Shining Moments

RCBC

A YGC Member

ANNUAL REPORT 2010

Vision

To be the most admired and trusted profitable financial services group providing and adapting to customers' changing needs - for every Filipino worldwide - through innovative products, excellent service 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.

Shining Moments

The Cover

Gold, the embodiment of wealth and good fortune, came to stand for RCBC's gleaming legacy in 2010 as we marked 50 remarkable years of service.

It was a time for looking back at the last half century we completed, appreciating all the moments that made us shine. Punctuating the milestone thanksgiving celebrations we hosted for our valued clients and business partners were standout quarterly performances that enabled us, in the end, to enjoy double-digit growth and substantial returns.

True wealth lies though, in our continuous commitment to serve the best interest of our customers. We put to heart our purpose of providing professional and personalized services that touch base with clients, corporations, and other members of the communities we serve. This sense of duty, above anything else, sets RCBC's 50 years of service in gold.

Together with all our valued clients, business partners, officers and employees, we will shine even brighter in the years to come.

Contents

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Financial Highlights

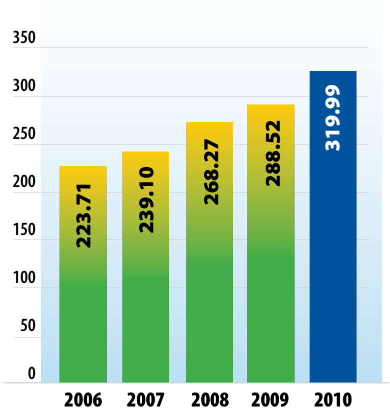
	2010	2009	2008
FOR THE YEAR (in million pesos except ratios)			
OPERATING EARNINGS	**19,294**	16,154	13,067
OPERATING EXPENSES	**10,895**	9,831	8,976
NET INCOME ATTRIBUTABLE TO			
PARENT BANK'S SHAREHOLDERS	**4,248**	3,328	2,154
RETURN ON AVERAGE CAPITAL FUNDS	**14.08 %**	11.95 %	7.40 %
RETURN ON AVERAGE ASSETS	**1.47 %**	1.24 %	0.87 %
NET INTEREST MARGIN	**4.55 %**	4.62 %	4.25 %
AT YEAR-END (in million pesos except no. of shares)			
TOTAL RESOURCES	**319,992**	288,516	268,270
INTEREST-EARNING ASSETS	**263,783**	242,147	219,746
LIQUID ASSETS[1/]	**130,184**	99,358	77,797
LOANS AND RECEIVABLES, NET	**163,982**	164,892	164,403
INVESTMENTS	**93,562**	69,784	51,105
DEPOSITS	**236,779**	220,278	196,227
NET WORTH	**32,440**	30,550	27,681
PAID-IN	**15,200**	15,200	16,060
SURPLUS, RESERVE	**11,887**	9,611	7,903
HYBRID PERPETUAL SECURITIES	**4,883**	4,883	4,883
OTHERS	**470**	855	(1,165)
NUMBER OF COMMON SHARES	**990,554,034**	990,550,835	962,843,035
PER SHARE OF COMMON STOCK			
NET EARNINGS[2/]			
BASIC	**4.06**	3.13	1.72
DILUTED	**4.06**	3.06	1.66
BOOK VALUE (DILUTED)	**29.26**	27.27	22.77
CAPITAL ADEQUACY RATIO (CAR)	**17.77 %**	18.47 %	17.30 %
NUMBER OF EMPLOYEES	**4,645**	4,409	4,121
NUMBER OF BRANCHES	**357**	338	324
NUMBER OF ATMS	**609**	471	380

1/- COCI, Due BSP, Due from other banks, FVPL, AFS, Interbank loans

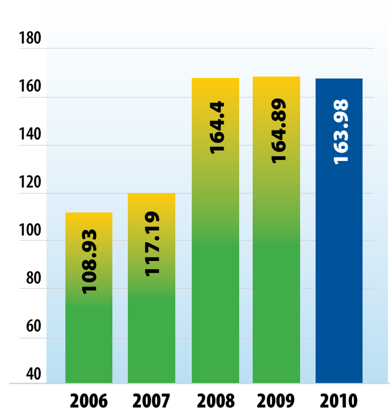
1960

Rizal Development Bank was the first private development bank in the province of Rizal.
The bank began its operations at the ground floor of "The House" at 141 Ayala Avenue.

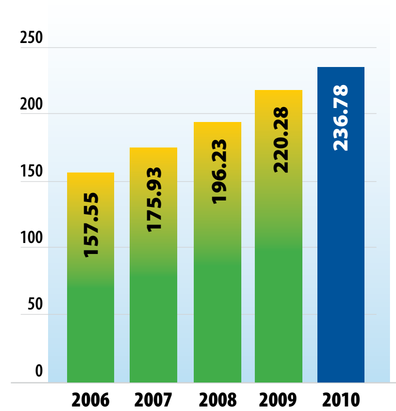
Total Resources
(IN BILLION PESOS)



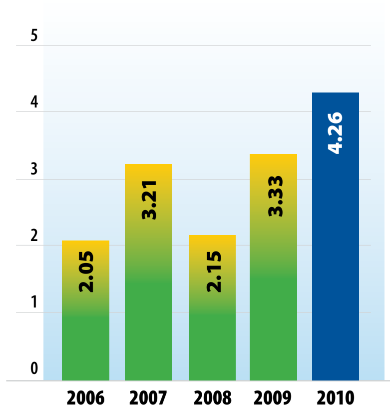
Net Loans
(IN BILLION PESOS)



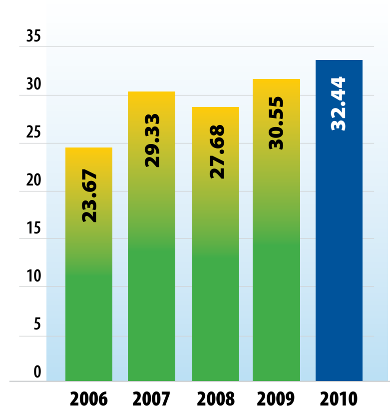
Total Deposits
(IN BILLION PESOS)



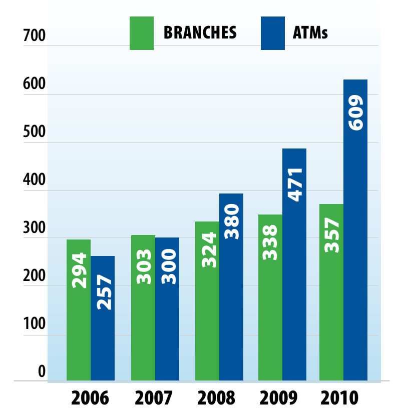
Net Income
(IN BILLION PESOS)



Capital
(IN BILLION PESOS)



Distribution Network
(BRANCHES & ATMs)



1963

Rizal Development Bank changed its status to a commercial bank and adopted the name Rizal Commercial Banking Corporation (RCBC).

Message from the Honorary Chairman

> We have reached our 50th year of service, but are ever mindful that this golden era is just a milestone that we mark on our way toward the greater, never-ending journey of serving the Filipino with excellence.

ALFONSO T. YUCHENGCO HONORARY CHAIRMAN, RCBC

For all of us at Rizal Commercial Banking Corporation, the year 2010 was definitely golden in more ways than one. It was the culmination of all our efforts to raise our standard of excellence and implement sound business strategies, achieving unprecedented levels of profitability. The year was also a commemoration of our five decades of innovation and growth, a half-century vantage point that allows us to gaze with pride in our past, and with faith in our future.

Since 1960, we at RCBC have remained loyal and steadfast to our founding principle: to provide for the Filipinos' changing financial needs, whether they be individual customers, as part of the community or as global citizens. This principle continues to guide us today, enabling us to approach the future from the strength of our sound and solid banking tradition. It lets us aspire not only for leadership in the financial services industry, but more importantly to generate superior value for our existing and future customers and shareholders. Our success and profitability are the hard-earned fruits of this principle and the values we uphold as part of the Yuchengco Group of Companies.

Indeed, we are blessed with an excellent executive team with the foresight and leadership skills to work significantly on our bank's progress. We also have a competent staff who understands that putting customers first is the primary duty, that profitability is an expected consequence of this duty, and that contributing to the betterment of our nation and our economy is our greatest honor.

We have reached our 50th year of service, but are ever mindful that this golden era is just a milestone that we mark on our way toward the greater, never-ending journey of serving the Filipino with excellence. I thank all of our clients, our partners and our shareholders for continuously staying with us on this journey.

AMBASSADOR ALFONSO T. YUCHENGCO
YGC Chairman and RCBC Honorary Chairman

Business Affiliations

AMBASSADOR ALFONSO T. YUCHENGCO

YGC Chairman and RCBC Honorary Chairman

GOVERNMENT POSITIONS

Under the Administration of President Gloria Macapagal Arroyo

- Presidential Adviser on Foreign Affairs with Cabinet Rank (January 19, 2004 – June 2010)
- 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

- Bachelor of Science in Commerce–Far Eastern University, Philippines – 1946
- Certified Public Accountant (CPA) - 1947
- Master of Science – Columbia University – 2007
- Pan Malayan Management and Investment Corporation (PMMIC) Chairman of the Board and Chief Executive Officer
- Rizal Commercial Banking Corporation Honorary Chairman of the Board
- 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
- Grepalife Financial Inc. Vice Chairman and Member of the Board
- Great Life Financial Assurance Corporation (formerly Nippon Life Insurance Company of the Philippines Inc.) Chairman of the Board
- House of Investments, Incorporated Member of the Board of Directors
- RCBC Realty Corporation Chairman of the Board
- RCBC Land Inc., Member of the Board of Directors
- 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
- University of Alabama Member, International Business Advisory Board
- Culverhouse College of Commerce & Business Administration
- University of San Francisco, (Mclaren School of Business), USA Trustee Emeritus
- 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 & Member of the Board of Governors
- 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.) – Philippine Women's University, Chairman of the Board of Trustees
- Philippines-Japan Society, Incorporated 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. (Philippine Opera Company) Honorary Chairman of the Board

GOVERNMENT AWARDS:

Philippine Legion of Honor
With the Degree of Grand Commander
Presented by President Gloria Macapagal-Arroyo, June 29, 2010

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

Lifetime Achievement Award
Asia Insurance Industry Awards
(October 17, 2010)

Philconsa Maharlika Award
Presented by the Philippine Constitution Association (2010)

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)

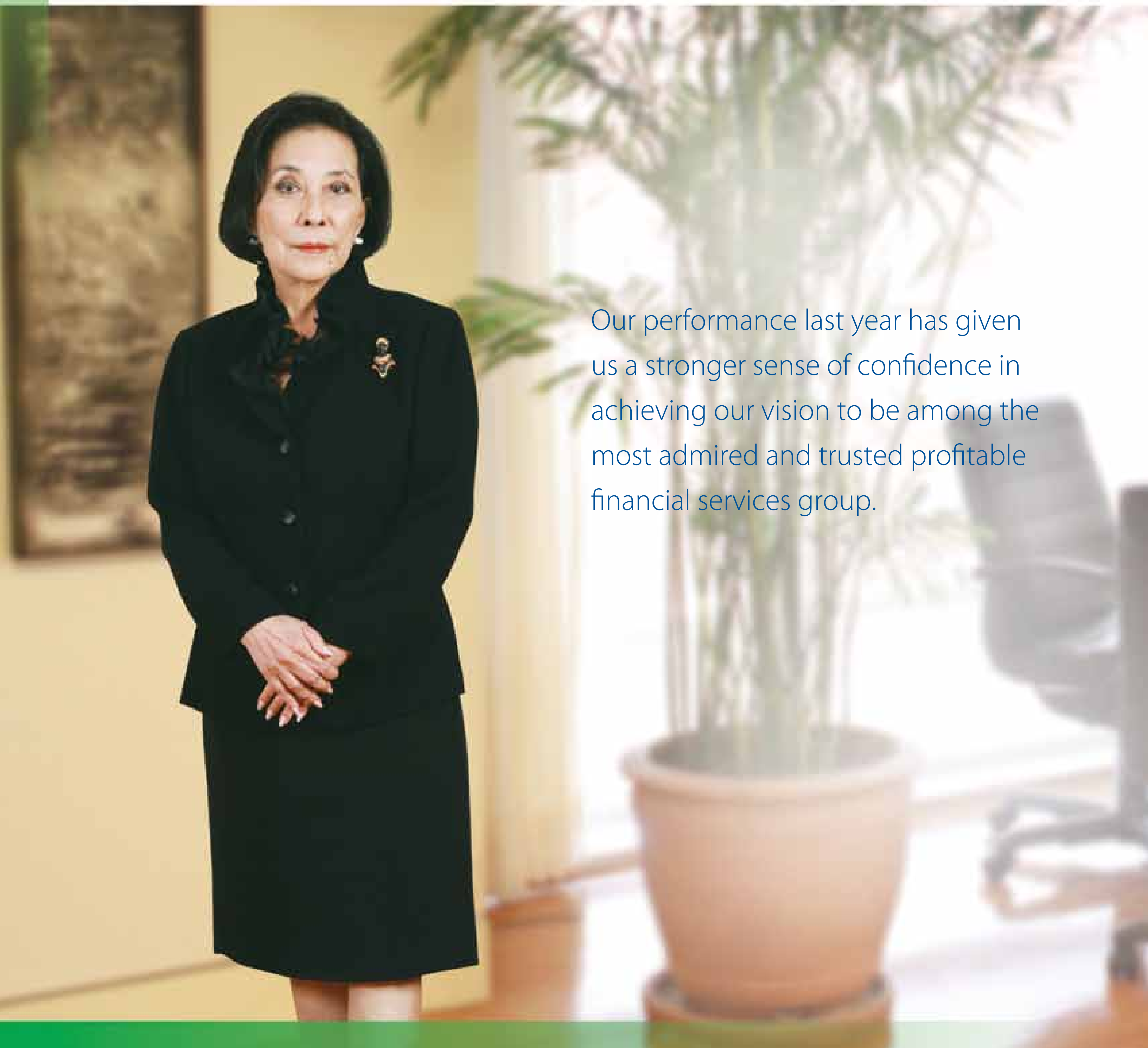
Presidential Medal of Merit
Far Eastern University (1978)

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)

Message from the Chairman



Our performance last year has given us a stronger sense of confidence in achieving our vision to be among the most admired and trusted profitable financial services group.

HELEN Y. DEE CHAIRMAN

The year in which we turned gold was indeed a bright period for RCBC as we posted a record net income of P4.25 billion, a solid 28 percent over P3.33 billion in 2009. This was the result of sustained growth in our key customer segments, in retail and corporate banking, small and medium enterprises, wealth management and treasury. We channeled our competitive advantages to enhance the success of our clients, and demonstrated once again our ability to deliver on our commitments.

Our performance last year has given us a stronger sense of confidence in achieving our vision to be among the most admired and trusted profitable financial services group. We continue to have a strong ability to take advantage of opportunities in the market, nurture a disciplined and determined management team, and possess an unwavering focus to provide quality service to our customers and our business partners, which we have done with excellence for the past 50 years.

Our record performance truly made our golden anniversary shine unlike any other moment in our history. As RCBC reached its 50th year during a time of hope for the nation, we also looked forward to more years of serving our clients better. This entails a greater sense of responsibility to sustain our positive momentum and work together for many more shining moments to come.

We must continuously improve our customer reach and convenience through the expansion of our branch and ATM network, by intensifying our investments in technology, particularly in electronic channels like mobile and internet banking, and by sustaining growth in our various profitability areas.

Through all the developments in our various operational spheres, we continue to be resilient, well capitalized and strongly entrenched among the top commercial banking institutions in the country. We continued to invest in the future of our clients even as we made our sincerest efforts to show our gratitude, letting them know that their success is our success.

As we go further in this journey, our corporate governance will continue to be strong and prudent, and we will commit ourselves to keep our balance sheet healthy. We will continue to be guided by our vision, and derive strength from the Core Values of the YGC.

A note of thanks to all the members of the RCBC team who are our most precious resource. Our achievements would not have been possible without your dedication, loyalty and hard work. You have demonstrated that the RCBC corps of officers and employees can and do deliver beyond expectations. To all of you, I give my deepest commendation. Likewise, I give my whole-hearted gratitude to our customers whose loyalty and support inspire us to do better; to our Board of Directors for constantly guiding us and supporting our endeavors; and to you our shareholders for your unwavering trust and confidence.

Helen Y. Dee
Chairman

1964

RCBC inaugurated its first branch in Binondo, Manila on July 1.

Message to our Stockholders

Now on its 50th year, RCBC continues to be one of the country's leading universal banks serving Filipinos worldwide.

LORENZO V. TAN PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear Shareholders,

On behalf of the Board of Directors and the Management Team, I am pleased to report RCBC's performance in 2010.

The Bank's performance in 2010, continued to be anchored on the Bank's strategy of growth, expansion and diversification, led by strong top management guidance. This was supported by the sustained focus on delivering quality customer service, innovation, and investments in people and technology. And as your bank took advantage of market opportunities, overall performance was balanced with prudent risk management.

The Bank's Net Income reached P4.25 billion in 2010, 27.6% higher than the previous year. While Net Interest Income grew by 6.0%, as we saw margins tighten in latter part of the year, Non-Interest Income grew by 42.9%, driven by Trading Gains, Service Fees and Commissions and Other Income. Return on Average Equity was at 14.08 percent, while Return on Average Assets was at 1.47 percent.

It was a year of building and strengthening. The Bank's financial position reflected the bank's focus on quality growth. Total Assets increased P319.9 billion up 10.7% from the previous year. As the opportunities in the financial markets were being identified, investment securities increased by 36.1%. Prudent and selective corporate lending saw our loan portfolio at P163.9 billion with our loans to the small and medium enterprises market segment growing by 28.1% from P6.9 billion in 2009 to P8.8 billion in 2010. Total Deposits grew by P17 billion or 7.5% to P237 billion. More strategically, lower costing current account deposits and savings account deposits grew by 14.5% to over P120 billion, driven by product development and a wider distribution reach.

The Bank in 2010 also went full swing in its implementation of a continuing Internal Capital Adequacy Assessment Process (ICAAP). In the process, we took a hard look at our plans and strategies and the risks that we might face and determine what will be needed along the way. I am glad to report that as of end 2010, RCBC's capital position remains strong with total capital funds at P32.4 billion, and a Capital Adequacy Ratio of 17.77% and a Tier 1 Ratio of 12.63%.

In May of 2010, we issued P5.0 billion worth of Long Term Negotiable Certificates of Time Deposit due 2015 which was listed in the Philippine Dealing Exchange.

Resilient through political changes and financial crises of local and global dimensions these past 50 years RCBC has managed risk and provided stability in serving the financial needs of Filipino individuals and corporations. Your bank continued to focus on building a diversified range of banking services.

We continued to improve on our services and marketing to specific customer segments, increase our physical and electronic distribution channels, introduced new products and enhanced existing ones to address specific client needs. The number of our customers now stands at 2.8 million.

We have grown our branch network to 371 with the addition of 20 new branches, combined with the existing 12 branches of Rizal Microbank (formerly Merchants Bank) and Pres. J.P. Laurel Rural bank, in strategic areas across the country. We have increased our visibility and accessibility by deploying 138 additional ATMs to various key locations across the country for a total of 609 ATMs by the end of the year. We also introduced new products: the RCBC MyWallet Mercury Drug Card, the first prepaid card in the Philippines that allows Filipinos who have never had bank accounts to have an ATM that can be used overseas and for internet transactions. It uses chip technology which allows cardholders to collect reward points with their purchases at Mercury Drug; and the RCBC AccessOne e-Shop, which was cited as among the business solutions noted for leveraging technology to deliver innovative consumer services and competitive industry advantages during the Financial Insights Innovation Awards.

In 2010, the Core Banking System replacement project increased momentum as other support systems such as Guava Treasury System and the Oracle Financials were set up. The Finacle suite of banking solutions is expected to be operational in the latter half of 2011. We are confident that these systems will provide the flexibility and increased efficiency that will be needed in our growth strategy.

