P	12,477,910

Interbank borrowings with foreign and local banks are mainly short-term borrowings. In the consolidated financial statements, peso borrowings are subject to annual fixed interest rates ranging from 5% to 12% in 2008 and 2007, and 5% to 15% in 2006, while foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.25% to 5% in 2008, 2% to 8.41% in 2007 and 2.5% to 12% in 2006.

In the Parent Company financial statements, peso borrowings are subject to annual fixed interest rates ranging from 5% to 6.7% in 2008 and 5% to 12% in 2007 and 2006, while foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.25% to 5% in 2008, 2% to 8.41% in 2007 and 2.5% to 12% in 2006.

The interest rates on bills payable maturing beyond one year are repriced semi-annually at effective market interest rates.

Bills payable include rediscounting availments from the BSP amounting to P7,925,719 and P19,840 as of December 31, 2008 and 2007, respectively, both in the consolidated and Parent Company financial statements. Such investments are collateralized by the assignment of certain loans amounting to P10,729,055 and P38,013 as of December 31, 2008 and 2007, respectively, both in the consolidated and Parent Company financial statements (see Note 11).

19. BONDS PAYABLE

On February 23, 2005, the Parent Company issued to local and foreign entities (excluding those in the United States of America) unsecured bonds (Global Notes) with a principal amount of US$150,000 at an issue price of 99.67% and bearing an interest of 6.875% per annum. The Global Notes, unless previously redeemed or cancelled, will be redeemed on February 24, 2010. The Parent Company, at the option of the holder of the Global Notes, redeemed portion of the Global Notes with principal amount of US$10,678 on February 23, 2008. Interest is payable semi-annually in arrears on February 23 and August 23 of each year commencing on August 23, 2005, except that the last payment of the interest will be on February 24, 2010. As of December 31, 2008 and 2007, the peso equivalent of the outstanding bond issue amounted to P6,002,821 and P5,650,670, respectively.

20. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

		Consolidated				Parent		
		2008		2007		**2008**		2007
Accrued interest payable	**P**	**1,055,671**	P	1,411,676	**P**	**929,048**	P	1,330,244
Taxes payable		**69,172**		96,530		**17,843**		20,381
Other accrued expenses		**1,662,613**		1,579,304		**1,029,161**		1,137,872
	P	**2,787,456**	P	3,087,510	**P**	**1,976,052**	P	2,488,497

21. OTHER LIABILITIES

Other liabilities consist of the following:

		Consolidated				Parent		
		2008		2007		**2008**		2007
Accounts payable	**P**	**2,788,020**	P	2,148,151	**P**	**2,024,610**	P	1,591,687
Bills purchased - contra		**1,675,239**		1,732,227		**1,675,239**		1,732,227
Manager's checks		**643,652**		763,162		**433,551**		500,629
Unearned income		**518,400**		651,675		**518,400**		651,674
Derivatives with negative fair values (see Note 8)		**329,505**		384,336		**329,505**		384,336
Payment orders payable		**196,071**		138,411		**151,212**		112,056
Other credits		**154,426**		129,578		**125,268**		108,582
Withholding taxes payable		**125,103**		100,399		**96,634**		78,757
Due to BSP		**107,923**		93,766		**93,365**		78,911
Guaranty deposits		**60,369**		79,993		**60,369**		79,993
Sundry credits		**23,741**		54,709		**23,651**		6,853
Due to other banks		**1,452**		775,492		**1,452**		775,492
Miscellaneous (see Note 24)		**278,902**		145,301		**105,646**		123,005
	P	**6,902,803**	P	7,197,200	**P**	**5,638,902**	P	6,224,202

22. SUBORDINATED DEBT

On April 3, 2008, BSP Monetary Board Resolution No. 410, approved the Parent Company's request to redeem its P5.0 billion 12% unsecured subordinated debt prior to maturity under the exercise of call option which the Parent Company exercised on July 11, 2008. This P5.0 billion 12% unsecured subordinated debt, which the Parent Company previously issued in June 20, 2003, has following significant terms and conditions:

a. The Notes shall mature on July 11, 2013, provided that they are not previously redeemed.

b. Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on July 11, 2008, redeem all of the outstanding notes at redemption price equal to 100% of the face value of the Notes together with accrued and unpaid interest thereon.

c. The Notes bear interest at the rate of 12% per annum and shall be payable semi-annually on January 11 and July 11 each year, commencing January 11, 2004.

d. Unless the Notes are previously redeemed, the interest rate from 2008 to 2013 will be reset at the equivalent of the five-year MART1 FXTN as of July 11, 2008 multiplied by 80% plus 5.59% per annum. Such stepped-up interest shall be payable semi-annually commencing 2009.

On November 26, 2007, the Parent Company's BOD approved another issuance of P7 billion unsecured subordinated notes (the "Notes") with the following significant terms and conditions:

a. The 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 Notes together with accrued and unpaid interest thereon.

c. The 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 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 Notes were issued on February 22, 2008 and were fully subscribed.

The subordinated debt is measured at amortized cost at each statement of condition date.

23. MATURITY PROFILE OF FINANCIAL RESOURCES AND FINANCIAL LIABILITIES

The following tables present other financial resources and liabilities accounts (not disclosed elsewhere) by contractual maturity and settlement dates as of December 31, 2008 and 2007.

Consolidated

	2008			2007		
Financial Resources	**Due Within One Year**	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Due from BSP	**P 16,390,973**	**P -**	**P 16,390,973**	P 17,611,380	P -	P 17,611,380
Due from other banks	**4,862,225**	**-**	**4,862,225**	4,744,925	-	4,744,925
Other Resources:						
Foreign currency notes and coins on hand	**1,701,866**	**-**	**1,701,866**	1,199,001	-	1,199,001
Returned checks and other cash items	**168,469**	**-**	**168,469**	365,476	-	365,476
Miscellaneous checks and other cash items	**20,492**	**-**	**20,492**	13,991	-	13,991
Inter-office float items	**59,721**	**-**	**59,721**	211,550	-	211,550
Miscellaneous	**919,987**	**-**	**919,987**	787,495	-	787,495
	P 24,123,733	**P -**	**P 24,123,733**	P 24,933,818	P -	P 24,933,818

Consolidated

	2008			2007		
Financial Liabilities	**Due Within One Year**	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Bonds payable	**P -**	**P 6,002,821**	**P 6,002,821**	P -	P 5,650,670	P 5,650,670
Outstanding acceptances payable	**318,908**	-	**318,908**	234,717	-	234,717
Accrued taxes, interest and other expenses	**2,787,456**	-	**2,787,456**	3,087,510	-	3,087,510
Subordinated debt	-	**6,941,899**	**6,941,899**	-	5,158,070	5,158,070
Other Liabilities:						
Accounts payable	**2,788,020**	-	**2,788,020**	2,148,151	-	2,148,151
Manager's checks	**643,652**	-	**643,652**	763,162	-	763,162
Payment orders payable	**196,071**	-	**196,071**	138,411	-	138,411
Withholding taxes payable	**125,103**	-	**125,103**	100,399	-	100,399
Due to BSP	**107,923**	-	**107,923**	93,766	-	93,766
Guaranty deposits	**60,369**	-	**60,369**	79,993	-	79,993
Sundry credits	**23,741**	-	**23,741**	54,709	-	54,709
Due to other banks	**1,452**	-	**1,452**	775,492	-	775,492
Miscellaneous	**278,902**	-	**278,902**	145,301	-	145,301
	P 7,331,597	**P 12,944,720**	**P 20,276,317**	P 7,621,611	P 10,808,740	P 18,430,351

Parent

	2008			2007		
Financial Resources	**Due Within One Year**	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Due from BSP	**P 15,656,119**	**P -**	**P 15,656,119**	P 16,750,323	P -	P 16,750,323
Due from other banks	**3,197,593**	**-**	**3,197,593**	3,021,668	-	3,021,668
Other Resources:						
Foreign currency notes and coins on hand	**1,494,082**	**-**	**1,494,082**	1,166,636	-	1,166,636
Inter-office float items	**187,909**	**-**	**187,909**	307,674	-	307,674
Returned checks and other cash items	**168,465**	**-**	**168,465**	210,612	-	210,612
Miscellaneous checks and other cash items	**20,487**	**-**	**20,487**	13,986	-	13,986
Miscellaneous	**372,429**	**-**	**372,429**	384,640	-	384,640
	P 21,097,084	**P -**	**P 21,097,084**	P 21,855,539	P -	P 21,855,539

Financial Liabilities	Parent 2008 Due Within One Year	Due Beyond One Year	Total	2007 Due Within One Year	Due Beyond One Year	Total
Bonds payable	**P -**	**P 6,002,821**	**P 6,002,821**	P -	P 5,650,670	P 5,650,670
Outstanding acceptances payable	**318,908**	**-**	**318,908**	234,717	-	234,717
Accrued taxes, interest and other expenses	**1,976,052**	**-**	**1,976,052**	2,488,497	-	2,488,497
Subordinated debt	**-**	**6,941,899**	**6,941,899**	-	5,158,070	5,158,070
Other Liabilities						
Bills purchased-contra	**1,675,239**	**-**	**1,675,239**	1,732,227	-	1,732,227
Accounts payable	**2,024,610**	**-**	**2,024,610**	1,591,687	-	1,591,687
Manager's checks	**433,551**	**-**	**433,551**	500,629	-	500,629
Payment orders payable	**151,212**	**-**	**151,212**	112,056	-	112,056
Guaranty deposits	**60,369**	**-**	**60,369**	79,993	-	79,993
Due to BSP	**93,365**	**-**	**93,365**	78,911	-	78,911
Withholding taxes payable	**96,634**	**-**	**96,634**	78,757	-	78,757
Sundry credits	**23,651**	**-**	**23,651**	6,853	-	6,853
Due to other banks	**1,452**	**-**	**1,452**	775,492	-	775,492
Miscellaneous	**105,646**	**-**	**105,646**	123,005	-	123,005
	P 6,960,689	**P 12,944,720**	**P 19,905,409**	P 7,802,824	P 10,808,740	P 18,611,564

24. CAPITAL FUNDS

24.1 Capital Stock

Capital stock consists of (amounts and shares in thousands, except per par value):

	Shares 2008	2007	2006
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common shares – P10 par value Authorized – 200 million shares Issued and outstanding	**85,934**	85,951	105,494
Common stock – P10 par value Authorized – 1,100 million shares Issued and outstanding	**962,843**	962,837	632,964

	Amount 2008	2007	2006
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common shares – P10 par value Authorized – 200 million shares Issued and outstanding	**P 859,335**	P 859,512	P 1,054,940
Common stock – P10 par value Authorized – 1,100 million shares Issued and outstanding	**P 9,628,430**	P 9,628,369	P 6,329,640

On January 22, 2007, the Parent Company stockholders, owning or representing more than 2/3 of the outstanding capital stock, unanimously confirmed and ratified the approval by the majority of the BOD held on December 4, 2006, the increase of the Parent Company's authorized capital stock from P9,000,000 to P13,000,000, by amending its Articles of Incorporation. The increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on February 12, 2007 and March 8, 2007, respectively. The authorized capital of the Parent Company of P13 billion is divided into the following classes of shares:

a. One billion one hundred million (1,100 million) common shares of stock with par value of ten pesos (P10.00) per share; and,

b. Two hundred million (200 million) preferred shares of stock with par value of ten pesos (P10.00) per share.

On March 29, 2007 and April 13, 2007, the Parent Company issued additional shares from its unissued common shares with total par value amounting to P1,826,087 and P273,913, respectively. The corresponding additional paid-in capital on the additional issuances of shares amounted to P3,362,275.

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000 thousand convertible preferred shares with a par value of P10 per share, subject to the approval, among others of the PSE. The issuance of the convertible preferred shares was also approved by the Parent Company's stockholders on May 29, 2006. The purpose of the issuance of the 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 105,494 thousand 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 applicable base rate plus a spread of 2% per annum, calculated quarterly;

b. Convertible to common stocks at any time after the issue date 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 dividends payments had been made to the preferred shares.

As of December 31, 2008 and 2007, the conversion of preferred shares to common shares amounted to P0.2 million and P195.4 million, or 17 thousand and 19,543 thousand preferred shares equivalent to 6 thousand and 10,460 thousand common shares, respectively.

The preferred shares in 2004 with a carrying value of P100, which were reclassified to financial liabilities starting in 2005 in accordance with PAS 32, *Financial Instruments: Presentation and Disclosures*, have the following features: entitled to cumulative dividends at floating rate based on the weighted average rate of 91-day treasury bill rate; nonconvertible; redeemable five years from date of issue subject to prior approval of the BSP and the shares to be redeemed are replaced with at least an equivalent amount of newly paid-in shares; and non-participating and non-voting. These preferred shares are presented as part of Other Liabilities - Miscellaneous (see Note 21) in the statements of condition as of December 31, 2008 and 2007.

Common shares may be transferred to Philippine 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 Philippine nationals and by foreign nationals, respectively.

The determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's "unimpaired capital" (regulatory net worth) required and reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects. Specifically, under existing banking regulations, the combined capital accounts of the Parent Company should not be less than an amount equal to 10% of its risk assets.

A portion of the Group's surplus corresponding to the undistributed income of subsidiaries and equity in net earnings of certain associates totaling P1,450,528, P1,216,532, and P275,555 as of December 31, 2008, 2007 and 2006, respectively, is not currently available for distribution as dividends.

24.2 Declaration of Stock Dividends

The shareholders confirmed and ratified the approval by the majority of the BOD during the December 4, 2006 meeting, a 15% stock dividend corresponding to 109,413 thousand shares, to support the foregoing increase of authorized capital stock, payable to holders of common and preferred class shares of record as of March 14, 2007.

The declaration of 15% stock dividends was approved by the BSP on January 26, 2007 and by the SEC on March 8, 2007, and was issued on March 19, 2007.

Documentary stamp tax (DST) on the stock dividends amounting to P15,325 was deducted from capital paid in excess of par.

24.3 Cash Dividend Declaration

The details of the cash dividend declarations and distributions in 2008 and 2007 follow:

Date Declared	Dividend Per Share	Dividend Total Amount	Stockholders of Record as of	Date Approved by BOD	Date Approved by BSP	Date Paid/Payable
August 1, 2005	P 0.30	P 189,889	February 6, 2007	August 1, 2005	January 16, 2007	February 7, 2007
March 26, 2007	*	P 234,210	*	March 26, 2007	April 26, 2007	April 26, 2007
March 26, 2007	P 0.184125	P 15,835	March 21, 2007	March 26, 2007	May 2, 2007	May 4, 2007
May 28, 2007	P 0.1878	P 15,994	June 21, 2007	May 28, 2007	July 13, 2007	July 18, 2007
June 25, 2007	P 0.35	P 367,079	September 12, 2007	June 25, 2007	August 30, 2007	September 24, 2007
July 30, 2007	P 0.1881	P 15,966	September 21, 2007	July 30, 2007	October 5, 2007	October 18, 2007
July 30, 2007	P *	P 217,546	*	July 30, 2007	October 5, 2007	October 26, 2007
October 30, 2007	P 0.1829	P 15,054	December 21, 2007	October 30, 2007	January 4, 2008	January 10, 2008
January 28, 2008	P 0.174	P 14,945	March 21, 2008	January 28, 2008	April 4, 2008	April 17, 2008
July 30, 2007	*	P 207,572	*	July 30, 2007	April 4, 2008	April 25, 2008
March 31, 2008	P 0.1177	P 10,671	June 21, 2008	March 31, 2008	June 19, 2008	July 3, 2008
March 31, 2008	P 0.4800	P 462,165	June 29, 2008	March 31, 2008	June 19, 2008	June 30, 2008
March 31, 2008	P 0.4800	P 41,248	June 29, 2008	March 31, 2008	June 19, 2008	June 30, 2008
June 30, 2008	P 0.1227	P 10,445	September 21, 2008	June 30, 2008	September 3, 2008	September 30, 2008
July 30, 2007	P *	P 241,893	*	July 30, 2007	September 3, 2008	October 24, 2008
September 29, 2008	P 0.1331	P 11,317	December 21, 2008	September 29, 2008	February 10, 2009	February 23, 2009

* *Cash dividends on Hybrid perpetual securities*

25. 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$98.045 million, net of fees and other charges. Net proceeds were used to strengthen the CAR of the Parent Company, repay certain indebtedness and, thereby, enhance its financial stability and for general corporate purposes. The issuance of the Perpetual Securities was approved by the Parent Company's BOD on June 7, 2006.