In the area of consumer banking, RCBC Savings' net income grew by 21% from P800 million in 2009 to P968 million in 2010. During the latter part of the year we beefed up the RSB management team by seconding seasoned officers from the parent bank to help in growing further its consumer loan portfolio. This is consistent with the strategy of increased synergy with the parent bank.

Our cards-in-force grew by 12% as Bankard continued to forge tie-ups with known institutions such as China Union Pay, the most recognized and accepted card brand throughout China.

Our wealth management business continued to expand. As we managed to address the more sophisticated needs of our wealth management clients, total assets under management grew by 34%. By focusing on high net worth individuals, the business carved an important niche in complementing the Bank's over all strategy of providing quality and innovative products and services to specific clientele.

The Bank's Trust business took an active stance in the corporate trust, estate planning services and agency market and adopted a multi-pronged growth strategy which resulted in a 31% growth in trust assets.

1968

In mid-October, the bank announced the organization and opening its Trust Department.

We continued to aggressively cross-sell our various products and increase bancassurance activities. Over the past 4 years RCBC achieved 71% CAGR in bancassurance. We expect this to continue with the recent Sunlife – Grepalife joint agreement wherein we would derive increased fee income from bancassurance sales of Sunlife Grepa Financial products in the future.

Our Global Transaction Services also began to expand its services towards providing working capital solutions, in terms of cash management, short term trade financing and electronic banking services, for our Corporate and Small and Medium Enterprise (SME) clients. We see this not only as a substantial benefit to our clients but a strong complement to our core business.

Our venture into the microfinance business produced significant results, with the bank's expanded reach; loan disbursements grew from P15 million in 2009 to P130 million in 2010.

In our commitment to improve execution capabilities, RCBC received "The Philippines' Best Domestic FX Provider for Financial Institutions" from the Asiamoney and the "Top Dealing Participant Private Securities" and "Top Brokering Participant Fixed Income Securities" from the Philippine Dealing and Exchange Corporation and "One of the Best Performing Government Securities Eligible Dealers" from the Bureau of Treasury. The Bank also received the "Special Recognition for Source of Information for Monetary Policy (Research Entity)" from the Bangko Sentral ng Pilipinas.

In the area of talent management, development and retention, the Bank's Officer Development Program (ODP) has deployed junior officer graduates in different areas in the bank and we continue to recruit a new batch of trainees from top universities. We also launched a Leadership Development Program (LDP) developed with John Clements Consultants, Inc. and Harvard Business Publishing for senior managers. We geared our training programs towards fostering a continuous learning organization with various training programs focused on developing greater competencies and building a strong and positive work attitude.

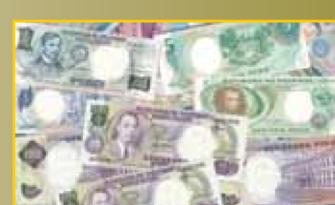
Now on its 50th year, RCBC continues to be one of the country's leading universal banks serving Filipinos worldwide. This position of strength and stability is a testament to the banking expertise and excellence in customer service provided by the many distinguished men and women who have contributed to the bank's progress. Our synergy with members of the Yuchengco Group of Companies also helps us in attaining levels of financial performance that brings us closer to being the most admired and trusted financial services group.

The achievements of the past year and all the efforts that have been exerted would have not been possible without the support of everyone. We would like to thank you, our customers and depositors for your continued trust and confidence. We wish to thank all our associates and our management team for their dedication and unwavering commitment to their work and for their invaluable contribution to the performance of the bank. We are also grateful to our Board of Directors for their valuable advice and guidance. And to you our shareholders for your unwavering support in making this a successful and rewarding 50th year for RCBC.

Lorenzo V. Tan
President and Chief Executive Officer

1969

The Treasury Department was created in May.



Strategic Leadership

We owe our elevated status to the strategies, decisions and directions implemented by some of the most astute banking individuals appointed to our highest ranking office.

ANTONIO DE LAS ALAS
President 1960-1963

FERNANDO E.V. SISON
President (1963-1968)

AUGUSTO M. BARCELON
President (1969-1972)

DAVID SYCIP
President (1973-1974)
President & CEO (1975-1979)
President (1980-1981)

CHESTER G. BABST
Executive Vice Chairman (1980-1981)
Executive Vice Chairman & President (1982-1985)
Executive Vice Chairman & CEO (1986-1990)

ARMANDO MEDINA
President & COO (1986-1990)
President & CEO (1991-1995)

ALFONSO S. YUCHENGCO III
Vice Chairman (1997-1999)
Executive Vice Chairman & CEO (2000-2001)

FRANCISCO A. DIZON
President & CEO (1997-1999)

VALENTIN A. ARANETA
President & COO (2000- Jun 2003)

FRANCISCO S. MAGSAJO, JR.
President & COO (2004-Mar 2007)

LORENZO V. TAN
President & CEO (2007 to Present)

Economic Environment for The Bank In 2010

Philippine GDP in 2010 grew 7.3%, the fastest in 34 years (since 1976), after 1.1% in 2009 (low-base/denominator effects). Election-related spending, economic stimulus, and spilled over spending related to reparations on typhoon damage (Ondoy, Pepeng in September-October 2009) also supported the relatively strong economic growth in 2010.

Other major catalysts that supported strong economic growth in 2010 were low interest rate environment, continued growth in OFW remittances, strong rebound in exports, sustained robust growth in business process outsourcing (BPO) industry, and continued growth in tourism.

GNP growth for 2010 was at 7.2%, also among the highest levels since 1976, vs. 4.0% in 2009.

The growth in Philippine GDP by Industry are as follows: Services (50% of GDP) posted a faster growth of 7.1% vs. 2.8% in 2009, due to the strong growth in Trade, especially Retail Trade (+12.2%); Real Estate (+17.2%); Recreational Services that includes Broadcasting (+29.6%); Air Transport (+19.5%). Industry (33.6% of GDP) grew by 7.1%, after -0.9% in 2009, largely due to Manufacturing (+12.7%); Electricity, Gas, & Water (+8.5%), but offset by slower growth in Construction (9.2%); Mining & Quarrying (+16.8%). Agriculture, Fishery & Forestry (16.8% of GDP) slightly contracted in 2010, by -0.5%, after the El Niño drought in the early part of the year, exacerbated by the typhoon damage in 4Q 2009.

In terms of expenditure share, Consumer Spending (79% of GDP) posted a faster growth of 5.3% vs. 4.1% in 2009, as average Unemployment Rate slightly improved to 7.4% vs. 7.5% in 2009 (BPO employment in 2010 estimated to have grown by 36% to about 600,000). Investments (18.5% of GDP) accelerated by 17.0%, amid the relatively modest global economic recovery, record low interest rates, improved investor sentiment with the new administration with a platform hinged on good governance. However, Government Spending (6.8% of GDP) slowed to 2.7%, after the Budget Deficit widened to -P314.5 billion (or -3.7% of GDP).

Inflation averaged 3.8% in 2010, slightly up vs. 3.2% in 2009, fundamentally due to global economic recovery that partly led to higher global commodity prices, especially food and crude oil, but nevertheless still relatively benign. In December 2010, inflation was at 3.0%. Relatively strong peso, lower tariff rates under the country's Free Trade Agreements (FTAs) that translated to lower importation costs, and the relatively slow US/global economic recovery supported the benign inflation environment.

Relatively strong peso, lower tariff rates under the country's Free Trade Agreements (FTAs) that translated to lower importation costs, and the relatively slow US/global economic recovery supported the benign inflation environment.

The 91-Day Treasury Bill Rate ended 2010 at the record low of 0.78%, fundamentally due to huge amounts of excess market liquidity and still relatively benign inflation. Consequently, key Philippine interest rates in the secondary market, as measured by PDST yields, mostly lingered near record lows, with the 3-month tenor at 1.32% in end-2010, despite the fact that the BSP maintained its key overnight interest rate at the record low of 4%. Low interest rate environment was sustained, despite the wider Budget Deficit in 2010.

Commercial Bank Loans (net of RRPs) as of end-2010 grew by 8.9%. Non-Performing Loan (NPL) Ratio slightly eased to 2.9% as of December 2010.

The Peso Exchange Rate appreciated in 2010 by 2.36 Pesos or 5.1% to close at 43.84. Philippine Gross International Reserves (GIR) reached a new record high of US$62.4 billion or equivalent to 10.3 months worth of imports, partly due to the 25% growth in BPO revenues, stronger growth in OFW remittances, narrower trade deficits, and substantial growth in net foreign portfolio investments. However, this was offset by a decline in Net Foreign Direct Investments by -12.7% in 2010 to US$1.7 billion. Balance of Payments in 2010 posted a record surplus of +US$14.4 billion.

OFW Remittances for 2010 grew by 8.2% to US$18.8 billion, amid the modest global economic recovery. For the month of December 2010, OFW Remittances grew by 8.1%, to a new record high of US$1.7 billion (on a monthly basis).

Exports grew in 2010 by an average of 34% to a record high of US$51.4 billion. Imports went up by 27% to US$54.7 billion in 2010. Faster growth in exports vis-à-vis imports led to the further narrowing of the Trade Deficit to –US$3.3 billion, thereby translating to less outflows of foreign currency from the country.

Financial Highlights

RESULTS OF OPERATIONS

RCBC posted a record performance in 2010 with Net Income of P4.25 billion in 2010 higher by 27% than 2009's P3.33 billion. This resulted to a Return on Equity of 14.08% and Return on Assets of 1.47%.

Gross Operating Income expanded by 19% or P3.1 billion to P19.3 billion from P16.2 billion in 2009.

Non-interest Income growth of 43% or P2.5 billion was mainly supported by higher Trading gains and Other Income. Commissions

1973

Together with Malayan Insurance and other domestic and international partners, RCBC, established the investment house Philippine Pacific Capital Corporation which was renamed RCBC Capital Corporation.

and Service Fees, trust fees, equity in net earnings of associates, and Foreign Exchange gains, which totaled of P2.6 billion, contributed 31% to total Non-Interest Income.

Net Interest Income marginally increased by 6% or P616 million to P10.9 billion. The improvement in the Net Interest Income was mainly due to the reduction in Interest Expenses by 9% or P586 million to P5.9 billion. The bank continued to manage its funding cost and focused on growing low cost deposits.

Operating Expenses increased by P1.1 billion to P10.9 billion as the bank continued to expand business operations and invest in technology, as the set-up of a new core banking technology are ongoing. Branches increased from 348 at end 2009 to 369, while ATMs increased to total 609 at end 2010 from 471 in the previous year.

FINANCIAL CONDITION

Total Resources of the bank at year-end stood at P320.0 billion, P31.5 billion or 10.9% ahead of the previous year. This was mainly driven by a P16.5 billion or 7.5% organic growth of deposits, which ended at a level of P236.8 billion by end 2010, mainly driven by Savings deposits which grew by 16% to P108.4 billion. CASA to Total Deposits ratio improved from 47.5% in 2009 to 50.7%.

On March 12, 2010, the BSP through the Monetary Board approved the Bank's application to issue P5.0 billion long-term (5 years) negotiable certificates of deposit, which were subsequently issued on May 5, 2010. The issuance led to the increase of Time Deposits to P116.8 billion.

The bank successfully raised $250 million (P10.9 billion) Senior notes on February 8, 2010. Part of the proceeds from the issue was used to pay-off the remaining $126 million senior notes issued on February 23, 2005, which matured on February 24, 2010. Additional funding was used to bolster the Investment Securities portfolio.

Capital funds, including minority interest, reached P32.4 billion, net of P997 million cash dividends and interest payments on Hybrid Tier 1 securities. Capital adequacy ratio stood strong at 17.77% as of year-end 2010.

Majority of funds were allocated to Investment securities, which grew by P23.7 billion or 36% to P89.5 billion as the bank took advantage of the favorable investment environment. Main growth was from Available for Sale securities, which grew by P19.1 billion or 52.5% y-o-y.

Due to the increased allocation in Investment Securities, Loans and receivables net, was relatively flat at P164.0 billion.

Investment property, representing acquired real properties, net of depreciation and allowance, increased from P5.1 billion to P7.3 billion in 2010.

Operational Highlights

RETAIL BANKING

Consistent with the long term goal to aggressively grow customer base, the Bank continued to improve on its product offerings and strengthened its delivery channels. Focused efforts in customer acquisition, resulted to an increase in the customer base from 2.2 million in 2009 to 2.5 million in 2010.

In 2010, the RCBC MyWallet Visa card was launched to provide customers access to transactions anywhere in the world where there is a Visa merchant. This adds to the over 20 other variants of RCBC MyWallet already in the market.

By the end of 2010, the bank's RCBC MyWallet debit card had more than 1.0 million cardholders compared to 700,000 in 2009.

The wider range of deposit product offerings, with enhanced offerings such as the E-Woman Checking and Savings Accounts and the Peso and Dollar Dragon Savings Account, allows customers to select the product that fit their financial needs. Understanding the diversity and changing needs of the customer, the Bank continues to improve products. For example, in 2010, the enhanced Super Value Checking Account was re-released, providing flexibility and added value to the client.

The Bank's thrift bank arm - RCBC Savings Bank - also launched the W.I.S.E. (Wise Investors Save Early) Savings Deposit account in 2010. The WISE deposit product is designed as a children's savings deposit account to encourage and teach the value of saving, budgeting and planning for the future. The WISE deposit product comes with special features for both parent and child, such as free Personal Accident Insurance and special privileges to select W.I.S.E. partner merchants such as Tom's World, Manila Ocean Park, Fully Booked Bookstore and Silverworks.

The savings bank also introduced the e-Lite checking account which has a low maintaining balance and comes with a top-peel checkbook which allows right or left-handed clients ease of writing checks.

The Bank continued to focus on improving on customer contact through a wider range of Electronic Banking (e-banking) products, one of which is the RCBC eShop or the online shopping service through RCBC Access One. This was launched in May 2010, in partnership with various merchants that allows RCBC depositors to purchase goods through the merchant's site using their very own accounts. To complement the internet channel, the RCBC Mobile (mobile banking facility) was also launched to address accessibility of the bigger population of cellphone users.

RCBC now boasts of a diversified product line that can be accessed through a multi-channnel platform: the traditional brick and mortar branches, internet, mobile phone, ATM, and the self-service machines. This is part of the commitment to provide customer

1977

RCBC was granted a license to operate a Foreign Currency Deposit Unit (FCDU).

convenience as they are continuously enhanced to meet all the requirements of depositors from across various segments. To support these channels, RBG already introduced the concept of Capital Outsourcing, which leverages on the distribution network of merchants that have extensive expertise in retailing and with a very wide distribution network. This initiative aims to prepare for the next five-year plan in terms of franchise management. RCBC customers can now enjoy the increased accessibility to transact with the bank.

To further deepen customer relationship and broaden market reach, the bank not only continued to improve and enhance its products and services but also focused on developing its sales force at the branches. Extensive training programs in product knowledge and service delivery of sales and service personnel aims to cultivate an even stronger sales culture. To further strengthen these efforts, the Retail Banking Group aligned the functions among its key personnel in the branches and provided strong support from the head office units to have a more cohesive and strategic acquisition process.

CORPORATE BANKING

The Corporate Banking Group (CBG) handles the banking relationships with the different corporate clients of the bank. The past year saw the group strengthening banking relationships through the active participation in the various financing requirements of its major corporate clients. The Group participated in the loan syndications of various clients, such as Panay Energy Development Corporation, SM Prime Holdings, and PLDT. CBG also extended credit to major corporates like the Ayala Group of Companies, San Miguel Corporation, and the Aboitiz Group.

The strong presence in special economic zones (ecozones) continues to be a key factor in the sustained relationship with Japanese clients as well as with other ecozone locator clients. The group's Japanese & Ecozone Segment with satellite offices in key ecozone areas, continue to strengthen its foothold in the economic zones posting growth rates of 27% in deposits and 40% in trade business. In addition, CBG remains to be a leading provider of trade finance services to Filipino-Chinese businesses.

As one of the key growth areas in the bank, the Small and Medium Enterprises (SMEs) segment, undertook an aggressive marketing program and established wider reach by opening several SME lending centers in Metro Manila, in Luzon and the Visayas region. These efforts resulted to a 31% growth in the Commercial and SME banking portfolio. The loan process for small businesses was streamlined using a business model set-up specifically for SMEs to accommodate the unique needs of the market while maintaining strong risk management. The SME Business web portal, www.getaloan.com.ph, launched in April 2009, was given an Award of Merit during the 2010 Anvil Awards Ceremony. The award cited the Bank's ability to utilize new technology in assisting SMEs and support the government's call for banks to improve access to credit by small businesses.

CBG continues to manage a good balance between its sustained business development activities and strong credit risk management. Cognizant of the fact that the Relationship Managers are the Bank's direct contact with the corporate clients, the group further deepened the skills of its key frontliners by way of intensive credit training and marketing programs. 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.

CONSUMER BANKING

The bank aims to offer financial solutions that would fit the different and changing needs of the consumer. Through RCBC Savings Bank (RSB), the bank offers consumer loans for automobile purchases, for home and mortgage financing and other personal financing requirements. Through the RCBC Bankard brand, the bank likewise has a range of credit card variants available for different market segments.

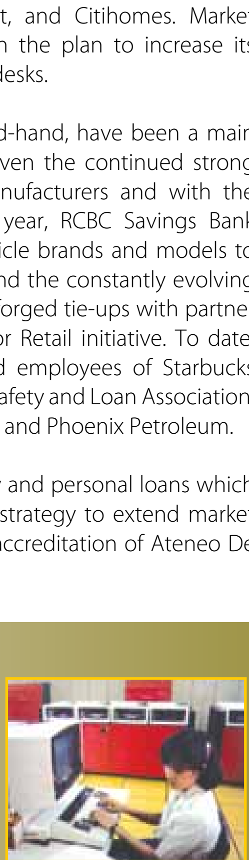
The savings bank, embarked on bold initiatives for the year to maintain market presence in the competitive consumer loans industry. It pushed for developing tie-ups with the biggest reputable and renowned housing developers such as Ayala Land, Megaworld, Filinvest Land, Greenfield Development, CHMI Land, Extraordinary Group, Antel Holdings, Vista Land, and Sta. Lucia and Realty Development. The bank, likewise, expanded its market coverage in the provinces with the accreditation of emerging developers and projects in the regions such as Aboitiz Land, Central Country Estate, Philstar Marketing and Development, Pansol Homes, A. Brown, Hausland Assets, Masaito Development, and Citihomes. Market reach will further be strengthened with the plan to increase its network of lending centers and lending desks.

Auto loans, both brand new and second-hand, have been a main driver for the bank's consumer loans given the continued strong relationship with auto dealers and manufacturers and with the bank's competitive interest rates. This year, RCBC Savings Bank likewise expanded its list of eligible vehicle brands and models to respond to the growing auto industry and the constantly evolving customer needs. The savings bank also forged tie-ups with partner establishments through its Wholesale for Retail initiative. To date, it has extended auto loans to qualified employees of Starbucks Coffee, Standard Chartered Bank, Public Safety and Loan Association, DKT Philippines, Quench Plus/Maxi Drive, and Phoenix Petroleum.

Completing the product line is the salary and personal loans which also rolled out the Wholesale for Retail strategy to extend market reach and to tap more clients with the accreditation of Ateneo De

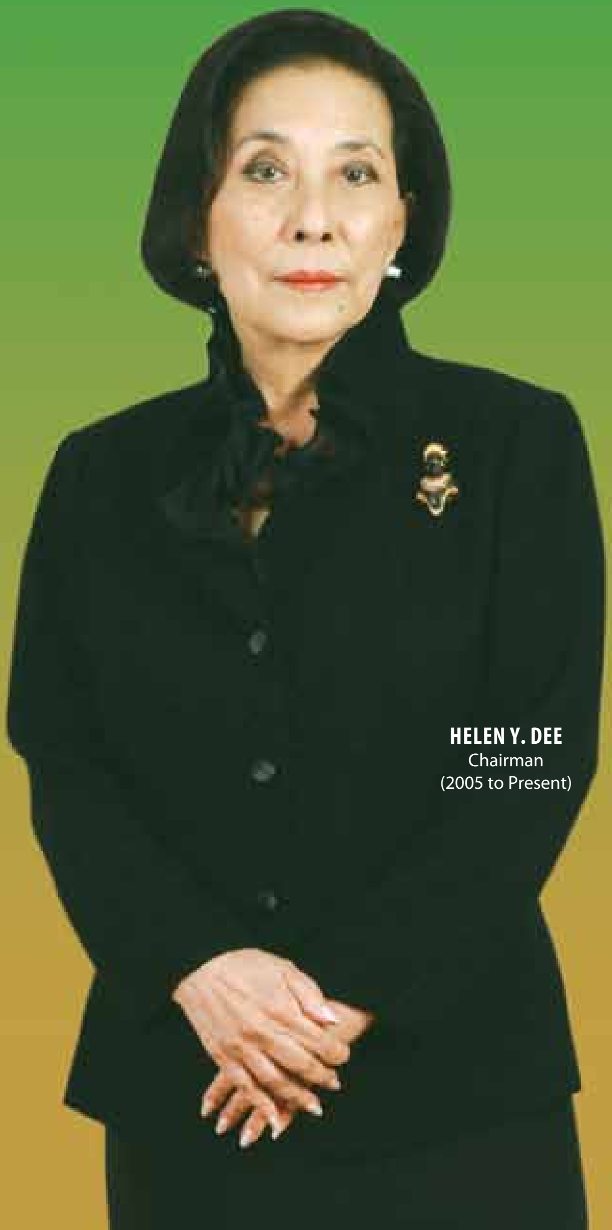
1980

RCBC began computerization of several working areas. It translated to expediting banking transactions and reducing costs of delivery services.



Visionary Leadership

Driving the framework of our company's corporate governance, strategic and financial responsibilities, our visionary leaders work full-time. Under their watch, we have experienced ever-improving board effectiveness, increasing sense of accountability, and long-term success anchored on our mission, values and goals.



HELEN Y. DEE
Chairman
(2005 to Present)

GAUDENCIO E. ANTONINO
Chairman (1963-1966)

ALFONSO T. YUCHENGCO
Chairman (1967-1995 / 1999-2000)
Honorary Chairman (2003 to present)

CESAR E.A. VIRATA
Chairman (1995 - 1998)
Corporate Vice Chairman
(2000 to Present)

RIZALINO S. NAVARRO
Chairman (2000 - 2003)
Executive Vice Chairman & CEO
(2004 - 2006)

RCBC
A YGC Member

Manila University, St. Paul College of Pasig, NBS Book Express, La Salle Brothers, Megaworld Corp., and Furukawa Electric Auto Parts Phils., among others.

With the launch of its branch and employee incentive program, competitive interest rates, radio and print ad campaign, and promotional activities such as 'Auto-Loan, Auto-Win,' 'Get Your Housewarming Gift,' and Lifestyle Expo, consumer financing continue to be the driving force of RCBC's thrift banking arm.

In terms of credit cards, RCBC Bankard issued a total of 172,159 cards, achieving a 12% growth in its cards-in-force by 12% over 2009's total. Issuing billings grew by 24%; and merchant acquiring billings by 19%.

Upholding its commitment to issue cards that fulfill the needs of specific cardholder segments, new cards were launched in 2010. These include the Mango-RCBC Bankard MasterCard and the RCBC Bankard China UnionPay.

The Mango-RCBC Bankard MasterCard is the product of the partnership between RCBC Bankard and Mango clothing company, a world-famous manufacturer and distributor of women's and men's apparel and accessories. The card was launched to serve the upscale shopping needs of both the vast majority of Mango patrons in the country as well as the fashion-conscious RCBC Bankard Gold and Platinum MasterCard cardholders. It carries exclusive features available only to its cardmembers such as 0% installment at 3 and 6 months at any Mango store; exclusive members-only sale for Mango-RCBC Bankard cardmembers; priority access to next season's catalog offers; and first-hand advice on the latest hot offers. It also has a rewards program that lets cardholders earn rewards points that they can use to exchange for more Mango items.

The RCBC Bankard China UnionPay Card, on the other hand, is a co-branded card that has resulted from the partnership between RCBC Bankard and China UnionPay – the most widely recognized and accepted card brand all throughout China. The card was launched for cardholders who conduct regular business trips to Hong Kong or China. Through the card, these frequent travelers can pay for their accommodations, shopping, entertainment, car rental and everything else they need while travelling to any part of the Mainland. In addition, cardholders enjoy double rewards points when they use the card in hotels and restaurants in China.

In addition to the acquisition programs, various marketing campaigns in 2010 helped increase RCBC Bankard card usage and generate billings like its Spend Anywhere promos with BreadTalk, Yoshinoya and other establishments. Special offers were sent to low-spenders, non-users and paydowns to prevent attrition.

Recognizing the need for the customer's need for flexibility, RCBC Bankard made the process of conversion of purchases to installment easier with just one call. Other payment options such as the 0% installment with various merchants and cash advance of P50,000 to non-users, with soft and flexible installment terms, provided RCBC Bankard customers with the flexibility to fit their financing needs with their purchases. During the holidays, cardholders were also allowed to purchase on installment and pay the next year or after three months. All these efforts resulted in an increase in issuing billings in 2010.

TREASURY

While high volatility and uncertainty hounded the financial markets the previous year, 2010 was relatively calmer and showed a clearer direction. Asset prices continued its upswing, as investors searched for investment opportunities given the prevailing low interest rate environment.

Amidst this market, Treasury drove the issuance of a five (5) year unsecured USD 250 Million Senior Note in February 2010. Priced fairly, the Senior Note issue was substantially oversubscribed. Proceeds of the issue were used for additional investments and for the repayment of a bond maturity.

In April 2010, Treasury spearheaded the floatation of a Peso denominated Long Term Negotiable Certificate of Deposit (LTNCD). Totaling P5.0 billion, the LTNCD was issued in two series: A coupon bearing Series "A", amounting to P2.854 billion and a "landmark" zero coupon Series "B", amounting to P2.146 billion. The significant transaction was the first LTNCD to be listed in the Philippine Dealing Exchange System (PDEX), the Philippine's fixed income electronic exchange.

While accessing a wider range of term funding sources, Treasury proceeded with its investment portfolio diversification that started in 2009. This initiative not only meant delimiting investment exposure to specific markets, but also broadening the management of investments. Thus, in June 2010 RCBC appointed Pacific Investment Management Company (PIMCO), one of the world's largest and respected fixed income fund managers, to manage part of its investment portfolio.

Further down the year, Treasury applied for an expanded derivatives license with Bangko Sentral ng Pilipinas (BSP). The license was formally granted in December 2010. The expanded derivatives license is an important step in the effort of Treasury to expand its Trading, FX and Interest Rate hedging and investment capabilities, in addition to providing robustness in its product offerings to the clients of the Bank.

Treasury continued to strengthen its distribution and selling division (Global Distribution and Advisory Division or GDA) in the Foreign Exchange and Fixed Income Markets by updating and refining its technical expertise, by expanding existing relationships, and by

1986

RCBC listed its stocks at the Makati and Manila stock exchanges.

exploring new markets. This has enabled GDA to increase its customer base, build up business volumes and compete in the onboarding of deals.

Through the efforts and activities of GDA, RCBC, was awarded, in 2010, by the Philippine Dealing and Exchange Corporation (PDEX) as the Top Retail Brokering Participant, the Top 5 Fixed Income Brokering Participant, and the Top 5 PDDTS/PVP Participant.

In addition, the greater presence of GDA with corporate and institutional clients complemented the activities of the proprietary trading desks in the Foreign Exchange and Fixed Income Markets, bolstering their trading capabilities. As a result RCBC was named as one of the Top Ten Government Securities Eligible Dealers (GSEDs) by the Bureau of Treasury and Best Domestic Provider of FX Services in the Philippines by Asiamoney magazine in 2010.

WEALTH MANAGEMENT

The bank's Wealth Management Group continued its growth momentum by registering another strong performance in 2010. Assets under management (AUM) grew by a robust 33.6% year-on-year to P40.2 billion on account of more client acquisitions, which expanded further by 22.9% for the same period, as well as deepening the relationships and portfolios of its existing client base.

In 2010, the market continued to be extremely liquid and interest rates hovered at record lows. There was a need to realign investment portfolios, assess risk appetites and balance these against the targeted rate of return. The Group faced the challenge to address the needs of these specific and sophisticated needs of the Wealth Management clients. The group provided a more focused approach in terms of support, including timely and in-depth market analysis and financial advisory services to its clients. The group also actively participated in the equity and fixed income issues, covering both corporate and sovereign securities. This continued to allow our clients to diversify its investments and create a well balanced portfolio.

By focusing on high net worth individuals, the Group has carved an important niche in complementing the overall strategy of RCBC in providing quality and innovative products and services to specific clientele. The progress that the group has achieved, expanding its presence in key strategic areas such as Quezon City and Caloocan, with more locations planned in the near future, has positioned the group to be major private banking / wealth management player in the local financial markets.

As part of its commitment to provide the high level of service quality to its clients, the group has strengthened its team of relationship managers and has implemented enhanced systems and processes especially on information and feedback mechanisms.

TRUST SERVICES

The Bank adopted a multi-pronged growth strategy resulting to a 31% growth in trust assets in 2010 from P52.4 billion in 2009 to P68.6 billion by end of 2010.

RCBC Trust harnessed quality service, solid performance in fund management and the Bank's wide distribution network to grow its different trust services. Retirement funds under management grew by more than P5 billion with the increase in corporate accounts and existing accounts bringing in additional contributions. Continuing to take advantage of market opportunities and provide its clients with the unique financial benefits of its long term tax exempt Crest Funds, RCBC Trust pursued secondary market offers and participated in the few primary issuances of bonds as investment outlets for the Crest Fund.

Its SIMA SDA grew three fold in volume from the previous year, with the heightened presence of Trust in the branches and as clients naturally sought to shift to more value, given the low interest market conditions. RCBC also enjoyed a 14% growth in the volume of the Rizal UITFs on account of competitive returns and more focused selling efforts. To effectively deliver these investment products to a wider range of clients, RCBC Trust coordinated closely with the branches and launched a focused incentive campaign to reach out to the branches and their clients and make trust products even more accessible.

The bank also took an active stance in the corporate trust and agency market by focusing on non-fund management services such as receiving agencies for stock rights offers of listed companies, sinking fund trusteeships, collateral trust arrangements and escrows to contribute to the bank's fee based income.

As part of the commitment to serve the changing investment needs of clients, the Bank also now offers estate planning services –providing investment options geared to protect assets built over time. RCBC provides advice and assistance on the estate planning process: from the accumulation, growing and conserving wealth to preparing for the orderly and cost-efficient distribution of assets to intended beneficiaries.

Driven by the focus on addressing the different investment needs of the customer, RCBC Trust was able to provide a wider range of product offerings, greater access through branches, and a focused investment strategy.

INTERNATIONAL BANKING / OVERSEAS FILIPINO BANKING

Notwithstanding the continuing global financial crisis and stricter AMLA requirements in most OFW host countries, the Overseas Filipino Banking Group posted total remittances of $1.58 billion, a 3% increase from the performance of the previous year.

1987

Launched the RCBC Personal Banking Machine (PBM), the precursor of the MyRCBC ATM tellering machine at its head office.

The Group's Domestic Marketing arm carried the ball with an 18% growth from 2009. The growth is mainly attributable to very competitive exchange rates and improved customer service. A stronger account opening campaign was also undertaken with the accreditation of more pre-departure orientation seminar partners, most notable of which was the Philippine Association of Service Exporters Inc. (PASEI), an umbrella organization of more than 300 recruitment agencies.

The Group's Subsidiary offices in Naples, Italy and Hong Kong registered increases in volume of 34% and 11%, respectively. This was accomplished with a more aggressive marketing and information campaign in the markets that are being served.

The market for cross border transfers, likewise, received a boost with the acceptance of remittances from the Sri Lankan community in Italy for eventual transfer to their beneficiaries in Sri Lanka, in a tie-up arrangement with Hatton National Bank starting from the third quarter of 2010. This is in addition to the existing cross border remittances from the Chinese nationals in Italy which has been ongoing for more than four years now.

Notable performances were, likewise, shown by the Group's remittance tie-ups in Guam, Australia, Singapore, Iraq, Oman and Qatar where volumes showed hefty increases by as much as 52%. The Group also managed to keep its strong hold on the OFW market in Saudi Arabia where RCBC Telemoney accounts for more than 20% market share. A 6-month joint raffle program with our main partner in Saudi Arabia, the Arab National Bank, further bolstered the Group's position in this market. Additionally, a total of six more remittance tie-ups were accredited and brought on board, bringing the Group's total remittance network to 1,280 subsidiary offices, tie-up partners and agents in 25 countries all over the globe.

The Group also launched in the third quarter of the year a new set of marketing collaterals – "Penoy" and "Kababayan" – highlighting the local flavor of the Telemoney brand and giving emphasis to the warmth of the Filipino service.

BRANCH NETWORK AND SERVICE DELIVERY CHANNELS

RCBC continued to grow its franchise in 2010, with a total of 17 branches and 2 Extension Offices added to the whole bank network, including the saving bank. New branches and extension offices were established in Las Pinas, Makati, Manila, Paranaque, Pasig, Quezon City, Taguig in Metro Manila; Batangas, La Trinidad, Benguet and Dasmarinas, Cavite in Luzon; Talisay, Cebu and Caticlan, Aklan in the Visayas; and Davao City in Mindanao.

Aside from these traditional brick and mortar channels, banking through RCBC is made more accessible through the e-Biz Centers where clients can conduct a variety of functions from cash withdrawals, fund transfers, bills payment and other self-service transactions. Other Banking Offices or "OBOs" have been set up in the Diosdado Macapagal International Airport and Marbel in Cotabato to handle foreign exchange, and prepaid stored value card issuance and top up transactions.

Completing the Bank's multi-channel distribution is our electronic channel network: RCBC Access One (Retail Internet Banking), RCBC Phonebanking, and the RCBC Mobile (mobile banking) launched in July 2010. RCBC has one of the industry's growth rates in terms of the ATM network at 29%, from 471 in 2009 to over 609 ATMs. This positions RCBC for growth in users of electronic channels. The Bank expects to strengthen and improve the level of its integrated electronic channels strengthened with the conversion into the new core banking system.

MICROFINANCE

The year 2010 saw Bank's microfinance initiative gain momentum with a total of 12 lending units established in Southern Luzon (Batangas, Laguna and Mindoro) and Southern Mindanao (South Cotabato and Davao City). Loan disbursements grew from P15 million in 2009 to P130 million in 2010. From 415 loans disbursed in 2009, 2010 saw 2,698 loans disbursed in the said year. Loan portfolio quality has been maintained at excellent levels with Portfolio-at-Risk >1 day posted at 0.53%, vis-à-vis the international industry standard of 4.6% (measured at PAR>30 days).

INFORMATION TECHNOLOGY

The Information Technology Shared Services Group (ITSSG) continued to support the Bank and its customers through the development, enhancement and deployment of technology-enabled products and solutions.

In 2010, the Core Banking System replacement project proceeded at a rapid pace. The Bank cut over to the new Guava Treasury System. Oracle Financials is scheduled to go live in the first quarter of 2011 while the Finacle suite of banking solutions is expected to be operational towards the latter half of 2011.

New features were launched in the Retail Internet Banking and Corporate Internet Banking systems to address the requirements of RCBC's growing customer base.

New workflow systems were implemented in the Bank's backroom lending operations to improve the operating efficiencies and allow the processing of higher volumes of transactions.

ITSSG continues to tap opportunities on emerging technologies, the latest of which was the launch of a Customer Campaign via cloud computing, to support the Bank's customer referral and cross-selling programs.

The bank continues to upgrade and enhance its information technology systems and infrastructure to support the growing demands of the business.

1989

RCBC became a universal bank.

HUMAN RESOURCES

Sustaining its efforts to strengthen organizational capability building, talent management and development, and employee well-being, the Human Resources Group (HRG) continued to spearhead initiatives focused on building an organization of talented, driven, highly competent employees.

Training was geared towards fostering a continuous learning organization with various training programs focused on developing greater competencies and building a strong and positive work attitude. Training programs included the Advanced Credit Assessment Workshop, Financial Reporting for Credit Risks Analysis, Financial Statements Analysis Seminar, Lean Six Sigma/Value Stream Mapping, Image Enhancement and Business Decorum Workshop, AMLA workshops, and a Corporate Governance program for senior management.

In the area of talent management, development and retention, the Officers Development Program (ODP) was able to deploy another batch of junior officers to assume select positions across the Bank and subsequently commenced with the third batch of trainees, graduates of top universities.

In October 2010, the group launched the Leadership Development Program (LDP), an internal training program aimed to develop highly competent, effective and performance-driven leaders. The LDP was designed in partnership with John Clements Consultants, Inc. and Harvard Business Publishing. Coming from different areas in the Bank and other YGC Companies, the first batch underwent an 8-session program with modules on Strategy Formulation and Implementation, Leadership, Performance Management, Communication, Innovation and Creativity, and Customer Focus/ Centricity.

In building organizational capability, HRG and management continued to work together on the Succession Management Program, to build a steady line up of officers for the next level of leadership positions in the Bank. As part of strengthening the organization, the HRG facilitates the bankwide system of performance management and manages the Benefit Retirement Program.

As part of the commitment to maintain a safe and healthy working environment, the HRG continues to uphold policies such as the Substance Abuse policy - an awareness program on drug abuse and their effects in the workplace and unauthorized use of alcohol; and the policy on Inspection and Search Procedures – which involves notifying security personnel of anything unusual and or suspicious and the inspection procedures by security personnel upon entering and leaving bank premises.

The directors and all employees of the Bank are governed by a Code of Conduct, which revolves around the Core Values of the company. It is designed to serve as a guide on how to conduct one's self within and outside Bank premises and in dealing with clients and customers and co-associates. Violation of the Code of Conduct may be reported to the Security Department, the Internal Audit Division or the Human Resources Group. The provisions of the Bank's Code of Conduct are available electronically to all employees through the RCBC Information Zone (RIZ).

CUSTOMER SERVICE EXCELLENCE

In RCBC, we echo the same level of commitment the Yuchengco Group of Companies gives to the value of delivering excellent customer service at all levels of our business. The Bank regards customer service delivery as an indicator for achieving the vision of being the most admired financial services group. This is why the Bank takes on conscious and sustained efforts to create and develop a culture of service excellence bankwide which should enable our associates to delight their customers at every encounter, and our institution to realize its vision.

Complying with the initiatives taken by the YGC, RCBC introduced the twelve WOW! Standards of Service Excellence among its employees. Always doing things differently and out of convention, the bank launched the "new commandments of service" in a highly successful cheering competition held at the Rizal Memorial Stadium in Manila. Because of the unique event execution - that rallied the employees to the cause of always being the best for their customers—RCBC was honored by the International Association of Business Communicators, during its annual Gold Quill Awards, for mounting the "Best Employee Event of 2010".

Employee response to the new service standards proved enthusiastic with their active participation in the WOW! Minds@Work employee suggestion program which immediately followed the service standard launch. In all, RCBC associates submitted the most number of customer service ideas and of the 98 entries received, RCBC has chosen to implement "Text Alerts," which aims to extend valued customers complimentary greetings on very important occasions.

Always on the lookout for what they can do better for their customers, RCBC associates took an Assessment of Competencies and Traits, a self-validation tool that measured their customer handling strengths and weaknesses. The results of the examination now serves as a roadmap for the customer service training programs that they will be asked to undergo in the next 12 months in order for them to better satisfy customer expectations.

Subsidiaries

RCBC Savings Bank

RCBC Savings Bank registered net income of P968 million in 2010, a 21% growth from P800 million in 2009. Return on Equity stood at 14%, higher than the 12.5% of the previous year.

1990

Telemoney department was created to serve the needs of our OFWs. It opened shop in Doha, Qatar through a special arrangement with Al Fardan Exchange.