The Perpetual Securities represent US$100 million, 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 with the Singapore Exchange Securities Trading Limited ("SGX-ST") was on November 1, 2006. The Perpetual Securities were issued pursuant to BSP Circular 503 dated December 22, 2005 allowing the issuance of perpetual, non-cumulative securities up to US$125 million 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:

- Interest 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 preset and payable quarterly in arrears, of 7.02% per annum (which incorporates a step-up in margin equal to 1% above the initial credit spread after adjusting for the applicable swap spread) above the then prevailing London interbank offered rate ("LIBOR") for three-month US dollar deposits;

- Except as described below, interest 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;

- The Parent Company may, in its absolute discretion, elect not to make any interest payment in whole or in part if the Parent Company has not paid or declared a dividend on its common shares in the preceding financial year; or determines that no dividend is to be paid on such shares in the current financial year;
- 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 shares (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;
- 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 Philippine Deposit Insurance Corporation and they may not be used as collateral for any loan made by the Parent Company or any of its subsidiaries or affiliates;
- 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, and will procure that no distribution or dividend or other payment is made 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,
- The Perpetual Securities will have 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.

26. EMPLOYEE BENEFITS

Expenses recognized for employee benefits are analyzed below:

	Consolidated		
	2008	2007	2006
Salaries and wages	**P 1,580,233**	P 1,436,465	P 1,358,255
Bonuses	**442,669**	416,427	402,079
Retirement - defined benefit plan	**145,566**	151,015	84,150
Compensated absences	**83,847**	78,250	96,562
Social security costs	**68,739**	65,477	57,482
Other short-term benefits	**203,902**	236,764	185,889
	P 2,524,956	P 2,384,398	P 2,184,417

	Parent		
	2008	2007	2006
Salaries and wages	**P 970,772**	P 905,528	P 843,901
Bonuses	**338,112**	315,513	303,211
Retirement - defined benefit plan	**115,610**	107,394	72,992
Compensated absences	**82,628**	76,475	94,827
Social security costs	**45,975**	44,671	39,204
Other short-term benefits	**129,090**	190,574	144,191
	P 1,682,187	P 1,640,155	P 1,498,326

The Parent Company and its subsidiaries maintain a tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all of their respective regular full-time employees.

The amounts of retirement benefit asset (presented as part of Other Resources - Miscellaneous) recognized in the financial statements (see Note 15) are determined as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Fair value of plan assets	**P 1,167,540**	P 1,670,105	**P 772,209**	P 1,352,251
Present value of the obligation	**1,257,968**	1,826,186	**993,323**	1,516,414
Excess of obligation	**(90,428)**	(156,081)	**(221,114)**	(164,163)
Reduction due to ceiling	**(2,665)**	(1,617)	-	-
Unrecognized actuarial losses	**168,676**	138,817	**257,339**	146,572
Unrecognized net transition obligation	-	24,232	-	24,232
Retirement benefit asset	**P 75,583**	P 5,351	**P 36,225**	P 6,641

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Balance at the beginning of year	**P 1,826,186**	P 1,075,722	**P 1,516,414**	P 760,716
Current service cost and interest cost	**234,271**	235,245	**175,221**	173,602
Actuarial losses/(gains)	**(596,644)**	671,102	**(501,823)**	718,208
Benefits paid by the plan	**(205,845)**	(155,883)	**(196,489)**	(136,112)
Balance at end of the year	**P 1,257,968**	P 1,826,186	**P 993,323**	P 1,516,414

The movements in the fair value of plan assets are presented below.

	Consolidated		Parent	
	2008	2007	**2008**	2007
Balance at the beginning of year	**P 1,670,105**	P 1,348,651	**P 1,352,252**	P 1,059,775
Actuarial gains (losses)	**(624,621)**	361,014	**(612,591)**	341,199
Expected return on plan assets	**110,963**	108,190	**83,841**	84,782
Contributions paid into the plan	**216,938**	8,133	**145,196**	2,607
Benefits paid by the plan	**(205,845)**	(155,883)	**(196,489)**	(136,112)
Balance at end of the year	**P 1,167,540**	P 1,670,105	**P 772,209**	P 1,352,251

The plan assets consist of the following:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Assets				
Equity securities	**P 918,136**	P 1,732,058	**P 906,877**	P 1,722,860
Government securities	**461,955**	228,789	**276,047**	75,373
Deposit with banks	**181,944**	114,883	**26,349**	8,435
Loans and receivables	**47,456**	60,504	**27,848**	24,870
Long-term equity investments	**44,220**	50,220	**44,220**	50,220
ROPA	**35,906**	47,654	**35,905**	47,654
Unit investment trust fund	**30,000**	44,001	**30,000**	44,001
Other investments	**23,496**	13,159	-	-
	1,743,113	2,291,268	**1,347,246**	1,973,414
Liabilities	**575,573**	621,163	**575,037**	621,162
	P 1,167,540	P 1,670,105	**P 772,209**	P 1,352,251

Actual loss on plan assets were P513 million and P529 million in 2008, while actual return on plan assets were P351 million and P426 million in 2007, for the Group and the Parent Company, respectively.

The amounts of retirement benefit expense recognized as part of Employee Benefits account in the income statement are as follows:

	Consolidated		
	2008	2007	2006
Current service costs	**P 83,301**	P 122,242	P 58,305
Interest costs	**151,536**	113,002	106,438
Expected return on plan assets	**(110,963)**	(108,191)	(94,923)
Net transition obligation recognized	**24,232**	24,232	24,232
Retirement expense (income) due to ceiling	**1,048**	1,161	(10,787)
Net actuarial losses (gains) recognized during the year	**(3,588)**	(1,431)	885
Retirement benefits	**P 145,566**	P 151,015	P 84,150

	Parent		
	2008	2007	2006
Current service costs	**P 49,205**	P 82,315	P 35,130
Interest costs	**126,014**	91,286	86,865
Expected return on plan assets	**(83,841)**	(84,782)	(69,695)
Net transition obligation recognized	**24,232**	24,232	24,232
Net actuarial gains recognized during the year	-	(5,657)	(3,540)
Retirement benefits	**P 115,610**	P 107,394	P 72,992

For determination of the pension liability, the following actuarial assumptions were used:

	Consolidated		
	2008	2007	2006
Discount rates	11.2%	8.3%	12%
Expected rate of return on plan assets	6.3%	6.3%	8%
Expected rate of salary increases	2.5%	5%	3%

	Parent		
	2008	2007	2006
Discount rates	11.2%	8.3%	12%
Expected rate of return on plan assets	6.3%	6.3%	8%
Expected rate of salary increases	2.5%	5%	2.5%

27. LEASE CONTRACTS

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective branches/business centers. The Group's rental expense (included in Occupancy and Equipment-related account in the income statement) based on the lease contracts amounted to P477,383 in 2008, P440,943 in 2007 and P384,876 in 2006, of which P374,226 in 2008, P363,779 in 2007 and P339,240 in 2006 and pertains to the Parent Company. 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.

As of December 31, 2008, future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated	Parent
Within one year	P 472,117	P 413,752
After one year but not more than five years	900,231	742,253
More than five years	152,365	132,624
	P 1,524,713	**P 1,288,629**

28. 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 income statement), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and DST. In 2003, the Parent Company and its financial intermediary subsidiaries were subjected to the value-added tax (VAT) instead of GRT. However, effective January 1, 2004 as prescribed under Republic Act (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 liability of the Parent Company and certain subsidiaries for GRT is based on the related regulations issued by the authorities.

Income taxes include the corporate income tax discussed below, 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.

Under current tax regulations, the regular corporate income tax rate (RCIT) applicable is 32% up to October 31, 2005 and 35% up to December 31, 2008. In accordance with Republic Act (RA) No. 9337 which amended certain sections of the National Internal Revenue Code of 1997, RCIT rate is reduced from 35% to 30% beginning January 1, 2009.

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2008, the Group opted to continue claiming itemized deductions.

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 future income tax liability for the next three years. In addition, the Group net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three years.

In accordance with the Revenue Regulation (RR) No. 09-05 relative to the tax exemptions and privileges granted under the SPV Act, the losses incurred by the Group as a result of transferring its NPA to an SPV within the period of 2 years from April 12, 2003 shall be carried over as a deduction from its taxable gross income for a period of 5 consecutive taxable years.

Effective May 2004, Republic Act (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 nonresidents, 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.

The Parent Company's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries where they operate.

The components of tax expense as reported in income statements consist of:

		Consolidated	
	2008	2007	2006
Current			
Final withholding tax	**P 480,272**	P 473,421	P 456,978
RCIT	**95,833**	102,667	69,187
MCIT	**88,619**	87,754	93,173
Deferred tax expense	**254,700**	181,808	7,545
Tax expense reported in the income statements	**P 919,424**	P 845,650	P 626,883

		Parent	
	2008	2007	2006
Current			
Final withholding tax	**P 444,858**	P 455,622	P 430,785
RCIT	**43,870**	-	1,601
MCIT	**79,992**	87,754	40,794
Tax expense reported in the income statements	**P 568,720**	P 543,376	P 473,180

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in the income statements is as follows:

		Consolidated	
	2008	2007	2006
Statutory income tax at 35%	**P 1,082,385**	P 1,431,258	P 880,694
Adjustments for income subjected to lower income tax rates	**145,775**	431,965	148,084
Tax effects of:			
Non-deductible interest expense	**234,596**	198,266	224,175
Non-deductible expenses	**114,421**	31,223	109,255
Decrease in deferred tax assets due to reduction in RCIT rate	**276**	-	-
Unrecognized temporary differences	**(117,428)**	221,193	1,516,508
Non-taxable income	**(247,305)**	(828,917)	(1,515,932)
Income subjected to final tax	**(531,585)**	(458,003)	(614,707)
Others	**238,289**	(181,335)	(121,194)
Tax expense reported in the income statements	**P 919,424**	P 845,650	P 626,883

	Parent		
	2008	2007	2006
Statutory income tax at 35%	**P 608,661**	P 868,954	P 690,786
Adjustments for income subjected to lower income tax rates	**136,792**	422,987	118,664
Tax effects of:			
Non-deductible expense	**245,463**	215,293	309,132
Unrecognized temporary differences	**(62,429)**	251,312	935,905
Tax paid trading gain and other income	**(86,183)**	(181,780)	(394,038)
FCDU income	**(93,936)**	(420,605)	(591,175)
Income subjected to final tax	**(531,585)**	(458,003)	(474,726)
Application of unrecognized NOLCO	-	(187,416)	-
Others	**351,937**	32,634	(121,368)
Tax expense reported in the income statements	**P 568,720**	P 543,376	P 473,180

The components of deferred tax assets as of December 31 follow:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Allowance for impairment	**P 1,391,302**	P 1,640,766	**P 1,389,497**	P 1,389,497
Unamortized past services costs	**1,100**	4,726	-	-
Gain on rediscounting	**(799)**	(1,259)	-	-
Accrued rent	**99**	-	-	-
Accounts receivable	**7**	-	-	-
Unrealized foreign exchange losses	-	983	-	-
Retirement benefits	-	552	-	-
	P 1,391,709	P 1,645,768	**P 1,389,497**	P 1,389,497

The Group did not set up deferred tax liabilities on accumulated translation adjustment, particularly those relating to its foreign subsidiaries, since their reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

In light of the provision of PAS 12, the Parent Company and certain subsidiaries have taken a conservative position by not recognizing deferred tax assets (liabilities) on certain temporary differences. Accordingly, the Group did not set up the net deferred tax assets on the following temporary differences:

	Consolidated		Parent	
	2008	2007	**2008**	2007
NOLCO	**P 10,319,892**	P 10,135,215	**P 10,217,785**	P 10,114,126
Allowance for impairment	**6,375,047**	7,668,913	**1,538,670**	3,287,708
MCIT	**212,249**	248,229	**208,540**	173,633
Unamortized past service cost	**(160,671)**	(191,963)	**(169,817)**	(93,066)
Retirement liability	**38,964**	968	-	-
Unrealized foreign exchange (gains) losses	**(4,973)**	-	-	-
Gain (loss) on revaluation	**421**	(611)	-	-
Accrued rent	**31**	69	-	-
	P 16,780,960	P 17,860,820	**P 11,795,178**	P 13,482,401

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	Used/ Expired	Balance	Expiry Year
2005	P 568,324	P 568,324	P -	2008
2005	3,061,396	-	3,061,396*	2010
2005	3,629,720	568,324	3,061,396	2010
2006	6,484,406	-	6,484,406	2009
2007	21,089	-	21,089	2010
2008	753,001	-	753,001	2011
	P 10,888,216	P 568,324	P 10,319,892	

*Refers to losses incurred from SPV transactions in 2005

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	Expired	Balance	Expiry Year
2005	P 568,324	P 568,324	P -	2008
2005	3,061,396	-	3,061,396*	2010
2005	3,629,720	568,324	3,061,396	2008
2006	6,484,406	-	6,484,406	2009
2008	671,983	-	671,983	2011
	P 10,786,109	P 568,324	P 10,217,785	

*Refers to losses incurred from SPV transactions in 2005

As of December 31, 2008, the Group has MCIT of P232,304 that can be applied against RCIT for the next three consecutive years after the MCIT was incurred. The breakdown of MCIT with the corresponding validity periods follow:

Inception Year	Amount	Used/ Expired	Balance	Expiry Year
2005	P 67,302	P 67,302	P -	2008
2006	93,173	29,007	64,166	2009
2007	87,754	-	87,754	2010
2008	80,384	-	80,384	2011
	P 328,613	P 96,309	P 232,304	

The breakdown of the Parent Company's MCIT with the corresponding validity periods follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2005	P 45,085	P 45,085	P -	2008
2006	40,794	-	40,794	2009
2007	87,754	-	87,754	2010
2008	79,992	-	79,992	2011
	P 253,625	P 45,085	P 208,540	

29. 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 accompanying financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P46,945,928 and P53,627,739 as of December 31, 2008 and 2007, respectively. The Parent Company's total trust resources amounted to P45,193,199 and P49,552,269 as of December 31, 2008 and 2007, respectively.

In connection with the trust operations of the Parent Company and RSB, time deposit placements and government securities with a total face value of P860,667 (Group) and P769,715 (Parent Company); and P663,967 (Group) and P605,967 (Parent Company) as of December 31, 2008 and 2007, respectively, are deposited with the BSP in compliance with existing trust regulations (see Notes 7 and 10).

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 yearly 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 capital funds.

30. RELATED PARTY TRANSACTIONS

30.1 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 individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of his deposit and book value of his investment in the Parent Company and/or any of its lending and nonbanking financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total capital funds or 15% of the total loan portfolio of the Parent Company and/or any of its lending and nonbanking financial subsidiaries, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said circular and new DOSRI loans, other credit accommodations and guarantees granted under said circular as of December 31, 2008 and 2007:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Total outstanding DOSRI loans	P 9,213,808	P 9,246,598	P 9,142,497	P 9,172,399
Percent of DOSRI accounts granted prior to the effectivity of BSP Circular No. 423 to the total loans	5.94%	7.46%	7.65%	10.19%
Percent of DOSRI accounts to total loans	5.94%	7.46%	7.65%	10.19%
Percent of unsecured DOSRI accounts to total DOSRI accounts	2.35%	1.50%	2.29%	1.51%
Percent of past due non-DOSRI accounts prior to BSP Cir. No. 423 to total loans	-	-	-	-
Percent of nonaccruing non-DOSRI accounts prior to BSP Cir. No. 423 to total loans	-	-	-	-

30.2 Key Management Personnel Compensation

The key management personnel compensation follow:

	Consolidated		
	2008	2007	2006
Short-term benefits	**P 186,231**	P 159,410	P 117,798
Post-employment benefits	**38,022**	38,428	40,699
Termination benefits	**48**	254	1,147
Other long-term benefits	**404**	634	516
	P 224,705	P 198,726	P 160,160

	Parent		
	2008	2007	2006
Short-term benefits	**P 59,789**	P 53,040	P 42,997
Post-employment benefits	**37,421**	37,946	40,217
	P 97,210	P 90,986	P 83,214

30.3 Lease Contract with RRC

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC. Related rental expense reported in the consolidated and Parent Company financial statements amounted to P163,027 and P156,063 in 2008 and P170,147 and P162,075 in 2007, respectively, and is included as part of Occupancy and Equipment-related account in the income statement. While advance rentals included as part of Deferred Charges under Other Resources in the statement of condition amounted to P249,734 and P405,797 as of December 31, 2008 and 2007, respectively, both in the consolidated and Parent Company financial statements. The Parent Company's lease contract with RRC is until December 31, 2010.

30.4 Deposits

As of December 31, 2008 and 2007, certain related parties have deposits with the Parent Company.

31. 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., which are not reflected in the accompanying financial statements. Management does not anticipate losses from these transactions that will adversely affect the Group's operations.

Several suits and claims remain unsettled. In the opinion of management, the suits and claims, if decided adversely, will not involve sums with a material effect on the Parent Company and its subsidiaries' financial position or operating results.

The following is a summary of contingencies and commitments arising from off-statement of condition items at their equivalent peso contractual amounts as of December 31, 2008 and 2007:

	Consolidated		Parent	
	2008	2007	**2008**	2007
Trust department accounts (see Note 29)	**P 46,945,928**	P 53,627,739	**P 45,193,199**	P 49,552,269
Derivatives	**24,776,281**	27,448,053	**24,776,281**	27,447,557
Unused commercial letters of credit	**5,646,927**	6,792,708	**5,646,927**	6,792,708
Spot exchange bought	**3,520,890**	3,222,455	**3,520,890**	3,222,455
Inward bills for collection	**1,261,327**	2,640,192	**1,259,476**	2,637,266
Spot exchange sold	**3,310,091**	619,739	**3,310,091**	3,154,313
Outward bills for collection	**412,444**	516,108	**412,444**	111,406
Late deposits/payments received	**260,874**	180,241	**227,892**	619,739
Minimum lease rentals under non-cancellable operating lease	**222,291**	-	-	-
Traveller's check unsold	**21,577**	25,415	**21,577**	25,415
Items held for safekeeping/collateral	**3,587**	194	**3,561**	33
Outstanding guarantees issued	-	3,154,313	-	516,108

Derivatives include the Parent Company's outstanding long-term cross currency swap contracts wherein it is committed to sell US dollars and buy Philippine pesos in the future at a precontracted rate from a counterparty bank, with an aggregate notional amount of P1,911,200 or $40million and P4,614,059 or $93.55 million as of December 31, 2008 and 2007, respectively. The Parent Company then invested the proceeds from the cross currency swap contracts in interbank placements with various foreign banks. The US dollar placements outstanding as of December 31, 2007 have a "credit link" to underlying securities that would be received by the Parent Company in lieu of the US dollar funds it originally invested in case of a credit default event as defined in the agreement between the Parent Company and its counterparties.

In 2004, the Bureau of Internal Revenue (BIR) assessed the Parent Company and RSB, together with a number of other banks in the Philippines, for DST in connection with its special savings accounts. The BIR claimed that such account is equivalent to a "certificate of deposit" for tax purposes and is subject to DST under local tax regulations. The BIR assessed the Parent Company and RSB the basic tax, surcharges, penalties and interest thereon of 20% per annum with respect to DST payable over the past five years. The Parent Company initially filed a protest against this assessment, however, in 2006, the Parent Company and RSB settled the tax assessment on DST through availment of the tax abatement program of the BIR.

The BIR has also sent the Parent Company and RSB, as well as other banks, a series of demand letters for the payment of deficiency GRT and DST on certain accounts of the Parent Company's FCDU. The BIR's assessment of the deficiency GRT and DST of the FCDU was based on the deletion of the phrase "shall be exempt from all taxes" in Section 24, now Sections 27 and 28 of the Philippine Tax Code. The Parent Company, however, argued that the removal of the exemptions from GRT and DST was not contemplated under the Comprehensive Tax Reform Program and that the deletion of the phrase "shall be exempt from all taxes" is the result of the inaccurate drafting of the amendment of the tax provisions of FCDUs rather than of legislative intent. The Parent Company has filed a protest to the BIR's claim, however, in 2007, the Parent Company and RSB settled the tax assessment on GRT and DST through availment of the tax abatement program of BIR.

RCBC Capital has filed an arbitration claim with the International Chamber of Commerce against a local bank relating to RCBC Capital's acquisition of Bankard. RCBC Capital is seeking a rescission of the sale or compensation for damages. In September 2007, the arbitral tribunal upheld the claim of RCBC Capital and stated that RCBC Capital is entitled to damages for the breach, the amount of which would be determined by an expert appointed by the arbitral tribunal and still be proven by the RCBC Capital in the second phase of the arbitration, the hearing of which has been tentatively set by the arbitral tribunal on October 26, 2009.

32. EARNINGS PER SHARE

The following reflects the income and per share data used in the basic and diluted earnings per share (EPS) computations (figures in thousands, except EPS data):

	Consolidated		
	2008	2007	2006
Basic Earnings Per Share			
a. Net income attributable to parent company's shareholders	**P 2,153,740**	P 3,207,632	P 2,052,638
Less allocated for preferred and Hybrid Tier 1 dividends	**(496,844)**	(544,691)	-
	1,656,896	2,662,941	2,052,638
b. Weighted average number of outstanding common shares	**962,841**	909,325	727,909
c. Basic EPS (a/b)	**P 1.72**	P 2.93	P 2.82

	Consolidated		
	2008	2007	2006
Diluted Earnings Per Share			
a. Net income attributable to parent company's shareholders	**P 1,656,896**	P 2,662,941	P 2,052,638
b. Weighted average number of outstanding common shares	**999,344**	939,168	729,692
c. Diluted EPS (a/b)	**P 1.66**	P 2.84	P 2.81

	Parent		
	2008	2007	2006
Basic Earnings Per Share			
a. Net income attributable to parent company's shareholders	**P 1,170,314**	P 1,939,350	P 1,500,495
Less allocated for preferred and Hybrid Tier 1 dividends	**(496,844)**	(544,691)	-
	673,470	1,394,659	1,500,495
b. Weighted average number of outstanding common shares	**962,841**	909,325	727,909
c. Basic EPS (a/b)	**P 0.70**	P 1.53	P 2.06
Diluted Earnings Per Share			
a. Net income attributable to parent company's shareholders	**P 673,470**	P 1,394,659	P 1,500,495
b. Weighted average number of outstanding common shares	**999,344**	939,168	729,692
c. Diluted EPS (a/b)	**P 0.67**	P 1.48	P 2.06

The 2006 EPS was restated after giving retroactive effect to the 15% stock dividends.

The above computation does not take into consideration the effects of certain accounting treatment allowed by BSP but not allowed under PFRS as summarized in Note 34 and discussed in Notes 11 and 12.

33. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated		
	2008	2007	2006
Return on average capital funds (ROE)	**7.40%**	12.43%	12.64%
Return on average assets (ROA)	**0.87%**	1.42%	1.01%
Net interest margin	**4.25%**	5.00%	4.84%
Capital adequacy ratio	**17.30%**	18.70%	20.30%

	Parent		
	2008	2007	2006
Return on average capital funds (ROE)	**3.56%**	7.26%	9.14%
Return on average assets (ROA)	**0.56%**	1.04%	0.89%
Net interest margin	**3.57%**	4.47%	3.53%
Capital adequacy ratio	**16.28%**	18.21%	20.47%

The above computation does not take into consideration the effects of certain accounting treatment allowed by BSP but not allowed under PFRS as summarized in Note 34 and discussed in Notes 11 and 12.

34. DIFFERENCES BETWEEN CERTAIN ACCOUNTING TREATMENT ALLOWED BY BSP AND PFRS

There were certain transactions that were not accounted for by the Group in accordance with PFRS although the accounting treatments applied by the Group for such transactions were allowed by BSP. A summary of the effects of these transactions on the Group's and Parent Company's total resources, liabilities, capital funds and profit and loss had PFRS been used, is presented below. Detailed discussions of these transactions are presented in Notes 11 and 12.

	Consolidated			
	Increase (Decrease)			
	Total Resources	**Total Liabilities**	**Total Capital Funds**	**Total Profit or Loss**
2008				
SPV transactions	(P 4,607,053)	P 26,524	(P 4,633,577)	(P 791,342)
Staggered booking of required additional allowance for impairment on, and subsequent write-off of, credit card receivables	(2,593,440)	-	(2,593,440)	-
	(P 7,200,493)	**P 26,524**	**(P 7,227,017)**	**(P 791,342)**

	Consolidated			
	Increase (Decrease)			
	Total Resources	Total Liabilities	Total Capital Funds	Total Profit or Loss
2007				
SPV transactions	(P 4,818,248)	P 23,988	(P 4,842,236)	P -
Staggered booking of required additional allowance for impairment on, and subsequent write-off of, credit card receivables	(2,593,440)	-	(2,593,440)	-
	(P 7,411,688)	P 23,988	(P 7,435,676)	P -
2006				
SPV transactions	(P 4,827,904)	P 14,332	(P 4,842,236)	(P 1,335,149)
Staggered booking of required additional allowance for impairment on, and subsequent write-off of, credit card receivables	(2,593,440)	-	(2,593,440)	(2,107,170)
	(P 7,421,344)	P 14,332	(P 7,435,676)	(P 3,442,319)

	Parent			
	Increase (Decrease)			
	Total Resources	Total Liabilities	Total Capital Funds	Total Profit or Loss
2008				
SPV transactions	(P 4,607,053)	P 26,524	(P 4,633,577)	(P 791,342)
Transactions with Bankard	(2,593,440)	-	(2,593,440)	-
	(P 7,200,493)	**P 26,524**	**(P 7,227,017)**	**(P 791,342)**
2007				
SPV transactions	(P 4,818,248)	P 23,988	(P 4,842,236)	P -
Transactions with Bankard	(2,593,440)	-	(2,593,440)	-
2006 transactions with RCBC Capital and Bankard approved by BSP in 2007	-	-	-	(200,000)
	(P 7,411,688)	P 23,988	(P 7,435,676)	(P 200,000)
2006				
SPV transactions	(P 4,827,904)	P 14,332	(P 4,842,236)	(P 1,335,149)
Transactions with Bankard	(2,593,440)	-	(2,593,440)	(2,593,440)
2006 transactions with RCBC Capital and Bankard approved by BSP in 2007	200,000	-	200,000	200,000
	(P 7,221,344)	P 14,332	(P 7,235,676)	(P 3,728,589)

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Relationship Manager, Corporate Banking
Segment 1 – Div. 1

EDUARDO C. MASANGCAY
Relationship Manager, Japanese and Ecozone
Banking Segment – Div. 2

GERARDO G. MIRAL
Relationship Manager, Japanese and Ecozone
Banking Segment – Div. 2

SUZETTE Y. NG
Relationship Manager, Chinese Banking
Segment 1 – Div. 2

LIBERTINE R. SELIRIO
Relationship Manager, Japanese and Ecozone
Banking Segment – Div. 2

RAMON JAIME R. TABUENA, JR.
Relationship Manager, Japanese and Ecozone
Banking Segment – Div. 1

VICTORIA T. TUPAZ
Relationship Manager, Corporate Banking
Segment 2 – Conglomerate Div.

JOHAN C. SO
Head, Chinese Banking Segment 2 – Div. 3

TREASURY GROUP
Executive Vice President
EDUARDO SERGIO G. EDEZA
Group Head and Treasurer
(Until September 2, 2008)

JOSE EMMANUEL U. HILADO
Group Head
(Effective October 16, 2008)

Senior Vice President
MARCELO E. AYES
Head, Financial Institution Management Div.

First Vice President
ALVIN V. ANTONIO
Head, Foreign Interest Rate Risk Div.

MA. LOURDES S. LIWAG
Head, Global Distribution and Advisory Div.

JOSEPH COLIN B. RODRIGUEZ
Head, Foreign Exchange Risk Div.
RAUL VICTOR B. TAN

RAUL VICTOR B. TAN
Head, Balance Sheet Management Segment

Vice Presidents
PAUL JOHN T. REYES
Head, Investment Portfolio Management Div.

FELIPE MARTIN F. TIMBOL
Head, Fund Management and Domestic Securities Div.
(Until February 28, 2009)

HUMAN RESOURCES GROUP
Senior Vice President
MELISSA G. ADALIA
Group Head

INFORMATION TECHNOLOGY SHARED SERVICES GROUP
Executive Vice President
REDENTOR C. BANCOD
Group Head

First Vice Presidents
MARY JANE V. ANG
Head, Shared Technology Services

AGNES THERESA A. SALVADOR
Head, Management Services Div.

TEODORO ERIC D. VALENA, JR.
Head, Applications Development Div. 1

Vice Presidents
JONATHAN EDWIN F. LUMAIN
Head, Application Development Div. 2

MANUEL M. LANSANG, JR.
Head, Applications Development Div. 3

JOEL RIZALDY G. FLOR
Head, Shared Business Services

FRANCIS VICENTE O. HILARIO
Head, I.T. Risk Management

EDMUNDO C. LIAO
Head, Shared Technical Support Services

ALFRED CESAR R. MOLINA
Head, Information Security

MICHAEL ANGELO C. RAMOS
Head, Special Projects

FRANCISCO J. DE SILVA
Head, Channels

OPERATIONS GROUP
Executive Vice President
REDENTOR C. BANCOD
Group Head

First Vice Presidents
SABINO MAXIMIANO O. ECO
Head, Retail and Channels Div.

VIVIEN I. LUGO-MACASAET
Head, Head Office Operations Div.

IDA Y. RAMIREZ
Head, Operations Control Div.

Vice Presidents
JORGE B. DUNGO
Head, Central Clearing Dept.

OSCAR G. GUMABAY
Head, Technical Services Dept.

CLARO A. PINEDA III
Deputy Head, Operations Control Div.

LEGAL AND REGULATORY AFFAIRS GROUP
Senior Vice President
MA. CELIA H. FERNANDEZ-ESTAVILLO
Group Head and Corporate Secretary

Vice Presidents
ARLENE L. URETA
Head, Legal Affairs Div.

MERLYN E. DUEÑAS
Head, Legal Operations Dept and Assistant Corporate Secretary

MA. FE P. SALAMATIN
Head, Regulatory Affairs Div. and Compliance Officer

OVERSEAS FILIPINO BANKING/TELEMONEY GROUP
Executive Vice President
ALFREDO S. DEL ROSARIO, JR.
Group Head
(Until September 23, 2008)

Senior Vice President
CYNTHIA P. SANTOS
Group Head
(Effective September 24, 2008)

Vice President
ALLEN D. ALCANTARA
Head, Remittance Tie-Ups Business Div.

RETAIL BANKING GROUP
Executive Vice President
ISMAEL R. SANDIG
Group Head

Senior Vice Presidents
ALEXANDER Y. CHAM
Regional Sales Manager, Luzon

REMEDIOS M. MARANAN
Regional Service Head, Metro Manila

First Vice Presidents
ARSENIO L. CHUA
District Sales Manager, Northwest Metro Manila/ Business Manager, Kalookan Branch

PRUDENCIO J. GESTA
Regional Sales Manager, Visayas

DEOGRACIAS A. JACINTO
Regional Sales Manager, North Metro Manila

JOSE P. LEDESMA III
Regional Sales Manager, South Metro Manila

MA. OLIVIA G. OLLOREN
District Sales Manager, Makati

ZENAIDES R. LAPERA
District Sales Manager, North Central Luzon

MATIAS L. PALOSO
District Sales Manager, South West Luzon

ARSILITO A. PEJO
Regional Service Head, Vismin

NESTOR O. PINEDA
Regional Sales Manager, South Luzon

ROBERTO L. RODRIGUEZ, JR.
District Sales Manager, Northeast Metro Manila

Vice Presidents
ANITA O. ABAD
Business Manager, Divisoria Branch

MA. ESTRELLA G. BERNARDO
District Sales Manger, South Central Luzon

CONCORDIO R. BONGON, JR.
District Sales Manager, South Manila

LUIS GONZAGA S. BONOAN
Business Manager, Ayala Branch

MARY CATHERINE T. BUNTUA
Business Manager, Buendia Branch

BENJAMIN L. CABRERA
Business Manager, Palawan Branch

FORTUNATO G. CAGAS
District Sales Manager, Northern Mindanao

BRIGITTE B. CAPINA
Regional Sales Manager, Corporate Headquarters

ROBERTO D. CHICA
Regional Sales Manager, Mindanao

DOMINGO P. DAYRO, JR.
Head, Technical Support & Implementation Dept.