Total resources grew by 17% from P49.4 billion to P57.9 billion due to a growth in both financial assets and loan portfolio. Being the consumer banking arm of the RCBC Group, the Bank continued to put greater focus in pushing its core business to generate sustained accrual income from its housing loan portfolfio, contributing to 56% of the total and auto loan portfolio which comprise 39% of the entire loan portfolio.

Total deposit liabilities grew by 17% from P41.1 billion in 2009 to P48.1 billion in 2010 in line with the Bank's thrust to buildup its core deposits. The introduction of new products like the e-Lite, a checking account, WISE, and the Dragon Savings account supported by an aggressive promotional and marketing campaign contributed to this growth.

By the end of 2010, RSB was ranked the third largest thrift bank in the country in terms of assets, loans, deposits, and capital. It expanded its market reach to 118 business centers, 13 provincial lending centers, 2 lending desks, and 151 ATMs, all strategically located all over the country.

RCBC Forex

RCBC Forex Brokers continued its commendable performance, growing 23% in terms of net income from P61 million a year ago to P75 million in 2010. It maintained its rank, as the number one bank-owned Forex Corporation for the last six (6) years in terms of revenues. This feat was achieved thru aggressive product marketing, quoting competitive rates and by ensuring efficient and reliable service.

RCBC Capital

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. It has over 37 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 was again among the leading and most active investment banks in 2010, considered as one of the top two local underwriters of equity offers for the year. RCBC Capital raised funds through the equity capital market for several issuers in 2010, to include First Gen Corporation, PetroEnergy Resources Corporation, Petron Corporation and Cebu Pacific Air, Inc.

RCBC Capital was also among the top five local private underwriters of public debt offers for 2010, having underwritten bond issues for Ayala Corporation, Tanduay Distillers, Inc. and certain LGUs. It acted as Joint Issue Manager and Joint Issue Coordinator for the P97 billion retail treasury bonds (RTBs) of the republic of the Philippines. RCBC Capital also arranged a total of Php49 billion of private debt issues comprised of notes and project finance deals for United Laboratories, Inc., Century Canning Corporation, Panay Energy Development Corporation and SM Development Corporation.

RCBC Capital likewise provided Financial Advisory services to Santa Isabelle Corporation (Club Noah) in 2010. It also continued its distributorship of the Grepalife Fixed Income Fund and the Grepalife Dollar Bond Fund. The year 2010 saw a growth in profitability of approximately 47% for RCBC Capital.

RCBC Securities

The over-all positive macro environment that supported the Philippine stock market throughout the year sustained an increase in the company's bottom-line. RCBC Securities, Inc. reported a net income of P30.29 million, almost double the P16.26 million income in 2009. Broker's commission for 2010 increased by 52.53% or P22.85 million due to increased in volume of corporate and individual clients. Volume of transaction coursed through Philippine Stock Exchange significantly increased from P17.91 billion to P23.69 billion which was primarily due to positive market outlook for the year 2010. Value turnover in the Philippine stock market rose 20% to P1.2 trillion from P994 billion a year ago, while the Philippine Stock Exchange Index rose 37.6% to 4201.14 by end-2010, from 3,052.68 the previous year.

RCBC Bankard

Bankard achieved solid gains in 2010 generating total revenues of P383.4 million, a 10% increase from previous year's level. Collection and recoveries from fully provisioned and written off credit card receivables amounted to P72.8 million. All told, in 2010, Bankard achieved a net income of P127.9 million or a 24% increase from the P103.25 million in 2009. This net income brought in earnings per share of P0.09 from the P0.07 in 2009 and translated to a return on average equity of 18.4% and return on average assets of 16.6%.

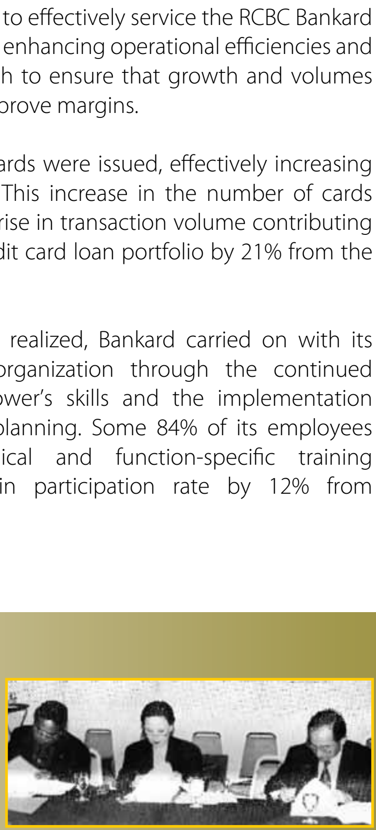
In pursuit of its commitment to effectively service the RCBC Bankard credit card brand focused on enhancing operational efficiencies and maximizing productivity both to ensure that growth and volumes are achieved as well as to improve margins.

In 2010, a total of 172,159 cards were issued, effectively increasing RCBC's total cards in force. This increase in the number of cards resulted in a corresponding rise in transaction volume contributing to the growth of RCBC's credit card loan portfolio by 21% from the previous year.

To protect the gains it has realized, Bankard carried on with its efforts to build up the organization through the continued development of its manpower's skills and the implementation of an effective succession planning. Some 84% of its employees underwent various technical and function-specific training resulting in an increase in participation rate by 12% from 2009's 72%.

1996

RCBC Savings Bank was incorporated to serve as the consumer and retail banking arm of RCBC.



Crafting an image that imparts respect and reliability is always driven by our desire to portray our values, strengths, and goals. Past our ever-evolving directions and designs, we have been able to build and keep constant the value of our brand and our vision of service excellence.

1960 - 1963

1995 - 2006

Evolving with the Times

1963 - 1965

1978 - 1994

1965 - 1969

1972 - 1977

1969 - 1972

For the coming year, Bankard aims to continue its quest for sustained and healthy revenue sources, this time, through greater participation in the expanding card payment transactions among merchants. To achieve this goal, it is initially allocating a CAPEX of at least P90 million for the acquisition of new Point-of-Sale terminals capable of accommodating a number of electronic payment products/transactions for merchants. This new POS terminals will be deployed within a three-year mass roll-out schedule.

CORPORATE GOVERNANCE

RCBC is committed to the ideals of good corporate governance. In accordance with the SEC Code of Corporate Governance, the bank has adopted an evaluation system that measures the performance of the Board of Directors and senior management on an annual basis, based on the principles of transparency, accountability and fairness.

The corporate governance rules and principles adopted by the Bank are embodied in a Board-approved Corporate Governance Manual that is updated and revised annually. The said rules ensure that the interests of stakeholders are always taken into account; that directors, officers and employees are aware of their responsibilities; and that business is conducted in a safe and sound manner.

The Bank has likewise adopted fit and proper standards on key personnel taking into consideration their integrity, technical expertise, education, diligence, and experience or training. The board members and senior executives, on the other hand, have participated in the training on corporate governance, fully aware of the important role they play in the implementation of corporate governance in the Bank.

In 2010, the Bank participated in the Corporate Governance Balanced Scorecard Project for Banks. This generated more active involvement by the board and senior management in governance matters. The project promoted greater transparency through more disclosures which gives clients/investors the confidence that the bank they are dealing with adheres to the highest standards of good corporate governance.

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 group lend comfort to stakeholders, including the regulators, of 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 which 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.

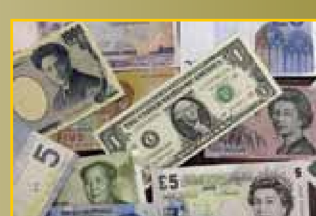
THE COMPLIANCE OFFICE

RCBC is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. The Compliance Office, which was created by virtue of BSP Circular No. 145, is tasked with overseeing the effective implementation of its compliance program. This program is consistent with the Bank's mission of conducting its business with integrity, excellence and commitment while providing fast, affordable and quality financial services to its clients.

The Compliance Office promotes compliance awareness and pro-active regulatory compliance among officers and staff through

1998

RCBC Forex Brokers Corporation was established to engage in dealing and brokering in all currencies and forwards relating to foreign currency.



dissemination of regulatory issuances, regular monitoring, compliance-testing, and conducting seminars. It maintains a clear and open communication process within the Bank to provide Bank personnel with a clear understanding of banking laws, rules & regulations, as well as the risks and effects of non-compliance.

The compliance function also covers oversight of the activities of Bank's subsidiaries which are under BSP supervision, such as RCBC Savings Bank, RCBC Capital Corporation, Bankard, Inc., RCBC Securities, Inc., RCBC Forex Corporation, and the newly acquired Merchants Savings and Loan Association and Pres. JP Laurel Rural Bank, Inc. This ensures consistent and uniform implementation of the requirements of the BSP and other regulatory agencies. This also involves monitoring of inter-company transactions to ensure that these are done at arm's length and in the regular course of business.

In compliance with Circular No. 706 dated January 5, 2011 on Updated Anti-Money Laundering (AML) Rules and Regulations, the Compliance Office is currently in the process of revising the Bank's AML manual to come up with a more comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) so the Bank may not be used, intentionally or unintentionally, for money laundering and terrorist financing activities. The MLPP shall be implemented on a consolidated basis, which shall cover branches, subsidiaries/offices located within and outside the Philippines.

RISK MANAGEMENT

Risk Management Philosophy

The Bank recognizes that risk is an inherent part of its activities, and that Banking is essentially a business of managing risks. Ultimately, therefore, the Bank views risk management as a value proposition imbued with the mission of achieving sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

This corporate risk philosophy further translates to:

- Prudential risk-taking and proactive exposure management as cornerstones for sustainable growth, capital adequacy, and profitability;
- Standards aligned with internationally accepted practices and regulations in day to day conduct of risk and performance management; and
- Commitment to developing risk awareness across the UniBank, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

Concretely, the Bank's risk management system aims to:

- Identify, measure, control, and monitor the risk inherent to the Bank's business activities or embedded in its products and portfolio;
- Formulate, disseminate, and observe the corporate risk philosophy, policies, procedures and guidelines;
- Assist risk-taking units in understanding and measuring risk-return profiles in their various business transactions; and
- Continually develop an efficient and effective risk management infrastructure.

Risk Management Infrastructure

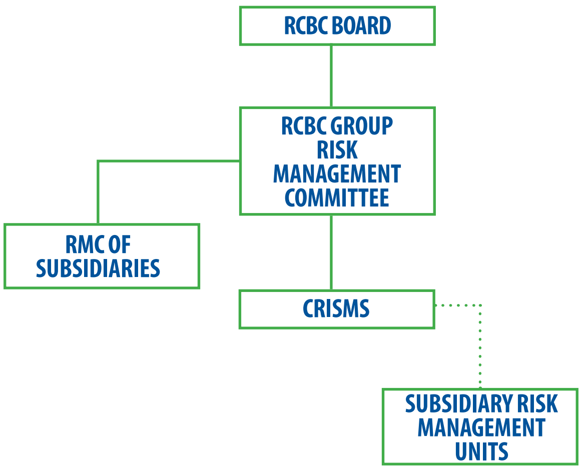
The risk management infrastructure of the Bank follows a top-down approach, whereby the Board takes ultimate accountability for the risks taken, the tolerance for these risks, business strategies, operating budget, policies, and overall risk philosophy.

In the interest of promoting efficient corporate governance, however, the Board constitutes committees to perform oversight responsibilities. These committees perform oversight functions either in the area of risk policy formulation, decision-making, or risk portfolio management. Assisting these committees in turn are dedicated management units.

The Risk Management Committee (RMC)

The RMC is constituted by the Board, and exercises authority over all other risk committees of the various RCBC business groups and subsidiaries, with the principal purpose of assisting the Board in fulfilling its oversight responsibilities relating to:

- Evaluation and setting of the Bank's risk appetite;
- Review and management of the Bank's risk profile;



2001

RCBC inaugurated its new corporate headquarters, the RCBC Plaza.

- Implementation and continuous improvement of a sound framework for the identification, measurement, control, monitoring, and reporting of the principal risks faced by the Bank;
- Capital planning and management.

In the course of fulfilling its oversight responsibilities, the RMC specifically takes on the following tasks:

- Identify the Bank's risk exposures, assess the probability of each risk becoming reality, and estimate its possible effect and cost.
- Develop a written plan defining the strategies for managing and controlling major risks; and identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.
- Cause the implementation of the plan; and communicate the same and loss control procedures to affected parties.
- Evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. It revisits strategies, looks for emerging or changing exposures, and stays abreast of developments that affect the likelihood of harm or loss.

Other than the RMC, the Board had constituted other committees that are nonetheless crucial to the risk management process. Primarily responsible for providing oversight with respect to the Bank's risk-taking function are the following committees:

The Corporate Risk Management Services Group (CRISMS)

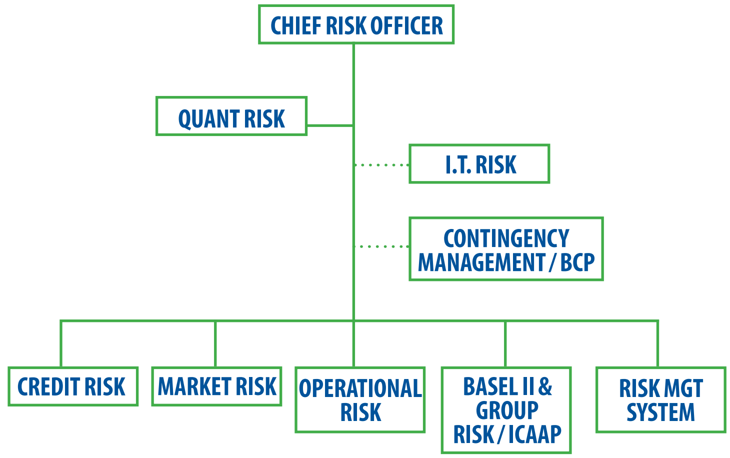
Supporting the RMC in carrying out its mandate is the Corporate Risk Management Services Group (CRISMS) of the parent RCBC. Its risk management function refers to all activities of identifying, assessing and/or measuring, controlling and monitoring all types of risk the Bank is exposed to.

CRISMS implements the risk management process in the parent company, and additionally consolidates the risk MIS from the various subsidiary risk units for a unified risk profile and eventual disposition.

Functionally, CRISMS is structured along the traditional make of risk management organizations, with separate divisions dedicated to the largest financial risks - credit, market, and operational. The quantitative risk unit exists to address the quantitative nature of risk management and to assist in the building of models and other risk metrics. I.T. risk management and contingency management are not directly under CRISMS; but the latter nonetheless exercises oversight.

As a response to the demands of BSP Circular 639 on the Internal Capital Adequacy Assessment Process (ICAAP), and to further Basel II initiatives, CRISMS was enhanced in 2009 to include a function dedicated to Basel II and group risk oversight.

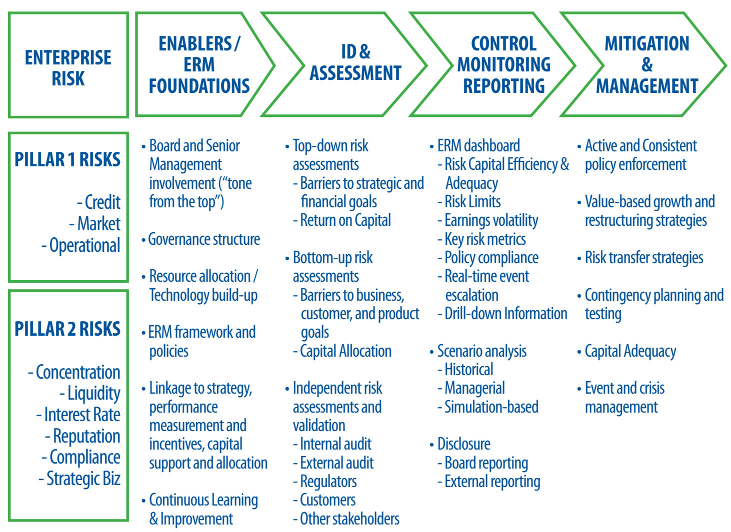
And with the growing need for automation, a unit dedicated to the assessment, implementation, and management of existing and prospective risk systems was likewise established.



The Risk Management Framework

The Risk Management Framework is a cycle of identifying, assessing or measuring, controlling and monitoring risk exposures. Risks are identified using various tools and techniques. Metrics, both adopted from regulation and best practice and internal to the Bank are then used to measure these risks. Limits are then set to control them; and later monitored regularly to ascertain whether the same risks are still within the prescribed limits. If not, the circle starts again: the excessive risks and their causes are identified, measured and corrected.

The Framework adhered to by the bank in managing its risk exposures is illustrated as follows:



2002

With the Bangko Sentral ng Pilipinas (BSP) and seven local and foreign banks, RCBC signed an agreement that raised US$ 675M five-year loan syndicated facility, Asia's largest sovereign loan for the year.

Risk Identification and Materiality

The risk identification & assessment process in the Bank is carried out mainly via three means. "Top-down" risk assessment is from a macro perspective, and generally occurs during the risk appetite setting exercise of the Board and Senior Management. "Bottom-up" risk assessment on the other hand is the micro perspective. It involves identification and assessment of existing risks or those that may arise from new business initiatives and products, including material risks that originate from the Bank's Trust business, subsidiaries and affiliates. The final means by which risk identification is carried out is via independent assessments. These include assessments and validations made by the Bank's internal audit group, by the BSP, other regulators, the customers themselves, and other stakeholders.

On top of these risk identification methodologies, the Bank likewise performs a perception check of the material vulnerabilities it faces. On an annual basis, the Board and the members of the Senior Management Committee undergo a Risk Materiality Survey to assess risk appreciation. For 2010, the Bank deemed the following risks material:

Credit Risk – The risk that the borrower, issuer or counterparty in a transaction may default and cause a potential loss to the Bank;

Liquidity Risk – The risk to earnings or capital arising from the Bank's inability to meet its obligations when they become due without incurring unacceptable losses;

Market / Price Risk – The risk resulting from adverse movements in the general level of or volatility of market rates or prices or commodity/equity prices possibly affecting the Bank's financial condition;

Operational Risk – The risk arising from the potential that inadequate information system, operations or transactional problems (related to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected loss;

Reputation Risk - The current and prospective negative impact to earnings and capital arising from negative public opinion;

Concentration Risk - The current and prospective negative impact to earnings and capital arising from over-exposure to specific industries or borrowers / counterparties;

Interest Rate Risk - The current and prospective negative impact to earnings and capital arising from movements or shifts in interest rates. Risk becomes inherent in the current and prospective interest gapping of the Bank's balance sheet;

Compliance / Regulatory Risk - The current and prospective negative impact to earnings and capital arising from violations of laws, regulations, ethical standards, and the like;

Strategic Business Risk - The current and prospective negative impact to earnings arising from adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes.

Risk Assessment

Pillar 1 Risks

The measurement of Pillar 1 risks is through proper risk measurement tools and methodology aligned with best practices and acceptable per regulatory standards. Minimum approaches are as prescribed under BSP Circulars 360, 538, 544 and 545, with the objective of building on these regulatory prescriptions towards better internal models.

Pillar 2 Risks

The tools used to measure most of Pillar 2 risks on the other hand are, in general, still evolving, and shall still undergo refinement moving forward. Following is a brief summary of the tools employed for quantifying Pillar 2 risks in 2010.

- *Liquidity Risk* – This risk is measured using the established Maximum Cumulative Outflow (MCO) method, which in turn is based on historical observations and simulations of prospective liquidity risk events. Liquidity gapping is the starting point of liquidity risk measurement.

- *Interest Rate Risk in the Banking Book* – For the Bank, this risk is measured via the Capital-at-Risk (CaR) and Net Interest Income (NII)-at-Risk methods. Interest Rate gapping is the starting point of interest rate risk measurement.

- *Concentration Risk* – Other than the various measures of risk concentration, the Bank measures credit concentration risk using a simplified application of the Herfindahl-Hirschman Index (HHI) approach.

- *Reputation Risk* – The Bank recognizes this risk as one of the most difficult to quantify. As a basic measure, however, the Bank in 2010 employed a VAR-like treatment of the closing share price of an RCBC listed share. Extreme reputation risk however is folded into liquidity risk. Moving forward, the Bank shall no longer be employing a specific reputation risk measure; and instead employ a reputation monitoring and escalation framework, which studies have shown to be just as effective as determining a specific capital charge to account for damage to reputation.