MA. ELIZABETH V. DELA PAZ
Business Manager, Unimart Branch

TERESITA G. DILAG
Business Manager, Alabang Branch

JOSEPHINE M. EMPACES
District Sales Manager, Metro Cebu

REMO ROMULO M. GARROVILLO, JR.
Head, Channel Management and Product Development Div.

NOEL D. LARDIZABAL
Regional Service Head, Luzon

GENEROSO G. LINGCON
Business Manager, Guadalupe Branch

RAFAEL A. MENDOZA
District Service Head, South Central Luzon

EDGARDO F. MIGUEL
District Service Head, North Central Metro Manila

GRACE MARIE G. MONTALVO
Business Manager, Greenbelt Branch

HELEN F. MORALES
Business Manager, Tektite Branch

VIRGINIA U. ONG
Business Manager, Mactan Branch

NANCY J. QUIOGUE
District Service Head, Corporate Headquarters and North West Metro Manila

ANNA SYLVIA E. ROXAS
Head, BC Planning and Expansion Div.

FLORANTE G. SANTIAGO
District Sales Manager, Southern Mindanao

CARREN T. SARIA
District Sales Manager, Manila

EMMA MERCEDES R. SIAPNO
District Sales Manager, North Central Metro Manila

PABLO C. TRINIDAD
District Sales Manager, North West Luzon

GERALDINE M. VILLANUEVA
District Sales Manager, Negros Occidental

WEALTH MANAGEMENT
Senior Vice President
MANUEL G. AHYONG, JR.
Head, Segment 2

First Vice Presidents
CRISELDA Y. PASTORAL
Division Head, Segment 2

JANE N. MAÑAGO
Division Head, Segment 1

Vice Presidents
MYRNA T. FERRIOLS
Head, Product and Sales Support Div.

MA. TERESA L. ZAMORA
Senior Relationship Manager, Segment 2

SUBSIDIARIES
Domestic

RCBC SAVINGS BANK

Chairman
HELEN Y. DEE

Vice Chairman
LORENZO V. TAN

President and Chief Executive Officer
LOPE M. FERNANDEZ, JR.
(Seconded from RCBC)

Executive Vice Presidents
LYNN H. CATUNCAN
Head, Consumer Lending Group

CARMELITA M. CHAVEZ
Head, Retail Banking Group

CARLOS A. PINPIN, JR.
Corporate Treasurer and Head, Corporate Planning and Credit Management Group

ROLANDO S. UMALI
Head, Operations Group
(Seconded from RCBC)

Senior Vice Presidents
RAMON V. PARAISO
Head, Collection, Legal and Recovery Group

AL JAN G. YAP
Head, Network Div.
(Seconded from RCBC)

First Vice Presidents
ELIZABETH G. ABECIA
Head, VisMin Consumer Lending Centers

ATTY. JOHN A. AGBAYANI
Head, Collection and Remedial Management Div.

JO-ANN C. CHAN
Head, Controllership and Support Services Div.

YOLANDA V. DE GUIA
Regional Head, Central and Northern Luzon

MARY GRACE P. MACATANGAY
Head, Loan Operations Div.

ELIZA P. PATALUD
Head, Luzon Consumer Lending Centers

MA. ANTONIA G. REBUENO
Region Head, South Metro Manila

LORNA M. VALENZUELA
Region Head, Southern Luzon/Bicol

BASILIA E. VILLAMOR
Region Head, Visayas and Mindanao

Vice Presidents
AMADOR T. BAIRA
Head, Auto Loans Div.

LEONOR F. BELEN
Business Center Manager, Pacific Place

JUDY ROSARIO G. CAM
Compliance Officer

ATTY. MA. CARMINA P. CARPIO
Head, Trust Div.

JOHN LYNDON O. LUDOVICE, Jr.
Head, Corporate Planning Div.

PROCOPIO M. MALIGAYA
Region Head, North Metro Manila

DONNA KRISTINE F. MARCELO
Head, Marketing Div.

PATRICIO A. PICAZO
Head, Human Resource Div.

ATTY. ALBERTO A. REGINO, JR.
Head, Legal Dept.

WILFRIDA V. ROQUE
Head, Transaction Processing Div.

DAISY R. SALCEDO
Head, Information Management Div.

MICHAEL Z. SISON
Head, Product Profitability and Credit MIS Div.

RANDY B. TORRES
Head, Legal Dept.

VICTORIA ANN S. VILLARUZ
Head, Credit Management Div.

BANKARD, INC.
Chairman
RIZALINO S. NAVARRO

Vice Chairman
CESAR E. A. VIRATA

President and Chief Executive Officer
OSCAR B. BIASON

Executive Vice President and
Chief Operating Officer
RAFAEL ANDRES R. REYES
(Seconded from RCBC)

First Vice President
MA. ANGELINA V. ANGELES
Head, Customer Service and Human Resources
Management Group

EUGENIO U. FERNANDEZ
Chief Finance Officer

Vice Presidents
FE FORTUNATA R. RIO
Head, Operations Group

MA. LIWAYWAY M. TAN
Head, Compliance Risk Management and Audit

ABIGAIL A. TUMBOCON
Head, Marketing Group
(Until November 30, 2008)

MERCHANTS BANK
Chairman
LORENZO V. TAN

President
JOHN THOMAS G. DEVERAS

Treasurer
RENAN D. SANTOS

Corporate Secretary and Compliance Officer
ATTY. MA. CELIA H. FERNANDEZ-ESTAVILLO

RCBC FOREX BROKERS CORP.
Chairman
CESAR E. A. VIRATA

President and Chief Executive Officer
MA. CRISTINA S. ROSALES

Treasurer
RIZALINO S. NAVARRO

Corporate Secretary
ATTY. SAMUEL V. TORRES

RCBC CAPITAL CORP.
Chairman
YVONNE S. YUCHENGCO

President and Chief Executive Officer
RAUL M. LEOPANDO

Executive Vice President and
Chief Operating Officer
JOSE LUIS F. GOMEZ
Corporate Finance

Senior Vice President
RAMON M. POSADAS
Debt Securities

First Vice Presidents
MELANIE A. CAGUIAT
Credit and Administrative Div.

RUTH B. GUTIERREZ
Chief Accountant

Vice President
RUTH M. ANINON
Compliance Officer

Subsidiaries:
RCBC SECURITIES, INC.
First Vice President & General Manager
JEROME A. TAN

RCBC LAND, INC.
Chairman
SECRETARY ALFONSO T. YUCHENGCO

President
CESAR E. A. VIRATA

Vice President
ALFONSO S. YUCHENGCO III

Corporate Secretary
ATTY. SAMUEL V. TORRES

Subsidiary:
RCBC REALTY CORP.
Chairman
CESAR E. A. VIRATA

President
PERRY Y. UY

Treasurer and Chief Financial Officer
JOSE MA. G. CASTILLO III

Corporate Secretary
ATTY. SAMUEL V. TORRES

International

RCBC NORTH AMERICA, INC. *(formerly Rcbc California International, Inc.)*
Chairman
RIZALINO S. NAVARRO

President
CYNTHIA P. SANTOS

Managing Director and
Chief Executive Officer
JOSE VICENTE M. CUIZON

RCBC INTERNATIONAL FINANCE, LTD.
Chairman
LORENZO V. TAN

Operations Manager
FEDERICO E. AGUS, JR.

RCBC INVESTMENTS, LTD.
Chairman
LORENZO V. TAN

Managing Director and
Corporate Secretary
VICTOR B. BALDOZA

Operations Manager
FEDERICO E. AGUS, JR.

RCBC TELEMONEY EUROPE, SpA.
Chairman
LORENZO V. TAN

Vice Chairman
CYNTHIA P. SANTOS

Managing Director
GUIA MARGARITA Y. SANTOS

ASSOCIATES

GREAT LIFE ASSURANCE CORP.
President and Chief Executive Officer
EDGARDO S. FRANCO

HONDA CARS PHILIPPINES, INC.
President
HIROSHI SHIMIZU

LUISITA INDUSTRIAL PARK CORP.
Chairman
SECRETARY ALFONSO T. YUCHENGCO

President
RAMON BAGATSING, JR.

Corporate Secretary
ATTY. MA. CELIA H. FERNANDEZ-ESTAVILLO

SUBIC POWER CORP.
President
MANUEL P. GALLEGO

Vice President
HELEN Y. DEE

Treasurer
WILMA S. MENDIOLA

Corporate Secretary
MELITHA F. GASAPOS

YGC CORPORATE SERVICES, INC.
Chairman
SECRETARY ALFONSO T. YUCHENGCO

President
HELEN Y. DEE

Executive Vice President and
Chief Operating Officer
LIWAYWAY F. GENER

RCBC Branches

METRO MANILA

A. MABINI
Tesoro Bldg., 1353 A. Mabini St.
Ermita, Manila
Tel. Nos. : 526-0444 to 45;
526-0424; 526-0468
Fax No. : 526-0446

ALABANG
RCBC Bldg., Tierra Nueva Subd.
Alabang-Zapote Rd., Alabang, Muntinlupa City
Tel. Nos. : 807-2245 to 46; 809-0401 to 04
Fax No. : 850-9044

ALABANG WEST SERVICE ROAD
Alabang West Service Rd. cor.
Montillano St. and South Superhighway
Alabang, Muntinlupa City
Tel. Nos. : 666-2953; 666-6124 to 25
Fax No. :

ARANETA CENTER
G/F Unit III Sampaguita Theater Bldg.
cor. Gen. Araneta and Gen. Roxas Sts.
Cubao, Quezon City
Tel. Nos. : 912-6049; 912-1981;
912-1985/ 912-1983
Fax No. : 912-1979

ARRANQUE
1001 Orient Star Bldg. cor. Masangkay
and Soler Sts., Sta. Cruz, Manila
Tel. Nos. : 244-8440; 244-8443 to 44;
245-7055
Fax No. : 244-8437

AYALA
Unit 709-710, Tower One, Ayala Triangle
Ayala Ave., Makati City
Tel. Nos. : 848-6983 to 85
Fax No. : 848-7003

BACLARAN
21 Taft Ave., Baclaran, Parañaque City
Tel. Nos. : 832-3938; 852-8147 to 48
Fax No. : 832-3942

BANAWE
Unit 1-K, CTK Bldg.
385 cor. Banawe and N. Roxas Sts., Quezon City
Tel. Nos. : 742-3578; 743-0204
Fax No. : 743-0210

BETTER LIVING
14 Dona Soledad, Betterliving Subd.
Parañaque City
Tel. Nos. : 828-4840; 828-0795;
828-0795; 828-3095
Fax No. : 828-3478; 828-9795

BF HOMES
Unit 101 Centermall Bldg., President Ave.
BF Homes, Parañaque City
Tel. Nos. : 807-8760, 807-87-61; 842-1554
Fax No. : 842-1553

BINONDO
Yuchengco Tower, 500 Quintin Paredes St.
Binondo, Manila
Tel. Nos. : 242-5933 to 52 local 8128, 8146
Fax Nos. : 241-2179 (Foreign);
241-2742 (Marketing)

BONI AVENUE
617 Boni Ave., Mandaluyong City
Tel. Nos. : 533-6335 to 38
Fax No. : 533-6336

BUENDIA
Grepalife Bldg., 219 Sen. Gil J. Puyat Ave.
Makati City
Tel. Nos. : 844-4169; 845-6411;
810-9723; 810-3674
Fax No. : 844-8868

CAINTA
Multicon Bldg. FP Imelda Ave., Cainta Rizal
Tel. Nos. : 645-6703 to 04;
645-6710; 645-6713
Fax No. : 645-6704

C. PALANCA
G/F BSA Suites, Carlos Palanca St.
Legaspi Village, Makati City
Tel. Nos. : 888-6701 to 03
Fax No. : 888-6704

COMMONWEALTH
535 Verde Oro Bldg., Commonwealth Ave.
Diliman, Quezon City
Tel. Nos. : 931-5251; 931-2309; 931-5242;
931-2375; 931-2319
Fax No. : 931-2328

CONCEPCION, MARIKINA
17 Bayan-Bayanan Ave.
Bgy. Concepcion Uno, Marikina City
Tel. Nos. : 384-3973; 948-4002; 948-4478
Fax No. : 942-6368

CUBAO
Rustan's Superstore Complex
Cubao, Quezon City
Tel. Nos. : 911-2476; 911-0870; 912-8127;
911-2527; 913-6163 to 64
Fax No. : 911-2535

D. TUAZON
19 cor. D. Tuazon St. and Quezon Ave.
Quezon City
Tel. Nos. : 731-5805 to 07; 731-7261;
731-7290
Fax No. : 731-7262

DEL MONTE AVENUE
180 Del Monte Ave., Quezon City
Tel. Nos. : 712-7567; 712-9456 to 57
Fax No. : 741-6010

DILIMAN
cor. Matalino St. and Kalayaan Ave.
Diliman, Quezon City
Tel. Nos. : 924-3627; 924-3629; 925-2148
Fax No. : 924-3628

DIVISORIA
628 Sta. Elena St., NDCC Bldg.
Binondo, Manila
Tel. Nos. : 241-7841; 241-7847
Fax No. : 241-7884

EDSA-TAFT
Giselle's Park Plaza, cor. EDSA and
Taft Ave., Pasay City
Tel. Nos. : 832-2064; 832-2074; 833-5775
Fax No. : 832-3954

ELCANO
G/F, Elcano Plaza, Elcano St., Binondo, Manila
Tel. Nos. : 242-7567; 242-3643
Fax No. : 242-3649

ERMITA
550 United Nations Ave., Ermita, Manila
Tel. Nos. : 523-2948; 523-2983; 523-7640;
525-5219; 525-5238
Fax No. : 524-1021

FAIRVIEW
Medical Arts Bldg., Dahlia St.
North Fairview, Quezon City
Tel. Nos. : 930-2010; 930-2052;
461-3011; 461-3008
Fax No. : 461-3009

FRONTERA VERDE
Transcom Center, Frontera Verde
cor. Ortigas and C-5, Pasig City
Tel. Nos. : 706-4721; 706-4723; 706-4724;
706-4725; 706-4726
Fax No. : 706-4723

GILMORE
100 Granada St., Valencia, Quezon City
Tel. Nos. : 726-4236; 726-2404; 725-0818;
725-9087
Fax No. : 725-9087

GREENBELT
BSA Tower, Legaspi St., Legaspi Village
Makati City
Tel. Nos. : 845-4881; 845-4883; 845-4051
Fax No. : 845-4880

CONNECTICUT
51 Connecticut St., North East Greenhills
Greenhills, San Juan, Metro Manila
Tel. Nos. : 726-9793; 721-4495;
726-9979; 744-6348
Fax No. : 722-4424

KALOOKAN
259 Rizal Ave. Extn., Kalookan City
Tel. Nos. : 361-0406; 361-1853
Fax No. : 361-1598

LA FUERZA
2241 La Fuerza Plaza, Chino Roces Ave.
Makati City
Tel. Nos. : 893-0076; 893-3021; 893-4293
Fax No. : 893-8495

LAS PIÑAS
Veraville Bldg., Alabang-Zapote Rd.
Las Piñas City
Tel. Nos. : 874-1659; 873-44-96
Fax No. : 873-4498

LEGASPI VILLAGE
ACCRA Condominium, cor. Salcedo and
Gamboa Sts., Legaspi Village, Makati City
Tel. Nos. : 817-2664; 812-4893; 817-2689
Fax Nos. : 812-4894; 813-5287

LIBIS
191 Triquetra Bldg., E. Rodriguez, Jr. Ave.
Libis, Quezon City
Tel. Nos. : 638-0552 to 53
Fax No. : 638-0552

LOYOLA HEIGHTS
G/F MQI Centre, 42 Esteban Abada cor.
Rosa Alvero Sts., Loyola Heights, Quezon City
Tel. Nos. : 426-6533 to 35; 426-6528;
426-6525
Fax No. : 426-6602