- *Compliance Risk* – The quantification of this risk is for now highly dependent on an analysis of historical operational losses and regulatory penalties / fines. Moving forward, a more robust operational risk management system could surface a better estimation method.

- *Strategic Business Risk* –The Bank currently treats this risk as a catch-all risk, and expresses its estimate as a cap on additional risk weighted assets given other risks and a desired minimum capital adequacy ratio.

2004

RCBC forged a partnership with Verified by Visa, an internet authentication service provided by Visa International.

On an individual (as opposed to portfolio) basis, the method for quantifying risk varies. For instance, financial evaluations are tailored per borrower/counterparty. Product programs are likewise assessed individually according to the risks they pose.

Risk Control

The Board establishes the Bank's strategic directions and risk tolerances. In carrying out these responsibilities, the Board approves policies, sets risk standards, and institutes risk limits. These limits are established, approved, and communicated through policies, standards, and procedures that define responsibility and authority. The same are evaluated at least annually for relevance, and to ensure compatibility with decided business strategy.

The control and mitigation of Pillar 1 risks are illustrated below.

RISK TRACK	RISK CONTROLS	OTHER RISK MITIGATION TOOLS
CREDIT	Regulatory Limits: SBL, DOSRI Industry Exposure Limit (IER) Credit Approval Authority Limits Internal SBL	Credit Evaluation Process Industry & Borrower Risk Rating Loan Loss Provisioning / Impairment Asset Quality Review Credit Stress Testing Exception Monitoring & Reporting
MARKET	Trading Position Limits Value-at-Risk (VAR) Limits DV01 Limits Loss Limits Management Action Triggers (MAT) Rate reasonability Limits	Individual Product Guidelines Market Stress Testing
OPERATIONAL	Risk Control Self-Assessment* Loss Events Database* Key Risk Indicators* *(non-limits currently)	Embedded in compliance programs Business continuity, Audit Risk-specific control activities

Risk Monitoring and Reporting

The Bank monitors risk levels to ensure timely review of risk positions and exceptions versus established limits and ensure effectiveness of risk controls using appropriate monitoring systems. Reports are prepared on a regular, timely, accurate, and informative manner; and distributed to the risk taking units and appropriate oversight body to ensure timely and decisive management action. The RCBC ALCO is apprised weekly of the parent bank's risk positions, performance, and limit compliance. The Bank RMC on the other hand is apprised monthly of the same, but this time including those of the subsidiaries'. The Chair of the RMC in turn reports the RMC findings to the immediately following Board meeting.

Risk Mitigation and Management

In the end, Risk Management as a value proposition does not equal risk avoidance. The risk process adopted by the Bank is not designed to eliminate risks, but rather to mitigate and manage them so as to arrive at an optimum risk-reward mix.

The Bank understands efficient risk mitigation as one that is brought about by an active and consistent application and enforcement of policies, with a view of facilitating value-adding growth. It is also a process by which contingencies are laid out and tested in the hope of serving the Bank in good stead during unforeseen crisis events.

Business Continuity Plan

RCBC explicitly considers and plans for major operational disruptions. The Board of Directors and Senior Management support all initiatives undertaken to ensure business continuity and disaster recovery are in place. Included in the plan are various investments on the alternate sites, data back-up sites, radios, survival kits, evacuation sites. There are also plans in case of severe crisis affecting the Head Office and branches. There are periodic testing and assessments as well as safety and evacuation drill exercises to continue service to clients during crisis, and ensure safety of the people, that is paramount in the crisis planning. In addition, RCBC recognizes that clear, regular communication during a major operational disruption is necessary to manage a crisis and maintain public confidence.

Risk Foundation & Enablers

For the entire Risk Process to work, however, some foundations need to be set, most important of which is the active involvement of the Board and Senior Management. It must be apparent to the rest of the Bank that a risk mindset is a tone that is set from the top. It is also essential that a credible governance structure is in place to as to frame the entire risk management process, encourage a culture of managing risks in an open setting, and promote principled leadership.

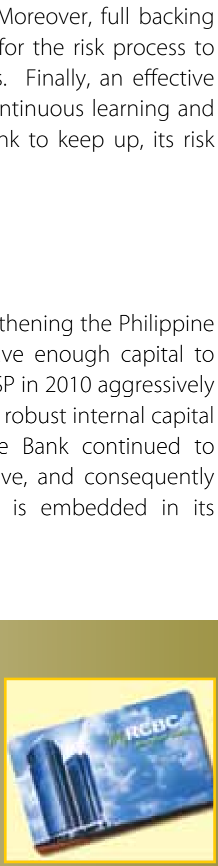
In addition to these foundations, resource allocation and technology build-up are considered major enablers of risk management. For the risk process to run smoothly and effectively, the Bank must have access to the right minds in the industry. Moreover, full backing from the technology side must be present for the risk process to be effective and updated with latest trends. Finally, an effective risk management process is a product of continuous learning and improvement. Risks evolve; and for the Bank to keep up, its risk process must proactively keep up as well.

THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

With the principal objective of further strengthening the Philippine Banking System by ensuring that banks have enough capital to answer for their unique risk exposures, the BSP in 2010 aggressively pursued the requirement for banks to have a robust internal capital adequacy assessment process (ICAAP). The Bank continued to manifest its affirmation of the BSP's objective, and consequently worked towards ensuring that the ICAAP is embedded in its operations.

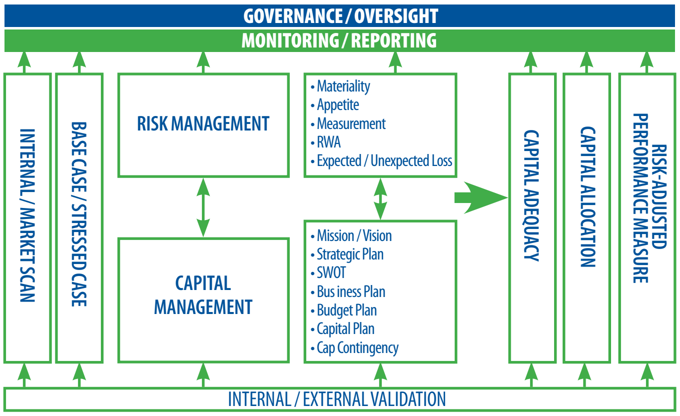
2005

RCBC introduced myRCBC Access Card, a card that links up to 10 accounts to one card.



The ICAAP Framework

The Bank's ICAAP Framework is illustrated as follows:



It puts importance on what the Bank believes to be the five (5) pillars of ICAAP – a) Board Oversight, b) Risk Management System, c) Capital Management System and how it interacts seamlessly with Risk Management, d) Monitoring and Escalation, and e) Review and Validation process employed by the process.

The Risk and Capital management systems respond to internal and external signals. Internal signals for the Bank are reduced to its corporate Vision & Mission, which animate a set of Strategies that aim to fulfill such Vision while taking into account external signals mostly involving current market movements and projections. Always, Risk and Capital management systems see through bi-focal lenses – growth / business-as-usual scenario, and stress.

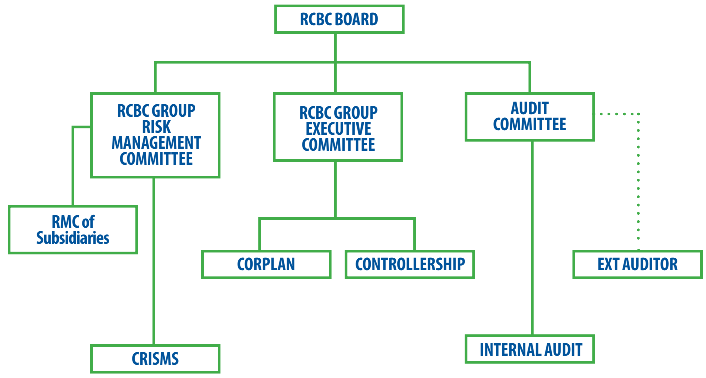
With the foregoing as backdrop, business targets are determined along with the risks and the necessary capital, bearing in mind minimum capital adequacy regulations and internal triggers. In an ideal scenario, the process should lead to maximization of capital via robust capital allocation among the business units, and with performance assessed via risk-adjusted measures. The Bank is committed to working towards this goal. In the meantime, and largely due to regulatory capital floors, the process is mainly capital supply – driven; i.e., growth is dictated by how much capital is available.

The ICAAP and its sub-processes are all subject to review and validation. The UniBank in 2010 engaged SGV for an external review; and Internal Audit has just concluded its initial validation following its own framework of ICAAP involvement.

Finally, each stage of the process is monitored by and reported to the designated oversight bodies.

ICAAP Governance

The ICAAP is primarily driven by the Board, with oversight functions performed by the Executive Committee (Excom), Risk Management Committee (RMC), and the Audit Committee (AudCom) in their respective roles and capacities. General oversight of the process however is delegated by the Board to the RMC.



The Board is the primary driver of the ICAAP. It sets the Bank's Mission, Vision, and general strategic direction. It likewise approves the Bank's risk appetite level and the capital plan.

Implementing the Vision crafted by, and performing oversight for, the Board are the various Committees. Next to the Board, the Excom is the highest approving body in the Bank. It has the power to pass judgment upon such matters as the Board may entrust to it for action in between meetings. The RMC on the other hand is specifically designated to oversee the implementation of the ICAAP. It evaluates for the Board the Bank's risk appetite, and manages its overall risk profile. The AudCom finally is an independent Committee tasked to oversee the entire audit process, including the validation of the various sub-processes of the ICAAP.

Comprising the next organizational layer are the implementing arms of the various Board Committees. The Corporate Risk Management Services Group (CRISMS) is tasked with the implementation and execution of the Bank's risk management framework, while the Corporate Planning Group drives the capital and strategic management function at the management level. The Controllership Group on the other hand ensures the provision of accurate financial information, while the Internal Audit Group ensures process integrity.•

2007

RCBC bolstered its financial strength by raising P5.6B in an over-subscribed follow-on common stock offering.

Buhay Rizal Book Donation in Iloilo City

Continuing the Buhay Rizal program of the Yuchengco Group of Companies (YGC), RCBC went to Iloilo City National High School to conduct one of its component projects, the Buhay Rizal Book Donation Drive.

On August 18, 2010, third year students of the school received more than 1,200 copies of Noli Me Tangere books to help address the lack of quality textbooks for their studies. The turnover ceremonies were attended by Department of Education (DepEd) Regional Director Dr. Mildred L. Garay; Special Assistant to the Mayor for Education, Matty Octavio; Schools Division Superintendent Erlinda Gencaya, OIC Principal Jerry Lego and OIC Filipino Department Head Noemi Bordon.

RCBC was represented by Senior Vice President Jose P. Ledesma III; YGC representative and RCBC Iloilo City Branch Manager Vicky Jaranilla; RCBC Associate Vice President Francis Ramos, and RCBC Savings Bank Associate Vice President Raymond Miñoso.

Since the Buhay Rizal campaign was launched in 2008, RCBC was able to donate Noli Me Tangere books to the students of eight (8) other high schools in Quezon City, Taguig, and Pampanga. Prior to this, the bank spearheaded the restoration of the Rizal monuments in the cities of Baguio and Batangas, also under the aegis of the campaign. The bank's thrift banking subsidiary, RCBC Savings Bank, similarly undertook donation drives in four (4) public high schools and sponsored the refurbishment of Rizal Monument in Bacolod City, while its credit card issuer Bankard Inc. restored the Rizal Shrine in Batangas City and donated books to two other high schools in Metro Manila.

2010

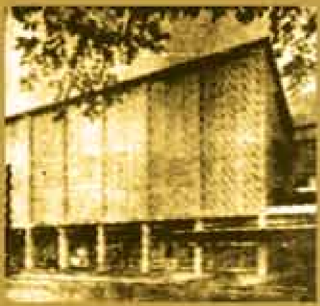
RCBC celebrated its 50th anniversary on September 23, 2010.

Edifice of Strength

From the simple to the sublime, the design of our corporate headquarters now reflects our elevated outlook as a corporate citizen committed to raising the economic landscape of the country. This architectural paragon is best defined by its one uncompromising trait: absolutely nothing comes close.

1960-1963

"The House" at 141 Ayala Avenue



1963-1975

The bank's head office at 219 Buendia Avenue

1975-2000

The RCBC Main Office at 333 Sen. Gil Puyat Avenue

2001

THE RCBC PLAZA

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

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 financial position as of December 31, 2010 and 2009 and the related statements of income, comprehensive income, changes in capital funds and cash flows for each of the three years in the period ended December 31, 2010 and notes to financial statements comprising of a summary of significant accounting principles and other explanatory notes. The financial statements have been prepared in conformity with Financial Reporting Standards in the Philippines for Banks (FRSPB) 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 & 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

Zenaida F. Torres
Head, Controllership Group

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Report of Independent Auditors

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 of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2010 and 2009, and the statements of income, statements of comprehensive income, statements of changes in capital funds and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

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), as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As discussed in Note 11 to the financial statements, the Parent Company transferred to special purpose vehicles (SPVs) certain nonperforming assets (NPAs) totalling P13,588 million in 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 Monetary Board (MB) Resolution No. 135. In recording the transfers of the NPAs to the SPVs, the Parent Company derecognized the NPAs from its financial statements, but the related allowance for impairment was retained or "freed" and was subsequently applied for the loan loss provision of certain loans and receivables and offset against the amortization of deferred charges until 2008. In addition, the Parent Company deferred the recognition of the losses resulting from the sale of the NPAs transferred and the additional allowance for impairment on such NPAs had these not been derecognized, such losses and additional allowance for impairment are instead being amortized over a period of 10 years in accordance with MB 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 those SPVs on the NPAs transferred. Under FRSPB, this is indicative of an incomplete transfer of the risks and rewards of ownership the NPAs to the SPVs. FRSPB 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. FRSPB, 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 losses determined on the NPAs qualified for derecognition and the additional allowance for impairment for NPAs not qualified for derecognition in the period the impairment and the losses were determined, instead of amortizing them over future periods either in profit or loss or directly in the surplus account. The effects of these matters on the Group's and Parent Company's financial statements are discussed in Note 11 to the financial statements.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the Group and the Parent Company 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 as at December 31, 2010 and 2009, and of their financial performance and their cash flows for the three years in the period ended, December 31, 2010, in accordance with Financial Reporting Standards in the Philippines for Banks, as described in Note 2 to the financial statements.

Other Matter

As discussed in Note 28 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations 15-2010 (RR 15-2010) on taxes, duties and license fees in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with Financial Reporting Standards in the Philippines for Banks; it is also not a required disclosure under the Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission.

Punongbayan & Araullo

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 2641866, January 3, 2011, Makati City
Partner's SEC Accreditation No. 0628-AR-1 (until Aug. 25, 2013)
BIR AN 08-002511-22-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 28, 2011

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Statements of Financial Position

DECEMBER 31, 2010 AND 2009
(Amounts in Millions of Philippine Pesos)

	Notes	Group		Parent	
		2010	2009	**2010**	2009
RESOURCES					
CASH AND OTHER CASH ITEMS	7	**P 7,113**	P 6,812	**P 5,534**	P 5,409
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	**24,889**	19,321	**22,915**	17,914
DUE FROM OTHER BANKS	7	**2,946**	3,067	**2,276**	1,789
INVESTMENT AND TRADING SECURITIES					
Financial assets at fair value through profit or loss	8	**15,479**	9,416	**11,791**	8,034
Available-for-sale securities - net	9	**55,493**	36,385	**46,691**	32,261
Held-to-maturity investments	10	**18,501**	19,962	**16,779**	17,639
LOANS AND RECEIVABLES - Net	11	**163,982**	164,893	**130,283**	131,733
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**4,089**	4,022	**10,658**	10,701
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**5,344**	4,754	**3,811**	3,383
INVESTMENT PROPERTIES - Net	14	**7,303**	5,067	**3,830**	2,873
DEFERRED TAX ASSETS - Net	28	**1,434**	1,408	**1,389**	1,389
OTHER RESOURCES - Net	15	**13,419**	13,409	**9,354**	9,475
TOTAL RESOURCES		**P 319,992**	P 288,516	**P 265,311**	P 242,600
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	17				
Demand		**P 11,598**	P 11,034	**P 9,241**	P 8,535
Savings		**108,414**	93,572	**93,714**	81,166
Time		**116,767**	115,672	**86,462**	90,852
Total Deposit Liabilities		**236,779**	220,278	**189,417**	180,553
BILLS PAYABLE	18	**17,117**	10,781	**17,171**	10,535
BONDS PAYABLE	19	**10,927**	5,836	**10,927**	5,836
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	20	**3,757**	3,250	**2,652**	2,326
OTHER LIABILITIES	21	**8,054**	6,898	**6,564**	5,890
SUBORDINATED DEBT	22	**10,946**	10,927	**10,946**	10,927
Total Liabilities		**287,580**	257,970	**237,677**	216,067
CAPITAL FUNDS		**32,412**	30,546	**27,634**	26,533
TOTAL LIABILITIES AND CAPITAL FUNDS		**P 319,992**	P 288,516	**P 265,311**	P 242,600

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Statements of Income

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		Group			Parent		
	Notes	**2010**	2009	2008	**2010**	2009	2008
INTEREST INCOME ON							
Loans and receivables	11	**P 11,605**	P 12,109	P 10,885	**P 8,100**	P 8,347	P 7,365
Investment securities	8, 9, 10	**4,547**	3,960	3,992	**3,901**	3,449	3,736
Others	7	**648**	701	783	**598**	643	684
		16,800	16,770	15,660	**12,599**	12,439	11,785
INTEREST EXPENSE ON							
Deposit liabilities	17	**4,043**	4,716	5,129	**2,917**	3,347	3,772
Bills payable and other borrowings	18, 19, 22	**1,873**	1,786	2,061	**1,873**	1,752	2,033
		5,916	6,502	7,190	**4,790**	5,099	5,805
NET INTEREST INCOME		**10,884**	10,268	8,470	**7,809**	7,340	5,980
IMPAIRMENT LOSSES - Net	16	**3,142**	2,243	998	**2,333**	1,684	831
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**7,742**	8,025	7,472	**5,476**	5,656	5,149
OTHER OPERATING INCOME (CHARGES)							
Trading and securities gains (losses) - net	8	**3,674**	2,253	(512)	**2,605**	1,902	(613)
Service fees and commissions	2	**1,655**	1,623	1,657	**1,161**	902	1,046
Foreign exchange gains - net		**459**	494	852	**383**	384	716
Equity in net earnings of associates	12	**285**	207	404	**–**	–	–
Trust fees		**220**	181	206	**201**	168	186
Other income	12	**2,117**	1,128	1,990	**2,464**	1,237	1,815
		8,410	5,886	4,597	**6,814**	4,593	3,150
OTHER OPERATING EXPENSES							
Employee benefits	25	**2,988**	2,779	2,525	**2,022**	1,865	1,682
Occupancy and equipment-related	26	**1,800**	1,651	1,493	**1,475**	1,348	1,151
Taxes and licenses	28	**1,308**	1,220	1,143	**925**	912	850
Depreciation and amortization	13, 14, 15	**803**	715	561	**560**	470	394
Miscellaneous	27	**3,996**	3,466	3,254	**3,036**	2,563	2,483
		10,895	9,831	8,976	**8,018**	7,158	6,560
PROFIT BEFORE TAX		**5,257**	4,080	3,093	**4,272**	3,091	1,739
TAX EXPENSE	28	**999**	745	920	**530**	519	569
NET PROFIT		**4,258**	3,335	2,173	**3,742**	2,572	1,170
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST		**10**	7	19	**–**	–	–
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS		**P 4,248**	P 3,328	P 2,154	**P 3,742**	P 2,572	P 1,170
Earnings Per Share	33						
Basic		**P 4.06**	P 3.13	P 1.72	**P 3.52**	P 2.30	P 0.70
Diluted		**P 4.06**	P 3.06	P 1.66	**P 3.52**	P 2.25	P 0.67

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

		Group			Parent		
	Notes	**2010**	2009	2008	**2010**	2009	2008
NET PROFIT FOR THE YEAR		**P 4,258**	P 3,335	P 2,173	**P 3,742**	P 2,572	P 1,170
OTHER COMPREHENSIVE INCOME (LOSSES)							
Fair value gains (losses) on available-for-sale securities	9	**(365)**	1,976	(2,601)	**(669)**	1,807	(2,329)
Translation adjustments during the year		**(22)**	14	20	**–**	–	–
Increase in revaluation increment in property of an associate		**–**	31	21	**–**	–	–
Increase in other reserves	12	**–**	–	(241)	**–**	–	–
		(387)	2,021	(2,801)	**(669)**	1,807	(2,329)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**3,871**	5,356	(628)	**3,073**	4,379	(1,159)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST		**9**	7	14	**–**	–	–
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**P 3,862**	P 5,349	(P 642)	**P 3,073**	P 4,379	(P 1,159)

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Statements of Changes in Capital Funds

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

		Group			Parent		
	Notes	**2010**	2009	2008	**2010**	2009	2008
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS							
PREFERRED STOCK							
Balance at beginning of year		**P 207**	P 859	P 859	**P 207**	P 859	P 859
Conversion of preferred stock to common stock		**–**	(652)	–	**–**	(652)	–
Balance at end of year	23	**207**	207	859	**207**	207	859
COMMON STOCK							
Balance at beginning of year		**9,906**	9,629	9,629	**9,906**	9,629	9,629
Conversion of preferred stock to common stock		**–**	277	–	**–**	277	–
Balance at end of year	23	**9,906**	9,906	9,629	**9,906**	9,906	9,629
TREASURY SHARES - At Cost							
Balance at beginning of year		**(953)**	–	–	**(953)**	–	–
Purchase of treasury shares during the year		**–**	(1,595)	–	**–**	(1,595)	–
Reissuance of treasury shares during the year		**–**	642	–	**–**	642	–
Balance at the end of year	23	**(953)**	(953)	–	**(953)**	(953)	–
CAPITAL PAID IN EXCESS OF PAR							
Balance at beginning of year		**6,040**	5,572	5,572	**6,040**	5,572	5,572
Conversion of preferred stock to common stock		**–**	375	–	**–**	375	–
Excess of consideration given over cost of treasury shares reissued	23	**–**	93	–	**–**	93	–
Balance at end of year		**6,040**	6,040	5,572	**6,040**	6,040	5,572
HYBRID PERPETUAL SECURITIES	24	**4,883**	4,883	4,883	**4,883**	4,883	4,883
REVALUATION RESERVES ON AVAILABLE-FOR-SALE SECURITIES							
Balance at beginning of year		**407**	(1,569)	1,032	**456**	(1,351)	978
Fair value gains (losses) on available-for-sale securities	9	**(364)**	1,976	(2,601)	**(669)**	1,807	(2,329)
Balance at end of year		**43**	407	(1,569)	**(213)**	456	(1,351)
REVALUATION INCREMENT IN PROPERTY OF AN ASSOCIATE							
Balance at beginning of year		**59**	28	7	**–**	–	–
Increase during the year		**–**	31	21	**–**	–	–
Balance at end of year	12	**59**	59	28	**–**	–	–
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS *(Balance Carried Forward)*		**P 20,185**	P 20,549	P 19,402	**P 19,870**	P 20,539	P 19,592

	Notes	Group 2010	Group 2009	Group 2008	Parent 2010	Parent 2009	Parent 2008
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS *(Balance Brought Forward)*		**P 20,185**	P 20,549	P 19,402	**P 19,870**	P 20,539	P 19,592
ACCUMULATED TRANSLATION ADJUSTMENTS							
Balance at beginning of year		**98**	84	64	**–**	–	–
Translation adjustment during the year		**(22)**	14	20	**–**	–	–
Balance at end of year		**76**	98	84	**–**	–	–
RESERVE FOR TRUST BUSINESS							
Balance at beginning of year		**286**	277	258	**279**	270	258
Transfer from surplus free		**11**	9	19	**11**	9	12
Balance at end of year	29	**297**	286	277	**290**	279	270
OTHER RESERVES	12	**(241)**	(241)	(241)	**–**	–	–
SHARE IN ADDITIONAL PAID-IN CAPITAL OF AN ASSOCIATE	12	**533**	533	533	**–**	–	–
SURPLUS							
Balance at beginning of year		**9,325**	7,626	6,495	**5,715**	4,772	4,618
Net profit for the year		**4,248**	3,328	2,154	**3,742**	2,572	1,170
Cash dividends	23	**(997)**	(786)	(1,004)	**(997)**	(786)	(1,004)
Amortization of deferred charges	15	**(975)**	(834)	–	**(975)**	(834)	–
Transfer to reserve for trust business	29	**(11)**	(9)	(19)	**(11)**	(9)	(12)
Balance at end of year		**11,590**	9,325	7,626	**7,474**	5,715	4,772
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**32,440**	30,550	27,681	**27,634**	26,533	24,634
NON-CONTROLLING INTEREST							
Balance at beginning of year		**(4)**	(44)	(312)	**–**	–	–
Net profit for the year		**10**	7	19	**–**	–	–
Redemption of preferred shares		**(33)**	–	–	**–**	–	–
Fair value losses on available-for-sale securities	9	**(1)**	–	(5)	**–**	–	–
Increase in non-controlling interest due to acquisition of a new subsidiary		**–**	33	13	**–**	–	–
Decrease in share of losses due to dilution		**–**	–	241	**–**	–	–
Balance at end of year		**(28)**	(4)	(44)	**–**	–	–
TOTAL CAPITAL FUNDS		**P 32,412**	P 30,546	P 27,637	**P 27,634**	P 26,533	P 24,634

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

		Group			Parent		
	Notes	**2010**	2009	2008	**2010**	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 5,257**	P 4,080	P 3,093	**P 4,272**	P 3,091	P 1,739
Adjustments for:							
Impairment losses	16	**3,142**	2,243	998	**2,333**	1,684	831
Depreciation and amortization	13, 14, 15	**803**	715	561	**560**	470	394
Equity in net earnings of associates	12	**(285)**	(207)	(404)	**–**	–	–
Dividend income		**–**	–	–	**(117)**	(218)	(31)
Operating income before working capital changes		**8,917**	6,831	4,248	**7,048**	5,027	2,933
Decrease (increase) in financial assets at fair value through profit and loss		**(6,063)**	(5,979)	5,584	**(3,757)**	(4,950)	5,569
Increase in loans and receivables		**(3,675)**	(2,206)	(41,813)	**(4,785)**	(2,598)	(36,558)
Decrease (increase) in investment properties		**(900)**	(895)	246	**2,908**	130	324
Decrease (increase) in other resources		**(1,081)**	319	(5)	**(926)**	458	336
Increase in deposit liabilities		**16,501**	24,051	20,298	**8,864**	21,624	16,438
Increase (decrease) in accrued interest, taxes and other expenses		**392**	337	(244)	**342**	291	(510)
Increase (decrease) in other liabilities		**1,156**	(323)	(518)	**674**	(68)	(809)
Cash generated from (used in) operations		**15,247**	22,135	(12,204)	**10,368**	19,914	(12,277)
Cash paid for taxes		**(910)**	(636)	(721)	**(547)**	(460)	(571)
Net Cash From (Used in) Operating Activities		**14,337**	21,499	(12,925)	**9,821**	19,454	(12,848)
CASH FLOWS FROM INVESTING ACTIVITIES							
Decrease (increase) in available-for-sale securities		**(18,558)**	(11,603)	4,255	**(14,220)**	(9,270)	4,297
Acquisitions of bank premises, furniture, fixtures and equipment	13	**(1,264)**	(1,026)	(1,035)	**(906)**	(772)	(648)
Decrease in held-to-maturity investments		**565**	711	–	**–**	254	–
Cash dividends received	12	**117**	218	231	**117**	218	31
Decrease (increase) in investments in subsidiaries and associates		**68**	325	86	**43**	(1)	(451)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**53**	82	86	**28**	50	37
Net Cash From (Used in) Investing Activities		**(19,019)**	(11,293)	3,623	**(14,938)**	(9,521)	3,266
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from (payments of) bills payable	18	**6,336**	(10,672)	8,632	**6,636**	(10,875)	8,932
Net proceeds from bonds payable	19	**10,927**	–	–	**10,927**	–	–
Redemption of bonds payable	19	**(5,836)**	–	(434)	**(5,836)**	–	(434)
Dividends paid	23	**(997)**	(786)	(1 ,004)	**(997)**	(786)	(1 ,004)
Net proceeds from issuance of subordinated debt	22	**–**	3,985	1,938	**–**	3,985	1,938
Purchase of treasury shares	23	**–**	(1,595)	–	**–**	(1,595)	–
Net Cash From (Used in) Financing Activities		**10,430**	(9,068)	9,132	**10,730**	(9,271)	9,432
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Balance Carried Forward)*		**P 5,748**	P 1,138	(P 170)	**P 5,613**	P 662	(P 150)

	Notes	Group 2010	Group 2009	Group 2008	Parent 2010	Parent 2009	Parent 2008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Balance Brought Forward)*		**P 5,748**	P 1,138	(P 170)	**P 5,613**	P 662	(P 150)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	7	**6,812**	6,809	5,876	**5,409**	5,596	4,828
Due from Bangko Sentral ng Pilipinas	7	**19,321**	16,391	17,611	**17,914**	15,656	16,750
Due from other banks	7	**3,067**	4,862	4,745	**1,789**	3,198	3,022
		29,200	28,062	28,232	**25,112**	24,450	24,600
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	7	**7,113**	6,812	6,809	**5,534**	5,409	5,596
Due from Bangko Sentral ng Pilipinas	7	**24,889**	19,321	16,391	**22,915**	17,914	15,656
Due from other banks	7	**2,946**	3,067	4,862	**2,276**	1,789	3,198
		P 34,948	P 29,200	P 28,062	**P 30,725**	P 25,112	P 24,450

Supplemental Information on Noncash Investing and Financing Activities

1. In 2010, the Group and the Parent Company foreclosed real and other properties totaling P3,739 and P1,599, respectively, in settlement of certain loan accounts (see Note 14).

2. In 2009, the Group and the Parent Company reclassified its investment in special purpose companies (SPCs), previously presented as investment properties, with total carrying amount of P3,092 and P388, respectively, to investments in subsidiaries. Accordingly, the net assets of the SPCs were consolidated to the Group's 2009 financial statements (see Notes 12 and 14).

3. In 2009, the Parent Company exchanged its common shares previously purchased as treasury shares amounting to P642 for a 5.64% equity stake in MICO Equities, Inc. (see Note 23).

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos, Except Per Share Data or as Indicated)

1. CORPORATE INFORMATION

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

Subsidiaries/Associates	Country of Incorporation	Explanatory Notes	Effective Percentage of Ownership 2010	2009
Subsidiaries:				
RCBC Savings Bank, Inc. (RSB)	Philippines		**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	(a)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Hongkong		**99.99**	99.99
RCBC Investment Ltd.	Hongkong	(b)	**99.99**	99.99
RCBC Capital Corporation (RCBC Capital)	Philippines		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Philippines	(c)	**99.96**	99.96
Pres. Jose P. Laurel Rural Bank, Inc. (JPL)	Philippines	(d)	**99.00**	99.00
Bankard, Inc. (Bankard)	Philippines	(e)	**91.69**	91.69
Merchants Savings and Loan Association, Inc. (Merchants Bank)	Philippines		**96.38**	96.38
Special Purpose Companies (SPCs):				
Niyog Property Holdings, Inc. (NPHI)	Philippines	(f)	**100.00**	100.00
Best Value Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Cajel Realty Corporation	Philippines	(g)	**100.00**	100.00
Crescent Park Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Crestview Properties Development Corporation	Philippines	(g)	**100.00**	100.00
Eight Hills Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Fairplace Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Gold Place Properties Development Corporation	Philippines	(g)	**100.00**	100.00
Goldpath Properties Development Corporation (Goldpath)	Philippines	(g)	**100.00**	100.00
Greatwings Properties Development Corporation	Philippines	(g)	**100.00**	100.00
Happyville Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Hexagonland, Inc. (Hexagonland)	Philippines	(h)	**100.00**	100.00
Landview Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Lifeway Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Manchesterland Properties, Inc.	Philippines	(g, h)	**100.00**	100.00
Niceview Property and Development Corporation	Philippines	(g)	**100.00**	100.00
Princeway Properties Development Corporation	Philippines	(g)	**100.00**	100.00
Stockton Realty Development Corporation	Philippines	(g)	**100.00**	100.00
Top Place Properties Development Corporation	Philippines	(g)	**100.00**	100.00
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
RCBC Realty Corporation (RRC)	Philippines	(i)	**34.80**	34.80
Honda Cars Phils., Inc. (HCPI)	Philippines		**12.88**	12.88
Roxas Holdings, Inc. (RHI)	Philippines		**4.71**	4.71
Subic Power Corporation (Subic Power)	Philippines	(j)	**–**	26.50

Explanatory Notes:

(a) Includes 16.03% and 25.29% ownership of RCBC IFL in 2010 and 2009, respectively.
(b) A wholly owned subsidiary of RCBC IFL.
(c) A wholly owned subsidiary of RCBC Capital.
(d) As of December 31, 2010, the Parent Company made a total capital infusion to JPL amounting to P250 million. As of the end of 2009, the Parent Company established its full and irrevocable voting and economic rights for 99.00% of JPL's outstanding shares (see Note 12).
(e) The Parent Company has 66.58% direct ownership and 25.11% indirect ownership through RCBC Capital.
(f) The Parent Company has 51.00% direct ownership and 49.00% indirect ownership through RSB. NPHI became a wholly owned subsidiary of the Parent Company after the reclassification of the Parent Company's investment with NPHI from investment property (see Note 14).
(g) In 2009, RSB reclassified its investment with SPCs from investment property to equity investment which resulted into the SPCs consolidation with the Parent Company (see Note 14).
(h) A wholly owned subsidiary of Goldpath.
(i) The Parent Company has 25.00% direct ownership and 9.80% indirect ownership through RLI.
(j) In 2010, Subic Power issued liquidating dividends as a complete return of the Parent Company's investment (see Note 12).

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 (together hereinafter referred to as the "Group") are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans and mortgage/housing loans), leasing and stock brokering.

As of December 31, 2010, the Group and the Parent Company have grown their network within and outside the Philippines as follows:

	Group	Parent
Automated teller machines (ATMs)	569	418
Branches	364	234
Extension offices	5	5
Foreign exchange booths	2	2

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE) and is a 50.41% 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 at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City. PMMIC's registered business address is located at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

The financial statements as of and for the year ended December 31, 2010 (including the comparatives for the years ended December 31, 2009 and 2008) were approved and authorized for issue by the Board of Directors (BOD) on March 28, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

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

The consolidated financial statements of 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); except for the staggered recognition of the required additional allowance for impairment and losses taken up against either in profit or loss or directly in the surplus account, and the derecognition of certain non-performing assets (NPAs) transferred, as discussed fully in Note 11.

FRSPB are similar to Philippine Financial Reporting Standards (PFRS), which are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), except for the following accounting treatment of certain financial instruments which are not allowed under PFRS, but were allowed under FRSPB as permitted by the Bangko Sentral ng Pilipinas (BSP) for prudential reporting, and by the Securities and Exchange Commission (SEC) for financial reporting purposes: (i) the non-separation of the embedded derivatives in credit-linked notes (CLNs) and other similar instruments that are linked to Republic of the Philippines (ROP) bonds to their host instruments and reclassification from the fair value through profit or loss (FVTPL) classification to loans and receivables and available-for-sale (AFS) classifications; and (ii) 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. The effects of the reclassification to certain statement of financial position items as of December 31, 2010 and 2009 and net profit for the periods then ended under FRSPB are discussed fully in Notes 8, 9, 10, and 11.

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expense in two statements: a statement of income and a statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Parent operates (the functional currency).

2.2 Impact of New Amendments and Interpretations to Existing Standards

(*a*) *Effective in 2010 that are Relevant to the Group*

In 2010, the Group adopted the following revisions, amendments and interpretations to PFRS that are relevant to the Group and which are mandatory in 2010.

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 2 (Amendment)	:	Group Cash-settled Share-based Payment
PFRS 3 (Revised 2008)	:	Business Combinations
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 17	:	Distribution of Non-cash Assets to Owners
Various Standards	:	2009 Annual Improvements to PFRS

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

(i) PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the financial statements as there were no transactions with non-controlling interests during the year.

(ii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective from July 1, 2009). The amendment clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The Group assessed that this amendment has no significant impact on the Group's financial statements.

(iii) PFRS 2 (Amendment), *Group Cash-settled Share-based Payment Transactions*, (effective from January 1, 2010). The amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and regardless of whether the transaction is equity-settled or cash-settled. The adoption of the amendment did not have significant impact on the Group's financial statements.

(iv) PFRS 3 (Revised 2008), *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 profit or loss. 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 did not have any business acquisition during the year; hence, the adoption of the revised standard has no effect on the 2010 financial statements.

(v) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective from July 1, 2009). IFRIC 17 clarifies that dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. This interpretation is applied prospectively. The Group's adoption of this interpretation did not have any impact on the financial statements because the Group did not distribute non-cash assets to stockholders during the year.

(vi) 2009 Annual Improvements to PFRS. The FRSC has adopted the *2009 Improvements to Philippine Financial Reporting Standards* which became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's financial statements but which did not also have any material impact on these financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issuance of the entity's equity instruments. Presently, the Group presents unclassified statement of financial position which presents resources and liabilities in order of liquidity.

- PAS 7 (Amendment), *Statement of Cash Flows*. The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases.* The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17.

- PAS 18 (Amendment), *Revenue*. The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. The Group is currently the principal in all of its business undertakings except for its trust business.

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations* (effective from January 1, 2010). The amendment clarifies that PFRS 5 specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations and set out all the disclosures required in respect of those assets or operations.

- PFRS 8 (Amendment), *Operating Segments* (effective from January 1, 2010). It clarifies that a measure of segment assets should be disclosed only if the amount is regularly provided to the chief operating decision maker (CODM). The Group reports total resources for each of its reportable segments as they are regularly provided to the CODM, hence, does not have any significant effect on the Group's segment reporting.

- PAS 36 (Amendment), *Impairment of Assets* (effective from January 1, 2010). PAS 36 clarifies that the largest unit permitted for the purpose of allocating goodwill to cash-generating units for goodwill impairment is the operating segment level defined in PFRS 8 before aggregation.

- PAS 38 (Amendment), *Intangible Assets* (effective from July 1, 2009). The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement* (effective from January 1, 2010). The amendment clarifies whether embedded prepayment options, in which the exercise price represented a penalty for early repayment of the loan are considered closely related to the host debt contract. It also clarifies the scope exemption which applies only to binding contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. Gains and losses on hedging instruments should be reclassified from equity to profit and loss account as a reclassification adjustment.

  Minor amendments are made to several other standards; however, those amendments have also no material impact on the Group's financial statements.

(b) *Effective in 2010 that are not Relevant to the Group*

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's financial statements:

PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
Philippine Interpretations		
IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	:	Transfers of Assets from Customers

(c) *Effective Subsequent to 2010*

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its financial statements.

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Classification of Rights Issues
PFRS 9	:	Financial Instruments
IFRIC 14	:	Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14
IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments
Various standards	:	2010 Annual Improvements to PFRS

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

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Management expects that the amendment will not have a material impact on the Group's financial statements since the Group has not issued any rights, options or warrants denominated in a currency other than Philippine peso.

(ii) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PFRS 9 is the first part of Phase 1 of the project to replace PAS 39, *Financial Instruments: Recognition and Measurement,* in its entirety by the end of 2010. The main phases are (with a separate project dealing with derecognition):

o Phase 1	:	Classification and Measurement
o Phase 2	:	Impairment Methodology
o Phase 3	:	Hedge Accounting

PFRS 9 introduces major simplifications of the classification and measurement provisions under PAS 39. These include reduction from four measurement categories into two categories, i.e. fair value and amortized cost, and from several impairment methods into one method.