MAKATI AVENUE
Makati Finance Center, Makati Ave.
Makati City
Tel. Nos. : 890-7023 to 25
Fax No. : 890-7026

MAKATI RADA
One Legazpi Park, 121 Rada St.
Legazpi Village, Makati City
Tel. Nos. : 909-5203; 909-5201; 909-5202
Fax No. : 909-5204

MALABON
cor. J. P. Rizal Ave. Extn. and Pascual St.
Bgy. San Agustin, Malabon City
Tel. Nos. : 281-0518; 281-2709;
281-0198 to 99
Fax No. : 281-0190

MANDALUYONG
G/F EDSA Central Square
Greenfield District, Mandaluyong City
Tel. Nos. : 633-9585, 637-5381,631-5804
Fax No. : 631-5803

MARIKINA
Mayor Gil Fernando formerly A. Tuazon
San Roque, Marikina City
Tel. Nos. : 681-6669; 681-1717
Fax No. : 681-1717

MASANGKAY
Empire Plaza, 1476 G. Masangkay St.
Sta. Cruz, Manila
Tel. Nos. : 255-0367; 252-9321; 255-1123
Fax No. : 254-5283

MCKINLEY HILLS
G/F Two World Hill Bldg.
Upper McKinley Rd., McKinley Town Center
Fort Bonifacio, Taguig City
Tel. Nos. : 401-6165; 401-6137; 401-6102
Fax No. : 856-1239

MORAYTA
828 Nicanor Reyes Sr. St., Sampaloc, Manila
Tel. Nos. : 736-2477 to 79; 735-1387;
735-4465
Fax No. : 736-0568

NEW MANILA
84 cor. Doña Magdalena Hemady St. and
E. Rodriguez Ave., Bgy. Mariana
New Manila, Quezon City
Tel. Nos. : 727-6010; 727-6013; 725-6021
Fax No. : 727-6012

NOVALICHES
882 cor. Quirino Highway and Nitang St.
Novaliches, Quezon City
Tel. Nos. : 936-8676 to 78; 930-6191;
930-6188
Fax No. : 936-8678

ORTIGAS-MALAYAN PLAZA
G/F Malayan Plaza, cor. ADB Ave. and
Opal Rd., Pasig City
Tel. Nos. : 634-74-91 to 93, 635-51-64
Fax No. : 635-5166

ORTIGAS AVENUE GREENHILLS
Unit 104 Grace Bldg., Ortigas Ave.
Greenhills, San Juan
Tel. Nos. : 727-4341; 726-9901;
727-4714; 725-0472
Fax No. : 725-0472

OTIS
Isuzu Manila, 1502 Paz M. Guanzon St.
Paco, Manila
Tel. Nos. : 563-6562; 561-7262;
561-7272; 564-5368
Fax No. : 564-5367

PADRE RADA
649 Padre Rada St., Tondo, Manila
Tel. Nos. : 243-5649; 245-5514;
245-0250; 245-0082
Fax No. : 243-5648; 245-0241

PASAY
1905 Taft Ave., Pasay City
Tel. Nos. : 525-0864; 525-0855;
536-2751; 536-2727
Fax No. : 525-0813

PASIG
cor. Dr. Sixto Antonio Ave. and
Raymundo St., Pasig City
Tel. Nos. : 641-0640; 641-8307; 641-7993;
641-7914; 641-6259
Fax No. : 641-0639

PASONG TAMO
2283 Pasong Tamo Extn. cor.
Lumbang St., Makati City
Tel. Nos. : 893-5977 to 78; 813-3348;
813-3442; 813-3369
Fax No. : 893-5976

QUEZON AVENUE
1405 Quezon Ave., Quezon City
Tel. Nos. : 373-3555; 371-8175; 371-8179
Fax No. : 373-3554

QUIRINO AVENUE
411 Anflocor Bldg. cor. Quirino Ave. and
MIA Rd. Tambo, Parañaque City
Tel. Nos. : 852-0403; 852-4690;
851-4692; 851-4694
Fax No. : 853-4685

RCBC PLAZA
G/F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel. Nos. : 894-9081 to 82; 894-9517;
894-9072; 878-3313; 878-3416
Fax No. : 894-9485

RAON, SALES
653 Gonzalo Puyat St., Sta. Cruz, Manila
Tel. Nos. : 733-1654 to 55; 733-1657;
733-1661
Fax No. : 733-1662

ROCKWELL
G/F, Phinma Bldg. Hidalgo St.
Rockwell Center, Makati City
Tel. Nos. : 898-1503; 898-2049
Fax No. : 898-1503

ROOSEVELT
302 Roosevelt Ave., San Francisco Del Monte
Quezon City
Tel. Nos. : 372-2412 to 16
Fax No. : 372-2417

SALCEDO VILLAGE
Y. Tower II Bldg., cor. Leviste and Gallardo Sts.
Salcedo Village, Makati City
Tel. Nos. : 892-7775; 892-7715; 892-7794;
894-2281; 894-2288
Fax No. : 892-7786

SAN LORENZO VILLAGE
1018 G/F, L & R Bldg.
A. S. Arnaiz Ave., Makati City
Tel. Nos. : 843-1342; 843-8196; 844-7822
816-2506
Fax No. : 843-3242

SHANGRI-LA EXTENSION OFFICE
Unit 507, Level 5, Shangri-la Plaza
cor. EDSA and Shaw Blvd., Mandaluyong City
Tel. Nos. : 633-9582; 633-9584; 633-4485
Fax No. : 633-9583

SOUTH HARBOR
Harbor Centre I, cor. Chicago and 23rd Sts.
Port Area, Manila
Tel. Nos. : 527-6493; 527-7311 to 12;
527-6481 to 82;
Fax No. : 527-7310

STA. LUCIA EAST
Sta. Lucia East Grand Mall, Brickroad Area
cor. Marcos Highway and Felix Ave.
Cainta, Rizal
Tel. Nos. : 682-0359; 682-7126; 645-7911;
682-5963; 645-3686;
682-5857; 645-6685
Fax No. : 645-3685

STA. MESA
1-B G. Araneta Ave., Quezon City
Tel. Nos. : 715-8936 to 37; 715-8939
Fax No. : 715-8938

SUCAT
2F Santana Grove, cor. Dr. A. Santos Ave.
and Soreena St., Sucat, Parañaque City
Tel. Nos. : 825-5761; 856-1371; 826-7193
Fax No. : 825-5615

T. ALONZO
1461-1463 Soler St., Sta. Cruz, Manila
Tel. Nos. : 733-7863 to 65; 734-6034 to 35
Fax No. : 733-7862

TAYTAY
Manila East Rd., Taytay, Rizal
Tel. Nos. : 286-0490; 286-3465; 286-0658
Fax No. : 658-0637

TEKTITE
1904-A East Tower, Philippine Stock Exchange
Center Exchange Rd., Ortigas Center, Pasig City
Tel. Nos. : 634-6725; 638-7302 to 05
Fax No. : 634-6647

TIMOG
RCBC Bldg., 36 Timog Ave., Quezon City
Tel. Nos. : 373-7218 to 19; 373-2832 to 33
Fax No. : 371-4306

TOMAS MAPUA
Park Tower Condominium
630 Tomas Mapua St., Sta. Cruz, Manila
Tel. Nos. : 733-0611; 733-0631; 733-0617
Fax No. : 733-7448

TORDESILLAS
117 Tordesillas St., Salcedo Village
Makati City
Tel. Nos. : 818-4313; 815-3074; 813-3481
Fax No. : 892-4345

TRINOMA MALL
Space P015B Level 1, Trinoma
cor. EDSA and North Ave., Quezon City
Tel. Nos. : (02) 901-6105; (02) 901-6108;
(02) 901-6146 and 901-6179
Fax No. : (02) 901-6179 (telefax)

TUTUBAN CENTER
G/F, Center Mall I, Tutuban Center
C.M. Recto Ave., Manila
Tel. Nos. : 251-0410; 253-1446; 251-0412
Fax No. : 253-1445

UNIMART
Unimart Supermarket, Greenhills Shopping
Center, San Juan, Metro Manila
Tel. Nos. : 721-2120 to 23; 721-6388;
721-3552
Fax No. : 727-2884

VALENZUELA
231 McArthur Highway, Karuhatan
Valenzuela City
Tel. Nos. : 291-6592 to 93; 291-9551;
293-8378
Fax No. : 293-6204

WACK WACK
Unit K Facilities Center Bldg.
548 Shaw Blvd., Mandaluyong City
Tel. Nos. : 534-23-94; 533-8182
Fax No. : 534-4416

LUZON

ANGELES CITY
RCBC Bldg., cor. Sto. Rosario St.
and Teresa Ave., Angeles City
Tel. Nos. : (045) 888-8633; 888-2532;
Fax Nos. : (045) 322-1510; 625-9625

ANGELES STO. CRISTO
243 Sto. Entierro St., Bgy. Sto. Cristo
Angeles City
Tel. Nos. : (045) 626-2060 / 62
Fax No. : (045) 626-2061

BACOOR
Maraudi Bldg. Gen. E. Aguinaldo Highway
Bgy. Niog, Bacoor, Cavite
Tel. Nos. : (046) 417-7662
417- 7454-; 417-8997
Fax No. : 529-8969

BAGUIO CITY
RCBC Bldg., 20 Session Rd., Baguio City
Tel. Nos. : (074) 442-5345 to 46
442-2077; 446-1657
Fax No. : (074) 442-3512

BALAGTAS
McArthur Highway, Balagtas, Bulacan
Tel. Nos. : (044) 693-1350 to 51
Fax No. : (044) 693-2151

BALANGA
Cor. Don Manuel Banzon Ave. and
Cuaderno St., Balanga City, Bataan
Tel. Nos. : (047) 237-9693 to 94
Fax No. : (047) 237-9695

BALIBAGO
McArthur Highway, Balibago, Angeles City
Tel. Nos. : (045) 331-5188; 625-5587;
892-0764
Fax No. : (045) 331-5189

BALIWAG
cor. J. P. Rizal and S. Tagle Sts.
Baliwag, Bulacan
Tel. Nos. : (044) 766-2642 to 43
Fax No. : (044) 766-2642

BEPZ, BATAAN
Bataan Economic Zone, Mariveles, Bataan
Tel. Nos. : (047) 935-4021 to 23;
561-2471; 561-3355
Fax No. : (047) 935-4020

BATAC
Marcos Blvd., Batac, Ilocos Norte
Tel. No. : (077) 792-3126
Fax No. : (077) 792-3440

BATANGAS CITY
cor. Rizal Ave. and P. Gomez St., Batangas City
Tel. Nos. : (043) 723-3104 to 05;
723-7870; 723-7720
Fax No. : (043) 723-1802

CABANATUAN CITY
1051 Burgos Ave., Cabanatuan City
Tel. Nos. : (044) 463-0533 to 34;
463-5359; 463-8420
Fax Nos. : (044) 463-8420; 463-5359

CALAMBA
cor. National Highway and Dolor St.
Crossing, Calamba City
Tel. Nos. : (049) 545-6165 to 67;
545-1930; 545-1720
Fax No. : (049) 545-2356

CARMELRAY, CANLUBANG
Administration Bldg., Carmelray Industrial Park
Canlubang, Calamba, Laguna
Tel. Nos. : (049) 549-1372 to 73; 549-2898
Fax No. : (049) 549-3081

CARMELRAY II
Administration Bldg., Carmelray Industrial
Park II, Bgy. Tulo, Calamba City
Tel. Nos. : (049) 545-0965; 545-0964
Fax No. : (049) 545-0964

CARMEN, ROSALES
National Highway, Carmen
Rosales, Pangasinan
Tel. Nos. : (075) 582-7366; 582-7358
Fax No. : (075) 582-7369

CARMONA
People's Technology Complex – SEZ
National Highway, Carmona, Cavite
Tel. Nos. : (046) 430-1401 to 02
Fax No. : (046) 430-1490

CAUAYAN CITY
Central Store Bldg., Roxas St., Cauayan, Isabela
Tel. Nos. : (078) 634-5241; 652-2371
Fax No. : (078) 634-5241; 652-2371

CAVITE CITY
P. Burgos Ave., Cavite City
Tel. Nos. : (046) 431-2242; 431-5951
Fax No. : (046) 431-2398

CLARK
C.M. Recto Highway, Clark Special
Economic Zone, Angeles City, Pampanga
Tel. Nos. : (045) 599-3055 to 58
Fax No. : (045) 599-3056

CLARK 2
Berthaphill III Clark Center
Jose Abad Santos Ave., Clark Freeport Zone
Tel. Nos. : (045) 499-1167
Fax No. : (045) 499-1168

CPIP-BATINO
Citigold Bldg., Calamba Premiere
Industrial Park, Batino, Calamba, Laguna
Tel Nos. : (049) 545-0015; 545-0016;
545-0018
Fax No. : (049) 545-0019

DAGUPAN CITY
RCBC Bldg., A. B. Fernandez Ave.
Dagupan City
Tel. Nos. : (075) 522-0303; 522-0828
Fax No. : (075) 522-0015

DASMARIÑAS
RCBC Bldg., FCIE Cmpd., Gov. Drive
Dasmariñas, Cavite
Tel. Nos. : (046) 402-0031 to 33
Fax No. : (046) 402-0034

GAPAN
Tinio St., Gapan, Nueva Ecija
Tel. No. : (044) 486-0936
Fax No. : (044) 486-0375

GATEWAY (GEN. TRIAS)
Gateway Business Park, Bgy. Javalera
Gen. Trias, Cavite
Tel. Nos. : (046) 433-03-11;433-02-89
Mla. Line : 67-00-53-55
Fax No. : (046) 433-0250

GMA
Governor's Drive, Gen. Mariano Alvarez
Cavite City
Tel. No. : (046) 890-2364;
(02) 520-87-36
Fax No. : (046) 890-2365

GUIMBA
Afan Salvador St., Guimba, Nueva Ecija
Tel. Nos. : (044) 611-1060; 611-1100
Fax No. : (044) 943-0020

HACIENDA LUISITA
Plaza Luisita, San Miguel, Tarlac City
Tel. Nos. : (045) 985-1544 to 46
Fax No. : (045) 985-1546

ILAGAN, ISABELA
RCK Bldg., National Highway
Calamagui 2nd, Ilagan, Isabela
Tel. No. : (078) 624-1168
Fax No. : (078) 624-1158

IMUS
Esguerra Bldg., Palico IV
Aguinaldo Highway, Imus, Cavite
Tel. Nos. : (046) 471-37-84;
(02) 529-86-22
Fax No. : (046) 471-3816

LA UNION
Cor. Quezon Ave. and P. Burgos St.
San Fernando City, La Union
Tel. Nos. : (072) 242-5575 to 76; 700-5575
Fax No. : (072) 888-4177

LAGUNA TECHNOPARK
LTI Administration Building II
Bgy. Malamig, Biñan, Laguna
Tel. Nos. : (049) 544-0719; 541-2756;
541-3271; (02) 520-8114
Fax No. : (049) 541-2755

LAOAG CITY
Jackie's Commercial Bldg. II
JP Rizal St., Laoag City
Tel. Nos. : (077) 772-1765; 772-0616
Fax No. : (077) 771-4447

LEGASPI CITY
M. Dy Bldg., Rizal St., Legaspi City
Tel. Nos. : (052) 214-3033; 480-6053
Fax No. : (052) 480-6416

LIIP (BIÑAN)
Adm. Bldg., Laguna International
Industrial Park, Biñan, Laguna
Tel. No. : (049) 539-0167
Fax No. : (049) 539-0177

LIMA
Hotel Drive, Lima Technology Center-Special
Economic Zone, Malvar, Batangas
Tel. Nos. : (043) 981-1846 to 47; 981-1849
Fax No. : (043) 981-1849

LIPA CITY
cor. C.M. Recto Ave. and E. Mayo St., Lipa City
Tel. Nos. : (043) 756-6479; 756-2565
Fax No. : (043) 756-0220

LUCENA CITY
cor. Quezon Ave. and M.L. Tagarao St.
Lucena City
Tel. Nos. : (042) 710-4066; 710-4458;
710-6461; 660-2572
Mla. Line : 250-8208
Fax No. : (042) 710-4086