As of December 31, 2010, management has not decided for an early adoption of the amendment. The Group is also currently assessing the impact of the revised standard to the financial statements and has not made a decision to apply the amendments until such time that it can comprehensively assess the effect of the revisions.

(iii) Philippine Interpretation IFRIC 14, Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective on or before January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19 surplus for defined benefit plans that are subject to a minimum funding requirement. As the Group does not usually make substantial advance contribution to its retirement fund, management does not consider the interpretation to have an impact on the Group's financial statements.

(iv) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective on or after July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps, and have happened with increased regularity during the financial crisis. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all (or part) of a financial liability is considered as payment in accordance with PAS 39;
- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;
- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and
- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

Management has determined that the adoption of the interpretation will not have a material effect on the financial statements as it does not normally extinguish financial liabilities through equity swap.

(v) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to Philippine Financial Reporting Standards*. These amendments become effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. The Group expects the amendments to the standards presented in the succeeding page to be relevant to the Group's accounting policies but does not expect any material effect on the Group's financial statements.

- PFRS 3, *Business Combinations* (effective from July 1, 2010). This clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of PFRS 3 (Revised 2008) shall not be adjusted on the adoption date. It also provides guidance on the subsequent accounting for such balances.

  It further clarifies that the choice of measuring non-controlling interest at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, is now limited to non-controlling interest that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

  The guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and acquiree awards that the acquirer chooses not to replace is clarified as well.

- PFRS 7, *Financial Instruments: Disclosures – Clarification of Disclosures* (effective from January 1, 2011). This clarifies disclosure requirements of the Standard to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading.
- PAS 1, *Presentation of Financial Statements – Clarification of Statement of Changes in Equity* (effective from July 1, 2010). This clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in capital funds or in the notes to the financial statements.
- PAS 21, *The Effects of Changes in Foreign Exchange Rates;* PAS 28, *Investments in Associates;* PAS 31, *Investments in Joint Ventures – Transition Requirements for Amendments Arising as a Result of PAS 27, Consolidated and Separate Financial Statements (Revised 2008)* (effective from July 1, 2010). This amends the transition requirements to apply certain consequential amendments arising from the 2008 PAS 27 amendments prospectively, to be consistent with the related PAS 27 transition requirements.
- PAS 34, *Interim Financial Reporting – Significant Events and Transactions* (effective from January 1, 2011). It aims to improve interim financial reporting by clarifying disclosures required, including the interaction with recent improvements to the requirements of PFRS 7.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes – Fair Value Awards Credits* (effective from January 1, 2011). The improvement clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

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 impairment are recognized in the 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 non-controlling 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 financial position 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 Non-controlling Interests

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Group. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in profit or loss. Purchases of equity shares from non-controlling 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, the non-controlling interest component is shown as part of the consolidated 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 interests in joint ventures. In the consolidated financial statements, Investments in Associates are initially recognized at cost and subsequently accounted for using the equity method. Under the equity method, the Group recognizes in profit or loss its share in the 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 statement of income 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 AFS financial assets, are recognized in the consolidated statement of changes in capital funds of the Group. 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 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 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.

The Group's operations are structured according to the nature of the services provided (primary segment) and different geographical markets served (secondary segment). Financial information on business segments is presented in Note 6.

2.5 Financial Assets

Financial assets, which are recognized when the Group becomes a party to the contractual terms of the financial instrument, include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: FVTPL, loans and receivables, HTM investments and AFS 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 period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized as expense in profit or loss. The foregoing categories and detailed description of the categories of financial instruments are more fully discussed below and in the succeeding pages.

(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 FVTPL upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the short term or if so designated by management. Derivatives are also categorized as "held for trading" unless they are designated as hedges.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets may be reclassified out of FVTPL 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 FVTPL 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 (except for CLNs linked to ROP bonds which were reclassified from AFS – see Note 2.7) 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 contract receivable, all receivables from customers/debtors and cash and cash equivalents. 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.

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 category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as HTM 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.

HTM investments consist of government and private debt securities. Should the Group sell other than an insignificant amount of HTM assets, the entire category would be tainted and reclassified as AFS. The tainting provision will not apply if the sales or reclassifications of HTM 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 non-recurring and could not have been reasonably anticipated by the Group. HTM 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 category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Non-derivative financial asset classified as AFS 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 HTM 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 other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss for equity securities is recognized in other comprehensive income, while for debt securities is recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss is recognized.

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

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 FVTPL category are included in Trading and Securities Gains (Losses) – Net account in the statement of income in the period in which they arise. Gains and losses arising from changes in the fair value of AFS are recognized as other comprehensive income, 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 profit or loss. Dividends on AFS equity instruments are recognized in profit or loss 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 the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses have been 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:

i. significant financial difficulty of the issuer or obligor;

ii. a breach of contract, such as a default or delinquency in interest or principal payments;

iii. 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;

iv. the occurrence of the probability that the borrower will enter bankruptcy or other financial reorganization;

v. the disappearance of an active market for that financial asset because of financial difficulties; and

vi. 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 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 receivables or HTM 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 profit or loss. If a loan or HTM 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 or receivable is determined to be uncollectible, it is written off against the related allowance for impairment. Such loan or receivable is written off after all the prescribed procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

(b) Assets Carried at Fair Value

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS 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 profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(c) 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, cross currency swaps, futures, and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing the Parent Company's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are 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 active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, 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. 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 recognizes the profits at initial recognition.

Certain derivatives embedded in other financial instruments, such as credit default swaps in a CLN, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at FVTPL. These embedded derivatives are measured at fair value, with changes in fair value recognized in the profit or loss, except for the embedded derivatives in CLNs linked to ROP bonds which were not bifurcated from the host contracts and were reclassified to loans and receivables as permitted by BSP for prudential reporting and SEC for financial reporting purposes.

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 that 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 financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.9 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other bank premises, furniture, fixtures and equipment are 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, major 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 profit or loss.

Depreciation is computed using 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 (see Note 2.18).

The residual values and estimated useful lives of bank premises, furniture, fixtures and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment, and not held for sale in the next 12 months.

Investment properties are 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 properties are stated at cost less accumulated depreciation and any impairment losses (see Note 2.18).

The Group adopted the cost model in measuring its investment properties, 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 properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

2.11 Real Estate Properties for Sale and Assets Held-for-Sale

Real estate properties for sale (presented as part of Other Resources) pertain to real properties obtained by the Group through dacion and held by various SPCs for disposal.

Assets held-for-sale (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 statement of income.

2.12 Intangible Assets

Intangible assets include goodwill, branch licenses, and computer software licenses.

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. Branch licenses, on the other hand, represent the rights given to the Parent Company to establish certain number of branches in the restricted areas in the country as incentive in acquiring a certain rural bank.

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.

Branch licenses are amortized over five years, their estimated useful life, starting from the month the branch is opened.

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 of the software (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overhead costs.

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

2.13 Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, bonds payable, subordinated debt, accrued 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 profit or loss.

Financial liabilities are generally recognized at their fair value initially 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 measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Preferred shares, 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 financial position. The dividends on these preferrred shares are recognized in profit or loss 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 currency forward transactions and interest rate swaps.

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 financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive 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 end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

The Parent Company, for its credit card business, and Bankard, under its rewards program, offer 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. 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 Expense* are recognized in the statement of income 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)* are 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 year-end mark-to-market valuation of certain securities.

(c) *Service Charges, Commissions and Other Income* include the following accounts:

i. *Finance charges* are recognized on credit card revolving accounts, other than those accounts classified as installment, as income as long as those outstanding account balances are not 90 days and over past due. Finance charges on installment accounts, first year and renewal membership fees are recognized as income when billed to cardholders. Purchases by cardholders which are collected on installment are recorded at the cost of items purchased.

ii. *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.

iii. *Loan syndication fees* are recognized upon completion of all syndication activities and where there are no further obligations to perform under the syndication agreement. *Service charges and penalties* are recognized only upon collection or accrued where there is a reasonable degree of certainty as to its collectibility.

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

v. *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.

Costs and expenses are recognized in profit or loss upon utilization of the assets or services or at the date they are incurred.

2.16 Leases

The Group accounts for its leases as follows:

(*a*) *Group as Lessee*

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in profit or loss 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, 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 profit or loss 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 Foreign Currency Transactions and Translations

(a) *Transactions and Balances*

Except for the foreign subsidiaries and accounts of 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 the prevailing Philippine Dealing System closing rates (PDSCR) at the end of the reporting period.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the PDSCR prevailing at the end of the period (for resources and liabilities) and at the average PDSCR for the period (for income and expenses). Any foreign exchange difference is recognized in profit or loss.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary resources and liabilities denominated in foreign currencies are recognized in profit or loss, 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 FVTPL, are reported as part of the fair value gain or loss.

Translation differences on non-monetary items, such as financial assets classified as AFS securities, are recognized as part of Revaluation Reserves on AFS Securities account taken to the statement of financial position.

(b) *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:

- Resources and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each statement of income are translated at average exchange rates during the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions' dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognized as a component of capital funds.

In 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 profit or loss 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) *Post-employment Benefits*

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

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The asset recognized in the statement of financial position for post-employment defined benefit pension plans is the fair value of plan assets at the end of the reporting period less the present value of the defined benefit obligation (DBO), 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 profit or loss, 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.

(b) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: *(i)* terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or *(ii)* providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(c) Bonus Plans

The Group recognizes a liability and an expense for bonuses, based on a formula that is fixed regardless of the Group's income after certain adjustments and does not take into consideration the profit attributable to the Group's shareholders. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) Compensated Absences

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

2.20 Income Taxes

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

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 provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in capital funds are recognized in other comprehensive income or directly in capital funds.

2.21 Related Parties

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

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Capital Funds

Preferred and common stocks represent the nominal value of shares that have been issued.

Treasury shares are stated at the cost of reacquiring such shares.

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 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 AFS securities pertain to changes in the fair values of AFS securities resulting in net gains and losses as a result of the revaluation of AFS securities.

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 from 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 the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Other reserves refers to the amount attributable to the Parent Company arising from the change in the ownership of the non-controlling interest in the Parent Company's subsidiary (see Note 12).

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 financial statements.

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

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statements of income and comprehensive income and within capital funds in the consolidated statements of financial position and changes in capital funds.

2.23 Earnings Per Share

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

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

2.24 Trust Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.25 Events After the End of the Reporting Period

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

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's financial statements prepared in accordance with FRSPB require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) 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 HTM. 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 AFS. However, the tainting provision will not apply if the sales or reclassifications of HTM 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 October 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 10).

(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 bankruptcy, the Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quotes prices for distressed securities) since current bid prices are no longer available. The Group recognized allowance for impairment on its available-for-sale securities amounting to P1,351 and P1,289 as of December 31, 2010 in the consolidated and Parent Company financial statements, respectively, and P1,336 and P1,276 as of December 31, 2009 in the consolidated and Parent Company financial statements, respectively (see Note 9).

(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 flows are largely independent 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 supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(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. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(e) Classification and Fair Value Determination of Acquired Properties

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held-for-sale 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next financial year.

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

The Group reviews its loans and receivables and HTM investments portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

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.

Impairment losses on loans and receivables, net of recoveries, amounted to P2,865 in 2010, P1,662 in 2009 and P874 in 2008 in the consolidated financial statements; and P2,127 in 2010, P1,156 in 2009 and P831 in 2008 in the Parent Company financial statements (see Note 11).

(b) Valuation of Financial Assets Other than Loans and Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

The Group recognized the change in value of FVTPL resulting to an increase of P33 in 2010 and P39 in 2009, and P1,557 decrease in 2008; and increase of P7 in 2010 and P10 in 2009, and P1,316 decrease in 2008 in the consolidated and Parent Company financial statements, respectively. The changes in fair values from AFS securities that were reported in the statements of comprehensive income amounted to fair value losses of P365 in 2010 and P2,601 in 2008, and fair value gains of P1,976 in 2009 in the consolidated financial statements; and fair value losses of P669 in 2010 and P2,329 in 2008, and fair value gains of P1,807 in 2009 in the Parent Company financial statements. The carrying values of the assets are disclosed in Notes 8 and 9, respectively.

(c) Useful Lives of Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment and investment properties 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 properties 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 properties are analyzed in Notes 13 and 14, respectively. Based on management's assessment as at December 31, 2010, there are no changes in the useful lives of bank premises, furniture, fixtures and equipment and investment properties during the period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) 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 statements of financial position at their fair value.

	Group			
	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and other cash items	**P 7,113**	**P 7,113**	P 6,812	P 6,812
Due from BSP	**24,889**	**24,889**	19,321	19,321
Due from other banks	**2,946**	**2,946**	3,067	3,067
HTM investments	**18,501**	**21,430**	19,962	20,973
Loans and receivables	**163,982**	**164,504**	164,893	164,949
Other resources	**2,107**	**2,107**	1,586	1,586
Deposit liabilities:				
Demand	**11,598**	**11,598**	11,034	11,034
Savings	**108,414**	**108,414**	93,572	93,572
Time	**116,767**	**116,767**	115,672	115,672
Bills payable	**17,117**	**17,117**	10,781	10,781
Bonds payable	**10,927**	**11,379**	5,836	5,871
Subordinated debt	**10,946**	**11,663**	10,927	11,177
Other liabilities	**8,054**	**8,054**	6,896	6,896
Accrued interest, taxes and other expenses	**3,757**	**3,757**	3,250	3,250

	Parent			
	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and other cash items	**P 5,534**	**P 5,534**	P 5,409	P 5,409
Due from BSP	**22,915**	**22,915**	17,914	17,914
Due from other banks	**2,276**	**2,276**	1,789	1,789
HTM investments	**16,779**	**19,480**	17,639	18,649
Loans and receivables	**130,283**	**130,805**	131,733	131,004
Other resources	**1,953**	**1,953**	1,455	1,455
Deposit liabilities				
Demand	**9,241**	**9,241**	8,535	8,535
Savings	**93,714**	**93,714**	81,166	81,166
Time	**86,462**	**86,462**	90,852	90,852
Bills payable	**17,171**	**17,171**	10,535	10,535
Bonds payable	**10,927**	**11,379**	5,836	5,871
Subordinated debt	**10,946**	**11,663**	10,927	11,177
Other liabilities	**6,564**	**6,564**	5,890	5,890
Accrued interest, taxes and other expenses	**2,652**	**2,652**	2,326	2,326

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

(e) 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 the end of each reporting period.

(f) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of unrecognized deferred tax assets as of December 31, 2010 and 2009 is disclosed in Note 28.1.

(g) 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.

(h) 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 25 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 gains amounted to P109 and P226, respectively, in the 2010 consolidated financial statements, and P72 and P268, respectively, in the 2009 consolidated financial statements. The retirement benefit asset and net unrecognized actuarial losses amounted to P100 and P270, respectively, in the 2010 Parent Company financial statements, and P40 and P295, respectively, in the 2009 Parent Company financial statements. Fair value of plan assets amounted to P2,749 and P1,762 in the 2010 and 2009 consolidated financial statements, respectively, and P2,270 and P1,324 in the 2010 and 2009 Parent Company financial statements, respectively (see Note 25).

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 objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from their traditional financial intermediation and service-provision activities, augmented by returns from positions based on views of the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD, the Group is exposed to liquidity risk and interest rate risk inherent in the statement of financial position, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn 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 Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure. Foreign exchange risk arises from the Group'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 ROP sovereign debt.

Other than the aforementioned derivatives, short-term currency forward contracts are used mostly in the context of swap transactions where an offsetting spot position is taken at the same time.

The Bank was recently granted additional authorities effective January 2011.

Products approved under the Expanded Dealer Authority (Type 2) are foreign currency forward, non-deliverable forward, interest rate and cross currency swaps while CLNs and bond options were approved under the Limited Dealer Authority (Type 3).

A committee system is a fundamental part of the Group's process of managing risk. Three committees of the BOD are relevant in this context.

- The Executive Committee (ExeCom), 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 group risk management, covering credit, market and operational risks under Pillar 1 of the Basel II framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the RMC.
- The Audit Committee, which meets monthly, reviews the 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 (CEO) 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 participation of the CEO and key business and support unit heads including the President of RSB, meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices/rates for various asset and liability and trading products, in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, provides guidance on the handling of the relevant risk exposure in between RMC meetings.

The Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure the Group-wide and consistent implementation of 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 Group holds capital commensurate with the levels of risk they undertake (see Notes 5.1 and 5.2) 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 Group's customers and repay maturing liabilities. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in their activities, and identifies, measures, monitors and controls the liquidity risk inherent as financial intermediaries.

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

The *gap analyses* as of December 31, 2010 and 2009 in accordance with account classification of the BSP are presented below and in the succeeding pages.

Group

	2010					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More Than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash	P 1,124	P –	P –	P –	P 5,989	P 7,113
Cash equivalents	27,835	–	–	–	–	27,835
Loans and receivables	37,867	25,991	41,235	14,826	44,063	163,982
Investments	21,983	150	8,359	48,399	14,671	93,562
Other resources	697	73	448	15	26,267	27,500
Total resources	89,506	26,214	50,042	63,240	90,900	319,992
Liabilities:						
Deposits liabilities	26,618	6,854	8,497	–	194,810	236,779
Bills payable	10,352	3,450	2,126	7	1,182	17,117
Bonds payable	–	–	10,927	–	–	10,927
Subordinated debt	–	–	10,937	–	9	10,946
Other liabilities	4,176	36	14	1	7,584	11,811
Total liabilities	41,146	10,340	32,501	8	203,585	287,580
Capital funds	–	15	–	4,313	28,084	32,412
Total liabilities and capital funds	41,146	10,355	32,501	4,321	231,669	319,992
On-book gap	48,360	15,859	17,541	58,919	(140,679)	–
Cumulative on-book gap	48,360	64,219	81,760	140,679	–	–
Contingent resources	132,699	42,031	1,137	–	–	175,867
Contingent liabilities	132,734	42,031	1,137	–	–	175,902
Total gap	(35)	–	–	–	–	(35)
Cumulative off-book gap	(35)	(35)	(35)	(35)	(35)	–
Cumulative total gap	P 48,325	P 64,184	P 81,725	P 140,644	(P 35)	P –

	2009					
	One to Three Months	Three Months to One Year	One to Five Years	More Than Five Years	Non-maturity	Total
Resources:						
Cash	P 722	P –	P –	P –	P 6,090	P 6,812
Cash equivalents	22,388	–	–	–	–	22,388
Loans and receivables	36,795	25,130	48,437	15,053	39,478	164,893
Investments	13,592	388	14,867	37,719	3,219	69,785
Other resources	390	560	274	19	23,395	24,638
Total resources	73,887	26,078	63,578	52,791	72,182	288,516
Liabilities:						
Deposits liabilities	27,280	3,771	1,639	–	187,588	220,278
Bills payable	7,739	2,644	133	265	–	10,781
Bonds payable	5,836	–	–	–	–	5,836
Subordinated debt	–	–	10,927	–	–	10,927
Other liabilities	3,977	111	2	–	6,058	10,148
Total liabilities	44,832	6,526	12,701	265	193,646	257,970
Capital funds	–	15	–	4,528	26,003	30,546
Total liabilities and capital funds	44,832	6,541	12,701	4,793	219,649	288,516
On-book gap	29,055	19,537	50,877	47,998	(147,467)	–
Cumulative on-book gap	29,055	48,592	99,469	147,467	–	–
Contingent resources	70,518	25,499	334	–	–	96,351
Contingent liabilities	75,405	25,716	329	–	3,656	105,106
Total gap	(4,887)	(217)	5	–	(3,656)	(8,755)
Cumulative off-book gap	(4,887)	(5,104)	(5,099)	(5,099)	(8,755)	–
Cumulative total gap	P 24,168	P 43,488	P 94,370	P 142,638	(P 8,755)	P –

Parent

	2010					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More Than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash	P 989	P –	P –	P –	P 4,545	P 5,534
Cash equivalents	25,191	–	–	–	–	25,191
Loans and receivables	35,035	23,114	25,427	13,004	33,703	130,283
Investments	11,813	–	7,472	58,119	8,515	85,919
Other resources	–	–	–	–	18,384	18,384
Total resources	73,028	23,114	32,899	71,123	65,147	265,311
Liabilities:						
Deposits liabilities	24,189	6,728	8,183	–	150,317	189,417
Bills payable	11,837	3,339	1,990	5	–	17,171
Bonds payable	–	–	10,927	–	–	10,927
Subordinated debt	–	–	10,937	–	9	10,946
Other liabilities	2,773	–	–	–	6,443	9,216
Total liabilities	38,799	10,067	32,037	5	156,769	237,677
Capital funds	–	–	–	4,313	23,321	27,634
Total liabilities and capital funds	38,799	10,067	32,037	4,318	180,091	265,311
On-book gap	34,229	13,047	862	66,805	(114,943)	–
Cumulative on-book gap	34,229	47,276	48,138	114,943	–	–
Contingent resources	132,681	42,031	1,137	–	–	175,849
Contingent liabilities	132,690	42,031	1,137	–	–	175,858
Total gap	(9)	–	–	–	–	(9)
Cumulative off-book gap	(9)	(9)	(9)	(9)	(9)	–
Cumulative total gap	P 34,220	P 47,267	P 48,129	P 114,934	(P 9)	P –

Parent

	2009					
	One to Three Months	Three Months to One Year	One to Five Years	More Than Five Years	Non-maturity	Total
Resources:						
Cash	P 414	P –	P –	P –	P 4,995	P 5,409
Cash equivalents	1,828	371	–	–	17,504	19,703
Loans and receivables	27,624	8,291	75	6,018	89,725	131,733
Investments	31,161	139	5,585	16,339	15,411	68,635
Other resources	–	–	–	–	17,120	17,120
Total resources	61,027	8,801	5,660	22,357	144,755	242,600
Liabilities:						
Deposits liabilities	15,857	603	679	–	163,414	180,553
Bills payable	7,201	2,573	12	749	–	10,535
Bonds payable	5,836	–	–	–	–	5,836
Subordinated debt	–	–	10,927	–	–	10,927
Other liabilities	2,128	10	–	–	6,078	8,216
Total liabilities	31,022	3,186	11,618	749	169,492	216,067
Capital funds	–	–	–	–	26,533	26,533
Total liabilities and capital funds	31,022	3,186	11,618	749	196,025	242,600
On-book gap	30,005	5,615	(5,958)	21,608	(51,270)	–
Cumulative on-book gap	30,005	35,620	29,662	51,270	–	–
Contingent resources	70,378	25,499	334	–	–	96,211
Contingent liabilities	75,238	25,716	329	–	3,656	104,939
Total gap	(4,860)	(217)	5	–	(3,656)	(8,728)
Cumulative off-book gap	(4,860)	(5,077)	(5,072)	(5,072)	(8,728)	–
Cumulative total gap	P 25,145	P 30,543	P 24,590	P 46,198	(P 8,728)	P –

All of the Group and the Parent Company's derivative liabilities will mature from one to three months from the end of the reporting period.