LUCENA- EVANGELISTA
cor. Quezon Ave. and Evangelista St.
Lucena City
Tel. Nos. : (042) 710-8068; 710-5788;
710-4459
Mla. Line : 250-8325
Fax No. : (042) 710-5788

MALOLOS
FC Bldg., McArthur Highway
Sumapang Matanda, Malolos City, Bulacan
Tel. Nos. : (044) 662-1228
Mla. line : (02)299-8147
Fax No. : 299-8147

MARINDUQUE
EDG Bldg., Bgy. Lapu-Lapu
Sta. Cruz, Marinduque
Tel. No. : (042) 321-1941
Fax No. : (042) 321-1942

MASBATE
Quezon St., Masbate, Masbate City
Tel. Nos. : (056) 333-2294; 333-2269
Fax No. : (056) 333-2885

MEYCAUAYAN
VD&S Bldg., McArthur Highway
Calvario, Meycauayan, Bulacan
Tel. Nos. : (044) 840-7911; 840-7775
Mla. Line : 299-8147
Fax No. : 299-8147

NAGA CITY
Crown Hotel Bldg., Peñafrancia Ave., Naga City
Tel. Nos. : (054) 473-9114 to 15;
811-2059; 811-9115 to 16
Fax No. : (054) 811-9115

OLONGAPO
1055 Rizal Ave. Extension, Olongapo City
Tel. Nos. : (047) 611-0179; 611-0206
Fax No. : (047) 611-0205

PUERTO PRINCESA, PALAWAN
cor. National Highway and Rizal Ave.
Puerto Princesa City
Tel. Nos. : (048) 433-2091; 433-2693;
433-5283
Fax No. : (048) 433-5352

ROSARIO
Cavite Export Processing Zone, Rosario, Cavite
Tel. Nos. : (046) 437-6549 to 50; 437-6255;
971-0586 to 87
Fax No. : (046) 437-6260

SAN FERNANDO
McArthur Highway, Dolores
City of San Fernando, Pampanga
Tel. Nos. : (045) 963-4757 to 61
Fax No. : (045) 963-4760

SAN FERNANDO ROBINSONS
Robinsons StarMills
City of San Fernando Pampanga
Tel. Nos. : (045) 961-5143; 961-5147
Fax No. : (045) 961-5147

SAN FERNANDO SINDALAN
SBC Bldg., McArthur Highway
Sindalan, City of San Fernando, Pampanga
Tel. Nos. : (045) 455-0380; 455-3082
Fax No. : (045) 455-0381

SAN JOSE CITY
Mokara Bldg., Maharlika Highway
Abar 1st, San Jose City, Nueva Ecija
Tel. Nos. : (044) 806-2327; 947-0453;
511-1408
Fax No. : (044) 947-0453

SAN PABLO CITY
Ultimart Shopping Plaza, M. Paulino St.
San Pablo City
Tel. No. : (049) 562-0782
Fax No. : (049) 562-0781

SAN PEDRO
National Highway, San Pedro, Laguna
Tel. Nos. : 847-5685; 868-9459 to 60
Fax No. : 847-5683

SANTA ROSA BALIBAGO
Carvajal Bldg., Old National Highway
Bgy. Balibago, Sta. Rosa City, Laguna
Tel. Nos. : (049) 534-5017; 534-5018
(02) 520-8443
Fax No. : (049) 534-5018

SANTA ROSA PASEO
Paseo de Santa Rosa, Bgy. Don Jose
Santa Rosa, Laguna
Tel. Nos. : (049) 541-2751 to 53
(02) 520-8115
Fax No. : (049) 541-2343

SANTIAGO CITY
26 Maharlika Rd., Victory Norte
Santiago City, Isabela
Tel. Nos. : (078) 682-4599; 682-7426
Fax No. : (078) 682-4599

SCIENCE PARK, CABUYAO
Admin Bldg., LISP1, Pulo Rd.
Bgy. Diezmo, Cabuyao, Laguna
Tel. Nos. : (049) 543-0105 to 06; 543-0571
Fax No. : (049) 543-0572

SOLANO
211 J. P. Rizal St., National Highway
Solano, Nueva Vizcaya
Tel. Nos. : (078) 326-5559; 326-7524;
326-5569
Fax No. : (078) 326-5569

STA. CRUZ
cor. A. Regidor and P. Burgos Sts.
Sta. Cruz, Laguna
Tel. Nos. : (049) 808-2119; 808-2136
Fax No. : (049) 808-1177

STA. MARIA BULACAN
39 JP Rizal St., Poblacion, Sta. Maria, Bulacan
Tel. Nos. : (044) 641-0251; 641-5371
Fax No. : (044) 641-4845

SUBIC
Royal Subic Duty Free Complex
cor. Rizal and Argonaut Highways
Subic Freeport Zone, Olongapo City
Tel. Nos. : (047) 252-5023 to 26
Fax No. : (047) 252-5024

TABACO
232 Ziga Ave., Tabaco City
Tel. Nos. : (052) 558-2013; 257-7380 ;
830-0112
Fax No. : (052) 487-7042

TARLAC
F. Tañedo St., Tarlac City
Tel. Nos. : (045) 982-1394; 982-0820 to 21
Fax No. : (045) 982-1395

TAYUG
Bonifacio St., Tayug, Pangasinan
Tel. Nos. : (075) 572-4800; 572-2024
Fax No. : (075) 572-6515

TUGUEGARAO
cor. Bonifacio and Gomez Sts., Tuguegarao City
Tel. Nos. : (078) 844-1165; 844-1926
Fax No. : (078) 846-2845

URDANETA
EF Square Bldg., McArthur Highway
Poblacion, Urdaneta City, Pangasinan
Tel. Nos. : (075) 568-2925; 568-2090
Fax No. : (075) 568-2925

VISAYAS

ANTIQUE
Cor. Solano St. and T. Fornier Sts.
San Jose, Antique
Tel. Nos. : (036) 540-8191 to 92; 320-1981
Fax No. : (036) 540-8191

BACOLOD-MAIN
Cor. Rizal and Locsin Sts., Bacolod City
Tel. Nos. : (034) 433-7844 to 45; 433-0835; 4337850
Fax No. : (034) 434-7347 to 48

BACOLOD-SHOPPING
Hilado St., Bacolod City
Tel. Nos. : (034) 433-4436; 433-6807 to 08; 433-8483; 434-7699
Fax No. : (034) 433-0828

BACOLOD LIBERTAD
Libertad Extn., Bacolod City
Tel. Nos. : (034) 433-9646; 433-7210; 434-8193
Fax No. : (034) 433-9647

BACOLOD LACSON
Lourdes C Centre II, 14th Lacson St.
Bacolod City
Tel. Nos. : (034) 432-3189; 432-3441; 433-0113
Fax No. : (034) 432-3441

BANILAD*
RCDC Bldg., Banilad Rd., Banilad, Cebu City
Tel. Nos. : (032) 346-3892 to 94; 346-5431
Fax No. : (032) 346-3891

BAYAWAN
National Highway, Bayawan City
Negros Oriental
Tel. Nos. : (035) 531-0554; 228-3322
Fax No. : (035) 531-0565

CADIZ CITY
Cor. Abelarde and Mabini Sts., Cadiz City
Tel. Nos. : (034) 493-0567; 493-0531; 493-0751
Fax No. : (034) 493-0531

CALBAYOG CITY
cor. Magsaysay Blvd. and Gomez Sts.
Calbayog City, Western Samar
Tel. Nos. : (055) 209-1338; 209-1565
Fax No. : (055) 533-9013

CATARMAN
J.P. Rizal St., Catarman, Northern Samar
Tel. Nos. : (055) 500-9482; 500-9480; 354-1143; 354-1148
Fax No. : (055) 354-1143

CATBALOGAN
Del Rosario St., Catbalogan, Western Samar
Tel. Nos. : (055) 251-2005; 356-1018
Fax No. : (055) 543-9062

CEBU BUSINESS PARK
Lot 1, Block 6, cor. Mindanao Ave. and
Siquijor St., Cebu Business Park, Cebu City
Tel. Nos. : (032) 233-6064; 233-6229; 416-3708
Fax No. : (032) 233-5450

CEBU PASEO ARCENAS
Don Ramon Arcenas St., along R. Duterte St.
Banawe, Cebu City
Tel. Nos. : (032) 236-8012; 236-8016
Fax No. : (032) 236-8017

CEBU – STO. NINO
Belmont Home Depot Bldg., cor. P. Burgos and
Legaspi Sts., Bgy. San Roque, Cebu City
Tel. Nos. : (032) 253-6028; 253-4322
Fax No. : (032) 255-8256

CONSOLACION
ADM Bldg., National Highway
Consolacion, Cebu
Tel. Nos. : (032) 564-2052; 564-2014; 423-9335
Fax No. : (032) 344-1890

DUMAGUETE CITY
Dr. V. Locsin St., Dumaguete City
Negros Oriental
Tel. Nos. : (035) 225-1349 to 51; 422-8375; 422-8422 to 23
Fax No. : (035) 225-135

FUENTE OSMEÑA
Grepalife Tower, Fuente Osmeña, Rotunda
Fuente Osmeña, Cebu City
Tel. Nos. : (032) 254-9779; 253-2560; 255-3326; 255-3566; 254-3105; 253-2581
Fax No. : (032) 253-0018

GUADALUPE
151 M. Velez St., Cebu City
Tel. Nos. : (032) 255-5353; 254-4286; 254-3102; 254-3104; 254-5512
Fax No. : (032) 254-3103

HINIGARAN
Rizal St. (National Road), Hinigaran
Negros Occidental
Tel. Nos. : (034) 391-2322; 391-2323
Fax No. : (034) 391-2323

ILOILO CITY
Cor. J.M. Basa and Arsenal Sts., Iloilo City
Tel. Nos. : (033) 336-9643; 337-8975; 335-1056; 337-3088; 337-3069; 337-8657; 336-9714
Fax No. : (033) 337-8100

ILOILO DELGADO
Go Pun Hardware cor. Mabini and
Delgado Sts., Iloilo City
Tel. Nos. : (033) 509-1732; 336-6616
Fax No. : (033) 336-3728

ILOILO - LEDESMA
Cor. Ledesma & Quezon Sts., Iloilo City
Tel. Nos. : (033) 508-6019; 338-4370
Fax No. : (033) 338-4369

JARO
Cor. E. Lopez and Seminario Sts.
Jaro, Iloilo City
Tel. Nos. : (033) 320-4074; 320-4076 to 77
Fax No. : (033) 320-4075

KABANKALAN CITY
Guanzon St., Kabankalan City
Negros Occidental
Tel. Nos. : (034) 471-2316; 471-2516
Fax No. : (034) 471-2516

KALIBO
Roxas Ave., Kalibo, Aklan
Tel. No. : (036) 268-5108
Fax No. : (036) 262-3474

MACTAN (MEPZ)
RCBC Bldg., Mactan Export Processing
Zone Cmpd., Mactan, Lapu-Lapu City
Tel. Nos. : (032) 340-1853; 340-1726; 340-2955; 340-0750; 340-1282; 340-0737
Fax No. : (032) 340-0737

MEPZ EXTENSION OFFICER
RCBC Bldg., cor. Calle Moriones and
Kadaugan Ave., Pueblo Verde Complex
Mactan Ecozone 2, Basak, Lapu-Lapu City
Tel. Nos. : (032) 340-6895; 340-1686; 340-5421; 340-1685
Fax No. : (032) 340-5422

MANALILI
Tan Sucheng Bldg. V. Gullas St.
(former Manalili St.) Cebu City
Tel. Nos. : (032) 412-3441; 412-3442
Fax No. : (032) 255-2050

MANDAUE CITY
AC Cortes Ave., Ibabao, Mandaue City
Tel. Nos. : (032) 346-1283; 346-0025; 346-1727
Fax No. : (032) 346-0948

NORTH RECLAMATION AREA
CIFC Tower, cor. JL Briones St. and J. Luna Ave.
North Reclamation Area, Cebu City
Tel. Nos. : (032) 231-7044 to 45; 231-9975
Fax No. : (032) 231-7042

ORMOC CITY
Cor. Real and Carlos Tan Sts., Ormoc City
Tel. Nos. : (053) 255-3292; 255-3454; 255-4225
Fax No. : (053) 255-4225

ROXAS CITY
Plaridel St. (TATC), Roxas City
Tel. Nos. : (036) 621-1104; 621-1210; 621-3681
Fax No. : (036) 621-1104

SAN CARLOS CITY
Laguda Bldg., Locsin St., San Carlos City
Tel. Nos. : (034) 312-5141; 729-8605
Fax No. : (034) 312-5142

SARA
RCBC Bldg., Don Victorino Salcedo St.
Sara, Iloilo
Tel. Nos. : (033) 392-0156; 392-0172
Fax No. : (033) 392-0172

SILAY CITY
Cor. Rizal and Burgos Sts., Silay City
Tel. Nos. : (034) 495-1989; 495-1991; 495-0505
Fax No. : (034) 495-1990

TABO-AN
Cor. Lakandula and C. Padilla Sts., Cebu City
Tel. Nos. : (032) 261-6061; 261-7213
Fax No. : (032) 261-6062

TACLOBAN CITY
RCBC Savings Bank Bldg. cor. Zamora and
Sto. Nino Sts., Tacloban City
Tel. Nos. : (053) 321-2892; 321-2917; 325-7326; 325-5058
Fax No. : (053) 198-0825

TAGBILARAN CITY
RCBC Bldg., CPG Ave., Tagbilaran City
Tel. Nos. : (038) 411-3583; 411-3555; 235-3043; 411-5874; 501-7536
Fax No. : (038) 411-3583

TOLEDO CITY
G/F Toledo Commercial Village Bldg.
Rafols St., Poblacion, Toledo City, Cebu
Tel. Nos. : (032) 322-53-00, 322-5301
Fax No. : (032) 322-5301

MINDANAO

BUTUAN CITY
Dy Esteban Bldg II, Ester Luna St., Butuan City
Tel. Nos. : (085) 341-5267; 8151354
Fax No. : (085) 341-9093

CAGAYAN DE ORO CITY
Cor. A. Velez and J.R. Borja Sts.
Cagayan de Oro City
Tel. Nos. : (088) 856-8888; (08822) 725-364, (08822) 727-964
Fax No. : (088) 856-8888

COGON
Simplex Bldg., Osmena St.
Cagayan de Oro City
Tel. Nos. : (08822) 726-754, (088) 856-2888; (088) 857-1888
Fax No. : (08822) 725-863

COTABATO CITY
Elena V. Co Bldg., Don Rufino Alonzo St.
Cotabato City
Tel. Nos. : (064) 421-3565; 421-3585
Fax No. : (064) 421-3575

DADIANGAS
Pioneer Ave., Gen. Santos City
Tel. Nos. : (083) 552-5469 to 70; 552-4634; 553-5010; 552-4603
Fax No. : (083) 301-0096

DAMOSA GATEWAY
Damosa Gateway Commercial Complex
cor. JP Laurel Ave. and Mamay Rd.
Lanang, Davao City
Tel. Nos. : (082) 234-7019
Fax No. : (082) 234-7002

DAVAO CITY
RCBC Bldg., cor. C.M. Recto Ave.
and Palma Gil St., Davao City
Tel. No. : (082) 222-7900
Fax No. : (082) 221-6034

DIGOS CITY
RCBC Bldg cor. J. P. Rizal Ave. and
M.L. Roxas St., Digos City, Davao del Sur
Tel. Nos. : (082) 553-2560; 553-2319
Fax No. : (082) 553-2319

DIPOLOG CITY
Cor. Gen. Luna and Balintawak Sts.
Dipolog City
Tel. Nos. : (065) 212-2543; 212-6479
Fax No. : (065) 212-2542

DOLE EXTENSION OFFICE
Dole Philippines Cmpd., Polomolok
South Cotabato
Tel. No. : (083) 500-2643
Fax No. : (045) 500-2643

ILIGAN CITY
Lanao Fil-Chinese Chamber of
Commerce Inc. Bldg., cor. Quezon Ave. and
B. Labao St., Iligan City
Tel. Nos. : (063) 221-5449; 221-5443; 223-8333; 221-3006
Fax No. : (063) 221-3006

ILUSTRE
Cor. V. Ilustre and San Pedro Sts., Davao City
Tel. Nos. : (082) 221-4910 to 12; 221-4909; 300-4288 to 89
Fax No. : (082) 300-4288

IPIL
National Highway, Ipil, Zamboanga Sibugay
Tel. Nos. : (062) 333-2254; 333-2257
Fax No. : (062) 333-2257

ISULAN
Cor. National Highway and Lebak Rd.
Isulan, Sultan Kudarat
Tel. Nos. : (064) 201-3867; 471-0233
Fax No. : (064) 471-0233

GENERAL SANTOS
Stall No. 7 & 8 Safii Mall, J. Catolico, Sr. Ave.
Lagao, General Santos City
Tel. Nos. : (083) 553-8880, 553-8883
Fax No. : (083) 3013473

KIDAPAWAN
KMCC Bldg. Davao St., Quezon Blvd.
Kidapawan City, North Cotabato
Tel. Nos. : (064) 288-1572 to 73; 450-0108
Fax No. : (064) 450-0159

LAPASAN
Lapasan Highway, Lapasan, Cagayan de Oro City
Tel. Nos. : (08822) 728-447; 722-449; (088) 856-1888
Fax Nos. : (08822) 722-448; (088) 856-3888

MARBEL
Cor. Gen. Santos Drive and Roxas Sts.
Koronadal City, South Cotabato
Tel. Nos. : (083) 2282-331 to 33, 2289852
Fax No. : (083) 2282-333

NCCC Mall Davao
Crossing McArthur Highway and Ma-a Road
Matina, Dvao City
Tel. Nos. : (082) 297-1247; 299-3974; 299-3976
Fax No. : (082) 299-3976

OZAMIS CITY
Cor. Don Anselmo Bernad Ave. and
Mabini St., Ozamis City
Tel. Nos. : (088) 521-1311 to 12; 521-1559
Fax No. : (088) 521-1559

PAGADIAN CITY
RCBC Bldg., Rizal Ave., Pagadian City
Tel. Nos. : (062) 214-1773; 214-1781; 214-1271
Fax No. : (062) 214-1781

PANABO
Gaisano Panabo Grand Mall, Quezon St.
Panabo City, Davao del Norte
Tel. Nos. : (084) 822-1192; 822-1320
Fax No. : (084) 822-1192

POLOMOLOK
B-French St., Polomolok, South Cotabato
Tel. Nos. : (083) 500-9161; 2252148 to 49
Fax No. : (083) 382-1235

STA. ANA
Cor. Monteverde and Sales Sts.
Sta. Ana, Davao City
Tel. Nos. : (082) 221-1794; 221-1950; 221-2160
Fax No. : (082) 221-1795

SURALLAH
Allah Valley Drive, Surallah, South Cotabato
Tel. Nos. : (083) 238-3250; 238-3017
Fax No. : (083) 238-3018

SURIGAO
Cor. San Nicolas and Burgos Sts., Surigao City
Tel. Nos. : (086) 231-7266; 826-0232; 826-1288
Fax No. : (086) 826-4034

TACURONG
G/F Hilario Bldg., cor. National Highway and
Bonifacio St., Tacurong City, Sultan Kudarat
Tel. Nos. : (064) 200-3189; 200-3440; 200-3442
Fax No. : (064) 477-0250

TAGUM
RCBC Bldg., cor. Pioneer Ave. and Quirante II St.
Tagum City, Davao del Norte
Tel. Nos. : (084) 217-3272; 217-3247; 218-2351; 400-3113
Fax No. : (084) 400-1006

TANDAG
Pimentel Bldg., Donasco St., Tandag
Surigao Del Sur
Tel. Nos. : (086) 211-3059; 211-3065 to 66
Fax No. : (086) 211-3063

VALENCIA
Sayre National Highway, Valencia, Bukidnon
Tel. Nos. : (088) 828-2166 to 67; 222-2150 to 51
Fax No. : (088) 828-2166

VICTORIA PLAZA
Victoria Plaza, J.P. Laurel Ave., Davao City
Tel. Nos. : (082) 221-8580 to 83; 300-8984
Fax No. : (082) 221-8581

ZAMBOANGA CITY
Cor. Tomas Claudio and Barcelona Sts.
Zamboanga City
Tel. Nos. : (062) 991-0753 to 54; 991-2048
Fax No. : (062) 991-0754

ZAMBOANGA VETERANS
YPC Bldg. Veterans Ave., Zamboanga City
Tel. Nos. : (062) 990-1200; 990-1201
Fax No. : (062) 990-1201

RCBC Savings Bank Branches

METRO MANILA

AMORANTO
509 N. cor. S. Amoranto Ave. and Sicaba St.
SMH, Quezon City
Tel. Nos. : 743-1962; 743-9130
Fax No. : 415-1992

ANONAS
69 cor. Anonas and Chico Sts.
Project 2, Quezon City
Tel. Nos. : 9289742; 925-1319 to 20
Fax No. : 928-9762

AYALA ALABANG
Sycamore Bldg., cor. Buencamino St.
Alabang, Muntinlupa City
Tel. Nos. : 850-9712; 850-8825 to 26
Fax No. : 807-0230

AYALA AVE.
G/F Jaka Bldg., 6780 Ayala Ave., Makati City
Tel. Nos. : 893-7266 to 67; 812-4065 to 66; 8133602
Fax No. : 8937265

BACLARAN
Cor. Quirino Ave. and Aragon St., Baclaran, Parañaque City
Tel. Nos. : 551-1593; 853-9692 to 93
Fax No. : 853-9692

BARANGKA
84 A. Bonifacio Ave., Riverbanks Center, Marikina City
Tel. Nos. : 997-8456; 9975442; 948-1093
Fax No. : 941-3244

BETTER LIVING
Doña Soledad St., Better Living Subd.
Bicutan, Parañaque City
Tel. Nos. : 824-0176; 823-9232
Fax No. : 824-0175

BINONDO
G/F Unit 106, Tytana Plaza, Oriente St.
Binondo, Manila
Tel. Nos. : 243-5079; 243-6231
Fax No. : 243-2534

BLUMENTRITT
Cor. Blumentritt and Andrade Sts., Sta. Cruz, Manila
Tel. No. : 781-8342
Fax No. : 749-2902

C.M. RECTO
1813 G/F PCHS Bldg., CM Recto Ave.
Sta. Cruz, Manila
Tel. Nos. : 735-3316; 734-1404
Fax No. : 736-0304

CAMARIN
Susano Rd., Camarin, Novaliches, Quezon City
Tel. Nos. : 961-4150; 961-7239; 939-9783
Fax No. : 961-7239

COMMONWEALTH
Lot 43, Block 3, Commonwealth Ave.
Old Balara, Quezon City
Tel. Nos. : 9314404 / 9310718
Fax No. : 434-3965

DIVISORIA MALL
Unit 1717 A, Divisoria Mall, cor. Sto. Cristo and
Commercio Sts., Binondo, Manila
Tel. Nos. : 243-7081; 243-8505
Fax No : 245-7585

E. RODRIGUEZ
444 cor. E. Rodriguez Sr. Blvd. and Jacinto St.
Quezon City
Tel. Nos. : 743-1953; 743-1959; 743-1965
Fax No. : 732-8358

EDSA-PASAY
527 EDSA, Pasay City
Tel. Nos. : 887-5677 to 78
Fax No. : 887-5679

ERMITA
Mabini St., Ermita, Manila
Tel. Nos. : 526-7988; 526-7990
Fax No. : 526-1315

FELIX AVENUE
Karangalan Village Phase II, Felix Ave., Cainta, Rizal
Tel. Nos. : 681-4845; 681-7565
Fax No. : 681-4845

FORT BONIFACIO
Unit 152, MC Home Depot, cor. 32nd St. and
Bonifacio Blvd., Global City, Taguig City
Tel. Nos. : 816-3938; 816-3930
Fax No. : 815-6377

J.P. RIZAL
Cor. J. P. Rizal and Makati Ave., Makati City
Tel. Nos. : 899-7537; 899-7551
Fax No. : 899-7489

KALENTONG
49 C & D Arañez Bldg., Kalentong, Sta. Ana, Manila
Tel. No. : 533-4420
Fax No. : 533-6590

KAPITOLYO
615 Shaw Blvd., Kapitolyo, Pasig City
Tel. Nos. : 635-5437; 631-8178 to 79
Fax No. : 635-5760

KATIPUNAN
G/F Torres Bldg., 321 Katipunan Ave.
Loyola Heights, Quezon City
Tel. Nos. : 929-8469; 929-8418
Fax No. : 929-8604

LA HUERTA
Bgy. La Huerta, Quirino Ave., Parañaque City
Tel. Nos. : 829-6022 to 23; 8255850
Fax No. : 829-6022

LAGRO
Km. 22 Quirino Highway, Lagro
Novaliches, Quezon City
Tel. Nos. : 417-8997; 936-0158; 461-5070
Fax No. : 417-8996

LAS PIÑAS
Manuela Bldg. 1, Alabang Zapote Rd., Las Piñas City
Tel. Nos. : 874-5340; 872-4655
Fax No. : 874-5341

MANUELA-EDSA
444 cor. EDSA and Shaw Blvd., Mandaluyong City
Tel. Nos. : 726-5424; 718-2491; 718-2492
Fax No. : 724-3547

MARULAS
McArthur Highway, Marulas, Valenzuela City
Tel. Nos. : 277-7592; 293-9408 to 09
Fax No. : 277-7592

METROPOLIS
Unit 6533 (GF116) G/F Metropolis Star Mall
South Superhighway, Alabang, Muntinlupa City
Tel. Nos. : 809-8568; 809-8620
Fax No. : 809-8604

MUNTINLUPA
National Highway, Muntinlupa City
Tel. No. : 862-0034
Fax No. : 862-0035

N. DOMINGO
Cor N. Domingo and Araneta Ave.
San Juan, Metro Manila
Tel. Nos. : 723-8859; 727-2929
Fax No. : 727-4074

NAVOTAS
Cor. Estrella and Yangco Sts., Navotas East, Metro Manila
Tel. Nos. : 282-0338; 2824392; 283-0820
Fax No. : 282-0338

NOVALICHES
917 Barrio Gulod, Quirino Highway, Novaliches
Tel. Nos. : 936-8811; 418-0213
Fax No. : 937-1326

ORTIGAS EXTENSION
Ortigas Ave. Extn., Pasig City
Tel. Nos. : 656-1329; 656-1956
Fax No. : 655-0886

PACIFIC PLACE
Pacific Place Condominium, Pearl Drive
Ortigas Center, Pasig City
Tel. Nos. : 633-9848; 636-6617
Fax No. : 634-1563

P. TUAZON
Cor. P. Tuazon and 12th Ave., Cubao, Quezon City
Tel Nos. : 437-0460; 913-3112; 913-3118
Fax No. : 912-0760

PASAY
2350 cor. Taft Ave. and Libertad St., Pasay City
Tel Nos. : 833-8925; 831-3418
Fax No. : 804-0333

PASIG TOWN
Dr. Sixto Antonio Ave., Kapasigan, Pasig City
Tel Nos. : 640-0972; 641-0798
Fax No. : 641-0783

PASONG TAMO
G/F Matrinco Bldg., 2178 Pasong Tamo, Makati City
Tel Nos. : 840-5224; 840-5226
Fax No. : 815-1186

PATEROS
M. Almeda St., Bo. San Roque, Pateros, Metro Manila
Tel Nos. : 641-9081; 641-6201
Fax No. : 547-3381

SAN JOAQUIN
Concepcion St., San Joaquin, Pasig City
Tel Nos. : 640-0154 to 55
Fax No. : 640-0157

SAN ROQUE
J. P. Rizal St., San Roque, Marikina City
Tel Nos. : 681-2489; 646-2131
Fax No. : 681-2490

SANGANDAAN
Cor. A. Mabini and Plaridel Sts.
Poblacion, Caloocan City
Tel Nos. : 288-8238; 288-7723; 285-0061
Fax No. : 288-7723

STA. MESA
4463 Old Sta. Mesa, Manila
Tel Nos. : 716-0631; 716-0653
Fax No. : 716-0685

SUCAT
Vira Mall, Dr. A. Santos Ave., San Dionisio
Parañaque City
Tel Nos. : 828-8238; 828-8236
Fax No. : 828-6726

TAFT REMEDIOS
1932 Taft Ave., Malate, Manila
Tel Nos. : 536-6510 to 11
Fax No. : 526-6994

TIMOG
88 Picture City Center, Timog Ave., Quezon City
Tel Nos. : 929-1260; 410-7126; 929-1254
Fax No. : 410-4344

TOMAS MORATO
169 cor. Tomas Morato and
Scout Castor Sts., Quezon City
Tel Nos. : 413-1134; 928-5759; 374-0744
Fax No. : 413-1134

VISAYAS AVENUE
6 Visayas Ave., Tandang Sora, Quezon City
Tel Nos. : 9248006; 929-8962; 455-5307
Fax No. : 455-5308

LUZON

ALAMINOS
G/F Ditas Bldg., Quezon Ave., Alaminos, Pangasinan
Tel Nos. : (075) 551-5724 to 25
Fax No. : (075) 551-2587

AMPID
122 Gen. Luna St., Ampid, San Mateo, Rizal
Tel Nos. : 997-5216; 997-3761
Fax No. : 998-2799

ANGELES
810 Henson St., Lourdes Northwest, Angeles City
Tel Nos. : (045) 625-9363; 625-9395

ANGONO
Quezon Ave., Angono, Rizal
Tel No. : 651-0731
Fax No. : 651-0730

ANTIPOLO-TAYTAY
Palmera Hills 300, Ortigas Extn., Bgy. Dolores
Antipolo, Rizal
Tel Nos. : 660-3855; 660-3858
Fax No. : 660-3854

APALIT
National Rd., San Vicente Apalit, Pampanga
Tel Nos. : (045) 302-6276; 879-0095
Fax No. : (045) 302-6275

BACOOR
Aguinaldo Highway, Bacoor, Cavite
Tel Nos. : 529-8965; (046) 471-3670; 471-7131
Fax No. : (046) 970-2898

BAGUIO CITY
G/F Jupiter Bldg. A. Bonifacio St., Baguio City
Tel Nos. : (074) 444-2362; 444-2366; 304-3856
Fax No. : (074) 444-2368

BATANGAS CITY
Diego Silang St., Bgy. 15, Batangas City
Tel Nos. : (043) 723-1229; 723-2394; 300-1221
Fax No. : (043) 723-6381

BINAKAYAN
Aguinaldo Highway, Binakayan, Kawit, Cavite
Tel Nos. : 529-8728; (046) 434-3382; 434-3060
Fax No. : (046) 404-3060

BIÑAN
126 A. Bonifacio St., Poblacion, Biñan, Laguna
Tel Nos. : (049) 411-7829; 429-4833
Fax No. : (049) 511-9826

BINANGONAN
Cor. M. L. Quezon and Zamora Sts., Binangonan, Rizal
Tel Nos. : 652-1177; 673-3725 to 26; 652-5506
Fax No. : 652-0082

BOCAUE
249 Biñang 2, McArthur Highway, Bocaue, Bulacan
Tel Nos. : (044) 692-4743; 692-4501; 692-0053
Fax No. : (044) 920-1081

CABANATUAN
Cor. McArthur Highway and Paco Roman St.
Cabanatuan City
Tel Nos. : (044) 463-8640; 463-8777
Fax No. : (044) 463-8641

CABUYAO
Cor. J.P. Rizal Ave., and Del Pilar St.
Cabuyao, Laguna
Tel Nos. : 520-8920; (049) 531-2021; 531-4790 to 91
Fax No. : (049) 531-4215

CALAMBA
National Rd., Calamba, Laguna
Tel Nos. : 520-8825; (049) 545-6031; 545-6033 to 34
Fax No. : 520-8825

CANDON
Bgy. San Jose, National Highway
Candon, Ilocos Sur
Tel. No. : (077) 644-0102
Fax No. : (077) 742-5775

DAGUPAN
Cor. Perez Blvd. and Zamora St., Dagupan City
Tel. No. : (075) 515-5125
Fax No. : (075) 614-3809

DASMARIÑAS
Aguinaldo Highway, San Agustin
Dasmariñas, Cavite
Tel. Nos. : 529-8119; (046) 973-0573; 416-0351
Fax No. : (046) 973-0573

G.M.A.
Blk 2, Lot 10 GMA, Cavite
Tel. Nos. : 520-8710; (046) 972-0251; 890-2672
Fax No. : (046) 520-8710

GEN. TRIAS
59 Gov. Luis Ferrer Ave., Bgy. Malabon
Gen. Trias, Cavite
Tel. Nos. : (046) 437-7348; 437-7570 to 71
Fax No. : (046) 437-7570

IMUS
Nuevo Tansang Luma, Imus, Cavite
Tel. Nos. : 429-4001; (046) 471-4097; 471-4197
Fax No. : (046) 471-3989

LEMERY
Ilustre Ave., Bgy. District 3, Lemery, Batangas
Tel. No. : (043) 411-0901
Fax No. : (043) 411-0911

LINGAYEN
Columban Plaza Bldg., Avenida Rizal St.
Poblacion, Lingayen, Pangasinan
Tel. Nos. : (075) 542-3142; 542-3840
Fax No. : (075) 542-3113

LIPA
11-B Morada Ave., Lipa City
Tel. Nos. : (043) 756-6357; 756-6359
Fax No. : (043) 756-6358

LUCENA
Lot 2983 Quezon Ave., Lucena City
Tel. Nos. : (042) 373-3590
Fax No. : (042) 373-1537

MALOLOS
Paseo del Congreso, Malolos, Bulacan
Tel. Nos. : (044) 791-5989; 662-5004
Fax No. : (044) 791-7909

MASINAG
Sumulong Highway, Masinag, Antipolo, Rizal
Tel. Nos. : 645-1969; 682-4906
Fax No. : 645-5575

MEYCAUAYAN
831 McArthur Highway, Meycauayan, Bulacan
Tel. Nos. : (044) 228-2241; (044) 935-2614

MOLINO
G/F RFC Molino Mall, Molino Rd.
Molino II, Bacoor, Cavite
Tel. Nos. : 529-8967; (046) 477-2278
Fax No. : (046) 477-1864

MONTALBAN
Cor. Jose Rizal and Linco Sts.
Montalban, Rizal
Tel. Nos. : 948-1385 to 87
Fax No. : 948-1385

MORONG
Tomas Claudio St., Bgy. San Juan
Morong, Rizal
Tel. Nos. : 653-0288; 691-5245
Fax No. : 653-0289

NAGA
General Luna St., Naga City
Camarines Sur
Tel. Nos. : (054) 811-3588; 472-5588; 473-7788
Fax No. : (054) 473-7788

NAIC
Capt. Nazareno St., Naic, Cavite
Tel. Nos. : (046) 507-0183; 507-0697
Fax No. : (046) 412-0391

NOVELETA
Poblacion, Noveleta, Cavite
(beside Nuguid Appliance Ctr.)
Tel. Nos. : (046) 438-1056; 438-2572
Fax No. : (046) 438-2571

PLARIDEL
Cagayan Valley Rd., Banga I
Plaridel, Bulacan
Tel. Nos. : (044) 795-0688; 670-2289
Fax No. : (044) 795-0688

SAN JOSE, BATANGAS
Cor. Camaco Bldg and JA de Villa St.
Poblacion 3 Macalintal Ave.
San Jose, Batangas City
Tel. Nos. : (043) 726-0053 to 54
Fax No. : (043) 726-0052

SAN MATEO
Gen. Luna St., Gitnang Bayan
San Mateo, Rizal
Tel. Nos. : 941-2149; 942-6969; 941-2087
Fax No. : 941-6388

SAN PEDRO
National Highway, Landayan
San Pedro, Laguna
Tel. Nos. : 808-4587; 808-4608
Fax No. : 847-4897

SAN FERNANDO, PAMPANGA
G/F Queensland Bldg., McArthur Highway
Dolores, San Fernando, Pampanga
Tel. Nos. : (045) 961-7614; 961-7615
Fax No. : (045) 860-6749

STA. ROSA
Cor. J.Rizal Blvd. and Perlas Vil.
Bgy.Tagapo, Sta.Rosa, Laguna
Tel. Nos. : 520-8190; (049) 534-3206 to 08
Fax No. : (049) 534-3207

TANAY
Cor. M. H. del Pilar and J. P. Laurel
Tanay, Rizal
Tel. Nos. : 693-1267 to 68; 654-3126
Fax No. : 654-1077

TANUAN
FLD Commercial Center, 45 A. Mabini Ave.
Bgy. 2, Tanauan City, Batangas
Tel. Nos. : (043) 778-3700; 778-3800
Fax No. : (043) 778-3600

TANZA
Sta. Cruz, Tanza, Cavite
Tel. Nos. : (046) 437-7614; 437-7715; 437-7081
Fax No. : (046) 437-7614

TARLAC
McArthur Highway, Blossomville Subd.
Bgy. Sto. Cristo, Tarlac City
Tel. Nos. : (045) 982-9133; 982-3700
Fax No. : (045) 982-3760

TRECE MARTIREZ
Bgy. San Agustin
Trece Martirez, Cavite
Tel. Nos. : (046) 419-2602; 419-2671
Fax No. : (046) 419-0344

URDANETA
McArthur Highway, Urdaneta City
Pangasinan
Tel. Nos. : (075) 568-4941; 624-2241
Fax No. : (075) 624-2747

VIGAN
Unit PMA 1, Plaza Maestro, G/F Annex Bldg. 1
Vigan City, Ilocos Sur
Tel. Nos. : (077) 632-0221; 722-6512
Fax No. : (077) 722-6512

VISAYAS

BASAK, MANDAUE
Cebu North Rd., Highway Basak
Mandaue City
Tel. No. : (032) 344-8155
Fax No. : (032) 345-0457

DUMAGUETE
Cor. Real and San Juan Sts.
Dumaguete City
Tel. Nos. : (035) 225-6848; 422-8452
Fax No. : (035) 225-1177

ESCARIO, CEBU
N. Escario St., Capitol Site, Cebu City
Tel. Nos. : (032) 255-6404; 412-6943
Fax No. : (032) 255-6403

JALANDONI, ILOILO
Jalandoni St., San Agustin, Iloilo City
Tel. Nos. : (033) 338-0212; 337-4785
Fax No. : (033) 338-2065

LA PAZ, ILOILO
Calle Luna, Brgy. Bantud
La Paz, Iloilo City
Tel. Nos. : (033) 329-1201 to 04
Fax No. : (033) 329-1203

LACSON, BACOLOD
Lacson St., Mandalagan, Bacolod City
Tel. Nos. : (034) 434-4689 to 91; 709-8101
Fax No. : (034) 433-0837

MAASIN, LEYTE
Abgao St., Maasin, Southern Leyte
Tel. Nos. : (053) 381-3855; 381-3855
Fax No. : (053) 381-3854

MANDAUE, CEBU
Mandaue, Cebu City
Tel. Nos. : (032) 345-8063 to 66
Fax No. : (032) 345-8064

P. DEL ROSARIO, CEBU
P. del Rosario St., Bo. Sambag
Cebu City
Tel. Nos. : (032) 255-6182; 255-6702
Fax No. : (032) 255-6704

SAN JUAN, BACOLOD
78 San Juan St., Bacolod City
Tel. Nos. : (034) 432-1543 to 45
Fax No. : (034) 432-1544

TAGBILARAN
Cor. H. Grupo St. and CPG Ave.
Tagbilaran City
Tel. Nos. : (038) 412-0084 to 85
Fax No. : (038) 412-0085

TALAMBAN, CEBU
G/F & 2/F Midel Bldg., Talamban Proper
Talamban, Cebu City
Tel. Nos. : (032) 343-7992 to 93
Fax No. : (032) 343-7994

TALISAY
South Rd., Bulacao, Talisay City
Tel. Nos. : (032) 272-2833; 272-2701; 272-2837
Fax No. : (032) 272-2837

MINDANAO

BOLTON, DAVAO
Bolton St., Davao City
Tel. Nos. : (082) 222-4428 to 29
Fax No. : (082) 222-4430

CARMEN, CDO
Fabe Bldg., cor. Waling-Waling and Ferrabel Sts.
Carmen, Cagayan de Oro
Tel. Nos. : (088) 858-5793; 858-6248
Fax No. : (088) 858-6248

GEN. SANTOS
Pioneer Ave., Gen. Santos City
Tel. Nos. : (083) 553-8196; 553-8199
Fax No. : (083) 553-8197

ILUSTRE, DAVAO
Ilustre Extn., Davao City
Tel. Nos. : (082) 222-2801; 222-2804
Fax No. : (082) 222-2805

MONTEVERDE, DAVAO
Veterans Bldg., Tomas Monteverde Ave.
Davao City
Tel. Nos. : (082) 222-0115; 227-0858; 221-9590
Fax No. : (082) 221-7928

VELEZ, CDO
Velez St., Cagayan de Oro
Tel. Nos. : (088) 856-2460 to 61
Fax No. : (088) 856-2461

RCBC Subsidiaries and Associates*

DOMESTIC

BANKARD, INC.
31/F Robinsons Equitable Tower
4 ADB Ave., cor. Poveda St.
Ortigas Center, Pasig City
Tel. Nos. : (632) 688-1888; 688-1701
PRESIDENT & CEO: OSCAR B. BIASON

MERCHANTS BANK
117 Tordesillas St., Salcedo Village
Makati City 1227
Tel. Nos. : (632) 894-9000 loc 1130
PRESIDENT: JOHN THOMAS G. DEVERAS

RCBC CAPITAL CORPORATION
7/F Yuchengco Tower, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. Nos. : (632) 894-9000; 845-3403; 845-3440
Fax No. : (632) 845-3457
PRESIDENT & CEO: RAUL M. LEOPANDO

RCBC Securities, Inc.
7/F Yuchengco Tower, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. Nos. : (632) 889-6931 to 35
Fax Nos. : (632) 889-7642; 889-7643
FVP & GENERAL MANAGER: JEROME A. TAN

RCBC FOREX BROKERS CORPORATION
8/F, Yuchengco Tower, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. Nos. : (632) 894-9902; 894-9971; 878-3380 to 81
Fax No. : (632) 894-9080
PRESIDENT & CEO: MA. CRISTINA S. ROSALES

RCBC SAVINGS BANK
G/F, Pacific Place Bldg.
Pearl Drive, Ortigas Center, Pasig City
Tel. Nos. : (632) 634-7008; 687-5430
PRESIDENT & CEO: LOPE M. FERNANDEZ, JR.

GREAT LIFE FINANCIAL ASSURANCE CORPORATION
21/F, Tower 2, RCBC Plaza
6819 Ayala Ave., Makati City
Tel. No. : (632) 753-2151
Fax Nos. : (632) 753-2161; 845-3945
PRESIDENT & CEO: EDGARDO S. FRANCO

HONDA CARS PHILIPPINES, INC.*
105 South Main Ave., Laguna Technopark
Sta. Rosa, Laguna
Tel. Nos. : Makati Line (632) 857-7200
Laguna Line (049) 541-1411 to 19
Fax No. : (632) 857-7260
PRESIDENT: HIROSHI SHIMIZU

LUISITA INDUSTRIAL PARK CORPORATION*
48/F Yuchengco Tower, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. Nos. : (632) 844-8292; 894-9000 locals 2366; 2367
Fax No. : (632) 843-1666
PRESIDENT: RAMON BAGATSING, JR.

RCBC LAND, INC.*
48/F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel. No. : (632) 844-8292
Fax No. : (632) 843-1666
PRESIDENT: CESAR E. A. VIRATA

RCBC REALTY CORPORATION*
24/F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel. No. : (632) 887-4941
Fax No. : (632) 887-5147
c/o House of Investments
3/F Grepalife Bldg.
Sen. Gil Puyat Ave., Makati City
Tel. Nos. : (632) 815-9636 to 38
Fax No. : (632) 843-4694
PRESIDENT: PERRY Y. UY

SUBIC POWER CORPORATION*
c/o AEI Investments, Inc.
3/F Corinthian Plaza, 121 Paseo de Roxas
Legaspi Village, Makati City
Tel. Nos. : (632) 810-4631 to 34
Fax No. : (632) 811-3185
PRESIDENT: MANUEL P. GALLEGO

YGC CORPORATE SERVICES, INC.*
5/F Grepalife Bldg.
221 Sen. Gil Puyat Ave., Makati City
Tel. No. : (632) 894-5555
Fax No. : (632) 894-2923
PRESIDENT & CEO: HELEN Y. DEE

INTERNATIONAL

RCBC INTERNATIONAL FINANCE, LTD.
Unit B, 20/F, Lidong Bldg., 9 Liyuen St.
East Central, Hong Kong
Tel No. : (852) 2167-7400
Fax No. : (852) 2167-7422
MANAGING DIRECTOR: VICTOR B. BALDOZA

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GENERAL MANAGER: VICTOR B. BALDOZA

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Tsuen-Wan Branch
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MANAGING DIRECTOR: GUIA MARGARITA Y. SANTOS

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Products and Services

DEPOSITS
- *Peso Deposits*
  - Checking Accounts
  - Savings Accounts
  - Savings Accounts with
    Automatic Transfer (SWAT)
  - Time Deposits
- *Foreign Currency Deposits*
  - Savings Accounts
  - Time Deposits

PREPAID STORED VALUE CARDS
- *MyWallet Regular*
- *MyWallet Payroll*
- *MyWallet Co-brand*
- *MRT MyWallet (with 2DBAR Feature)*

ELECTRONIC BANKING CHANNELS
- *Automated Teller Machines*
- *Bills Payment Machines*
- *Internet Banking*
- *Phone Banking*
- *Mobile Banking via BancNet*
- *BancNet Online*
- *BancNet POS System*

REMITTANCE SERVICES
- *RCBC TeleMoney Products*
  - TeleCash Card
  - TeleCredit
  - TeleDoor-to-Door
  - TelePay
  - TeleRemit
- *Overseas Workers Remittances*

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

PAYMENT AND SETTLEMENT SERVICES
- *Check Clearing*
- *Domestic Letters of Credit*
- *Fund Transfers*
  - Collection Services
  - Cash Card
  - 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
- *Securities Settlement*

TREASURY AND GLOBAL MARKETS
- *Foreign Exchange*
  - Foreign Exchange Spot
  - Foreign Exchange Forwards
  - Foreign Exchange Swap
  - Structured Foreign Exchange Products
- *Fixed Income*
  - Peso Denominated Government
    - Securities and other Debt Instruments
      - Treasury Bills
      - Fixed RateTreasury Notes (FXTNs)
      - Retail Treasury Bonds (RTBs)
      - Local Government Units Bonds (LGUs)
      - Long Term Commercial Papers (LTCPs)
  - US$ Denominated Sovereign Bonds
      - Republic of Philippine (RoP) Bonds
  - Corporate Bonds and other Debt Instruments
- *Advisory Services*

TRUST SERVICES
- *Trusteeship*
  - Retirement Fund Management
  - Corporate and Institutional
  - Pre-Need Trust Fund Management
  - Employee Savings Plan
  - Crest Fund
  - Living Trust
  - Estate Planning
  - Mortgage/Collateral Trust
  - Bond Trusteeship
- *Agency*
  - Custodianship
  - Escrows
  - Investment Management
  - Loan and Paying Agency
  - Bond Registry and Paying Agency
  - Receiving Agency
  - Sinking Fund Management
  - Stock Transfer and Dividend Paying Agency
- *Unit Investment Trust Funds*
  - Rizal Dollar Bond Fund
  - Rizal Peso Money Market Fund
  - Rizal Dollar Money Market Fund
  - Rizal Equity Fund
  - Rizal Peso Bond Fund

CORPORATE CASH MANAGEMENT
- *Collection and Receivables Services*
  - Agent Collection
  - Bills Collection
  - Check Manager
- *Payment Management Services*
  - Employee Payments Service
  - Check Writer Facility
- *Electronic Banking Services*
  - Enterprise Banking Internet Facility
  - 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

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*

ANCILLARY SERVICES
- *Deposit Pick-up and Delivery*
- *Foreign Currency Conversions*
- *Foreign Trade Information*
- *Research (Economic and Investment)*
- *Safety Deposit Box*

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