Pursuant to applicable BSP regulations, the Group is 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 Group 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 Group maintains significant exposure. Specifically, the Group ensures that their measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of their cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses their access to foreign exchange markets when setting up their risk limits.

Following BSP Circular No. 639 on ICAAP, the Group likewise calculates and maintains a level of capital needed to support unexpected losses attributable to liquidity risk (see Note 5.2).

4.2.2 Liquidity Risk Stress

To augment its gap analysis, the Group regularly assesses, for the Parent Bank and RSB, liquidity risk based on behavioural and hypothetical assumptions under stress conditions. The results of these liquidity stress simulations are reported monthly to the RMC.

4.3 Market Risk

The Group'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 Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages 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.
- Dollar Value of an 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration.

A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to 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 one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure 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, refers to the impact on net interest income for a 12-month horizon of adverse movements in interest rates. For this purpose, the Group employs a gap analysis to measure the interest rate sensitivity of its statement of financial position (local and foreign currencies). As of a given reporting 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 end of the reporting period. A positive gap means net asset sensitivity, which implies that an increase in the interest rates would have a positive effect on the Group's net interest income. Conversely, a negative gap means net liability sensitivity, implying that an increase in the interest rates would have a negative effect on the Group's net interest income. The rate movements assumed for measuring EaR are consistent with a 99% confidence level with respect to historical rate volatility, assuming a one-year holding period.

- Capital-at-Risk (CaR) – BSP Circular No. 544 refers to the estimation of the effect of interest rate changes as not only with respect to earnings, but also on the Bank's economic value. The estimate therefore must consider the fair valuation effect of rate changes on non-trading positions. These include both those positions with fair value changes against profit or loss, as well as those with fair value changes booked directly against capital funds (e.g., AFS securities); but exclude those whose fair value changes are considered substantially offset – in an economic, if not accounting, sense – by fair value changes of another statement of financial position item. Adding this to the EaR determined using the procedure described above provides a measure of capital subject to interest rate risk. The Group sets its CaR limit as a percentage of the capital funds in the statement of financial position.

In addition to the limits corresponding to the above measurements, the following are also in place:

- Loss Limit – represents a ceiling on accumulated month-to-date 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:

Group

	2010			
	At December 31	**Average**	**Maximum**	**Minimum**
Foreign currency risk	P 7	P 10	P 58	P 1
Interest rate risk	144	127	249	38
Overall	P 151	P 137	P 307	P 39

	2009			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 7	P 6	P 19	P 1
Interest rate risk	120	112	307	8
Overall	P 127	P 118	P 326	P 9

Parent

	2010			
	At December 31	**Average**	**Maximum**	**Minimum**
Foreign currency risk	P 5	P 9	P 56	P 1
Interest rate risk	112	107	213	35
Overall	P 117	P 116	P 269	P 36

	2009			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 6	P 5	P 16	P 1
Interest rate risk	110	99	273	8
Overall	P 116	P 104	P 289	P 9

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 Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it to within conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates 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 (after elimination of intercompany accounts/transactions) as of December 31 is as follows:

Group

	2010		
	Foreign Currency	**Peso**	**Total**
Resources:			
Cash and other cash items	P –	P 7,113	P 7,113
Due from BSP	–	24,889	24,889
Due from other banks	2,195	751	2,946
Financial assets at FVTPL	6,934	8,545	15,479
AFS securities	34,505	20,988	55,493
HTM investments	15,956	2,545	18,501
Loans and receivables	29,694	134,288	163,982
Other resources	1,128	979	2,107
Liabilities:			
Deposit liabilities	59,303	177,476	236,779
Bills payable	15,577	1,540	17,117
Bonds payable	10,927	–	10,927
Accrued interest, taxes and other expenses	598	3,159	3,757
Other liabilities	2,116	5,938	8,054
Subordinated debt	–	10,946	10,946

	2009		
	Foreign Currency	Peso	Total
Resources:			
Cash and other cash items	P –	P 6,812	P 6,812
Due from BSP	–	19,321	19,321
Due from other banks	2,550	517	3,067
Financial assets at FVTPL	3,075	6,341	9,416
AFS securities	19,704	16,681	36,385
HTM investments	17,232	2,730	19,962
Loans and receivables	42,307	122,586	164,893
Other resources	1,149	437	1,586
Liabilities:			
Deposit liabilities	55,546	164,732	220,278
Bills payable	8,746	2,035	10,781
Bonds payable	5,836	–	5,836
Accrued interest, taxes and other expenses	457	2,793	3,250
Other liabilities	1,026	5,872	6,898
Subordinated debt	–	10,927	10,927

Parent

	2010		
	Foreign Currency	**Peso**	**Total**
Resources:			
Cash and other cash items	P –	P 5,534	P 5,534
Due from BSP	–	22,915	22,915
Due from other banks	1,996	280	2,276
Financial assets at FVTPL	6,450	5,341	11,791
AFS securities	32,475	14,216	46,691
HTM investments	14,252	2,527	16,779
Loans and receivables	29,565	100,718	130,283
Other resources	985	968	1,953
Liabilities:			
Deposit liabilities	55,186	134,231	189,417
Bills payable	16,073	1,098	17,171
Bonds payable	10,927	–	10,927
Accrued interest, taxes and other expenses	583	2,069	2,652
Other liabilities	1,388	5,176	6,564
Subordinated debt	–	10,946	10,946

	2009		
	Foreign Currency	Peso	Total
Resources:			
Cash and other cash items	P –	P 5,409	P 5,409
Due from BSP	–	17,914	17,914
Due from other banks	1,405	384	1,789
Financial assets at FVTPL	2,955	5,080	8,034
AFS securities	19,345	12,917	32,261
HTM investments	15,103	2,536	17,639
Loans and receivables	42,152	89,581	131,733
Other resources	1,018	437	1,455
Liabilities:			
Deposit liabilities	51,027	129,526	180,553
Bills payable	8,746	1,789	10,535
Bonds payable	5,836	–	5,836
Accrued interest, taxes and other expenses	457	1,869	2,326
Other liabilities	696	5,194	5,890
Subordinated debt	–	10,927	10,927

4.3.2 Interest Rate Risk

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

The *interest rate gap analyses* of resources and liabilities as of December 31 based on re-pricing maturities appear 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, are not re-priced;
- Held-for-trading securities are treated as if they are assets subject to re-pricing within the first month maturity bucket; AFS securities re-price on contractual maturity; and
- 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.

Group

	2010					
	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 135	P –	P –	P –	P 6,978	P 7,113
Loans and advances to banks	27,835	–	–	–	–	27,835
Loans and advances to customers	78,976	13,059	20,273	7,586	44,088	163,982
Investment and trading securities	22,009	150	8,297	56,316	2,701	89,473
Total resources	P 128,955	P 13,209	P 28,570	P 63,902	P 53,767	P 288,403
Liabilities:						
Deposits from banks	P 10,353	P 3,456	P 2,119	P 8	P 1,181	P 17,117
Deposits from customers	94,820	10,398	12,444	1	119,116	236,779
Debt securities issued	–	–	10,927	–	–	10,927
Subordinated liabilities	–	–	10,937	–	9	10,946
Total liabilities	P 105,173	P 13,854	P 36,427	P 9	P 120,306	P 275,769
On-book gap	P 23,782	(P 645)	(P 7,857)	P 63,893	(P 66,539)	P 12,634
Cumulative gap	P 23,782	P 23,137	P 15,280	P 79,173	P 12,634	

	2009					
	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 296	P –	P –	P –	P 6,516	P 6,812
Loans and advances to banks	22,388	–	–	–	–	22,388
Loans and advances to customers	81,528	12,891	23,086	7,719	39,669	164,893
Investment and trading securities	11,070	393	15,349	36,498	2,453	65,763
Total resources	P 115,282	P 13,284	P 38,435	P 44,217	P 48,638	P 259,856
Liabilities:						
Deposits from banks	P 7,609	P 3,172	P –	P –	P –	P 10,781
Deposits from customers	103,396	7,339	7,879	1	101,663	220,278
Debt securities issued	5,834	–	–	–	2	5,836
Subordinated liabilities	–	–	10,927	–	–	10,927
Total liabilities	P 116,839	P 10,511	P 18,806	P 1	P 101,665	P 247,822
On-book gap	(P 1,557)	P 2,773	P 19,629	P 44,216	(P 53,027)	P 12,034
Cumulative gap	(P 1,557)	P 1,216	P 20,845	P 65,061	P 12,034	

Parent

	2010					
	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 –	P –	P –	P –	P 5,534	P 5,534
Loans and advances to banks	23,575	–	–	–	1,616	25,191
Loans and advances to customers	79,872	6,479	4,464	5,764	33,704	130,283
Investment and trading securities	11,791	–	7,460	54,339	1,671	75,261
Total resources	115,238	6,479	11,924	60,103	42,525	236,269
Liabilities:						
Deposits from banks	P 11,854	P 3,327	P 1,983	P 7	P –	P 17,171
Deposits from customers	69,585	8,562	8,324	–	102,946	189,417
Debt securities issued	–	–	10,927	–	–	10,927
Subordinated liabilities	–	–	10,937	–	9	10,946
Total liabilities	P 81,439	P 11,889	P 32,171	P 7	P 102,955	P 228,461
On-book gap	P 33,799	(P 5,410)	(P 20,247)	P 60,096	(P 60,430)	P 7,808
Cumulative gap	P 33,799	P 28,389	P 8,142	P 68,238	P 7,808	

	2009					
	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 –	P –	P –	P –	P 5,409	P 5,409
Loans and advances to banks	1,537	371	–	–	17,795	19,703
Loans and advances to customers	101,891	7,632	4,604	10,876	6,730	131,733
Investment and trading securities	8,520	326	14,209	33,137	1,742	57,934
Total Resources	P 111,948	P 8,329	P 18,813	P 44,013	P 31,676	P 214,779
Liabilities:						
Deposits from banks	P 7,201	P 2,573	P 12	P 749	P –	P 10,535
Deposits from customers	80,808	4,525	5,520	–	89,700	180,553
Debt securities issued	5,836	–	–	–	–	5,836
Subordinated liabilities	–	–	10,927	–	–	10,927
Total liabilities	P 93,845	P 7,098	P 16,459	P 749	P 89,700	P 207,851
On-book gap	P 18,103	P 1,231	P 2,354	P 43,264	(P 58,024)	P 6,928
Cumulative gap	P 18,103	P 19,334	P 21,688	P 64,952	P 6,928	

4.3.3 Equity Price Risk

The Group has minimal exposures to price risk on equity securities held and classified as AFS on the statement of financial position. To manage this risk, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group is not exposed to commodity price risk.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

Credit Risk Division of CRISMS assists senior management: (a) to develop credit policies; (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 these functions, 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 end of the reporting period. Significant changes in the economy, or in particular industry segments that represent a concentration in the Group's portfolio, could result in losses that are different from those provided for at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts its exposure to such credit risk, as necessary.

4.4.1 Exposure to Credit Risk

The carrying amount of financial resources recorded in the financial statements, net of any allowance 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:

Group

	2010	
	Loans and Receivables	**Investment Securities**
Carrying Amount	**P 163,982**	**P 86,552**
Individually Assessed for Impairment		
Grade 1 to 5: Unclassified	63	–
Grade 6: Impaired	23	–
Grade 7: Impaired	46	–
Grade 8: Impaired	2,111	–
Grade 9: Impaired	260	–
Grade 10: Impaired	1,982	–
Gross amount	4,485	2,418
Allowance for impairment	(2,513)	(1,351)
Carrying amount	1,972	1,067
Collectively Assessed for Impairment		
Grade 1 to 5: Unclassified	114,490	–
Grade 6: Watchlist	13,321	–
Grade 7: Special Mention	5,686	–
Grade 8: Sub-standard	2,618	–
Grade 9: Doubtful	–	–
Grade 10: Loss	1,061	–
Gross amount	137,176	–
Allowance for impairment	(4,159)	–
Carrying amount	133,017	–
Unquoted debt securities classified as loans	5,049	–
Accrued interest receivable and accounts receivable	3,056	–
Allowance for impairment	(905)	–
	7,200	–
Neither Past Due Nor Impaired	21,793	85,485
Total Carrying Amount	**P 163,982**	**P 86,552**

Group

	2009 Loans and Receivables	2009 Investment Securities
Carrying Amount	P 164,893	P 63,260
Individually Assessed for Impairment		
Grade 1 to 5: Unclassified	372	–
Grade 6: Impaired	550	–
Grade 7: Impaired	14	–
Grade 8: Impaired	816	–
Grade 9: Impaired	1,668	–
Grade 10: Impaired	534	–
Gross amount	3,954	3,453
Allowance for impairment	(1,711)	(1,336)
Carrying amount	2,243	2,117
Collectively Assessed for Impairment		
Grade 1 to 5: Unclassified	109,936	–
Grade 6: Watchlist	13,768	–
Grade 7: Special Mention	3,128	–
Grade 8: Sub-standard	3,918	–
Grade 9: Doubtful	10	–
Grade 10: Loss	678	–
Gross amount	131,438	–
Allowance for impairment	(5,103)	–
Carrying amount	125,335	–
Unquoted debt securities classified as loans	5,689	–
Accrued interest receivable and accounts receivable	2,818	–
Allowance for impairment	(652)	–
Carrying amount	7,855	–
Neither Past Due Nor Impaired	29,460	61,143
Total Carrying Amount	P 164,893	P 63,260

Parent

	2010 Loans and Receivables	**2010 Investment Securities**
Carrying Amount	**P 130,283**	**P 73,590**
Individually Assessed for Impairment		
Grade 6: Impaired	23	–
Grade 7: Impaired	46	–
Grade 8: Impaired	2,111	–
Grade 9: Impaired	260	–
Grade 10: Impaired	1,982	–
Gross amount	4,422	2,369
Allowance for impairment	(2,514)	(1,289)
Carrying amount	1,908	1,080
Collectively Assessed for Impairment		
Grade 1 to 5: Unclassified	89,540	–
Grade 6: Watchlist	8,552	–
Grade 7: Special Mention	5,686	–
Grade 8: Sub-standard	1,481	–
Grade 9: Doubtful	–	–
Grade 10: Loss	–	–
Gross amount	105,259	–
Allowance for impairment	(1,354)	–
Carrying amount	103,905	–
Unquoted debt securities classified as loans	5,049	–
Accrued interest receivable and accounts receivable	3,056	–
Allowance for impairment	(905)	–
Carrying amount	7,200	–
Neither Past Due Nor Impaired	**17,270**	**72,510**
Total Carrying Amount	**P 130,283**	**P 73,590**

Parent

	2009	
	Loans and Receivables	Investment Securities
Carrying Amount	P 131,733	P 56,192
Individually Assessed for Impairment		
Grade 6: Impaired	550	–
Grade 7: Impaired	14	–
Grade 8: Impaired	816	–
Grade 9: Impaired	1,668	–
Grade 10: Impaired	534	–
Gross amount	3,582	3,393
Allowance for impairment	(1,711)	(1,276)
Carrying amount	1,871	2,117
Collectively Assessed for Impairment		
Grade 1 to 5: Unclassified	89,535	–
Grade 6: Watchlist	5,778	–
Grade 7: Special Mention	3,128	–
Grade 8: Sub-standard	3,288	–
Grade 9: Doubtful	10	–
Grade 10: Loss	–	–
Gross amount	101,739	–
Allowance for impairment	(2,071)	–
Carrying amount	99,668	–
Unquoted debt securities classified as loans	5,689	–
Accrued interest receivable and accounts receivable	2,818	–
Allowance for impairment	(652)	–
Carrying amount	7,855	–
Neither Past Due Nor Impaired	22,339	54,075
Total Carrying Amount	P 131,733	P 56,192

The credit risk for cash and cash equivalents such as Due from BSP and Due from Other Banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

4.4.2 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually. Generally, collateral is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2010 and 2009.

The Group holds collateral against Loans and 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 loans and receivables as of December 31, 2010 and 2009 are shown below.

Group

	2010	2009
Against individually impaired		
Real property	**P 3,979**	P 2,288
Chattels	**28**	255
Others	**–**	168
Against past due but not impaired		
Real property	**25,558**	24,720
Chattels	**22,246**	14,442
Equities	**3,223**	1,192
Debt securities	**136**	–
Others	**1,590**	1,970
Against neither past due nor impaired		
Real property	**25,164**	38,596
Chattels	**336**	516
Others	**21,809**	15,108
Total	**P 104,069**	P 99,255

Parent

		2010		2009
Against individually impaired				
Real property	**P**	**3,916**	P	1,916
Chattels		**28**		254
Others		**–**		168
Against past due but not impaired				
Real property		**12,505**		8,505
Chattels		**9,613**		2,184
Equities		**3,223**		1,192
Debt securities		**136**		–
Others		**982**		1,344
Against neither past due nor impaired				
Real property		**22,686**		36,130
Chattels		**–**		–
Others		**21,809**		15,108
Total	**P**	**74,898**	P	66,801

4.4.3 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency. The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown in Note 11.

In the course of the Group's implementation of ICAAP (see Notes 5.2 and 11), it adopted in 2010 a provisional quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks. Using sector distribution as a tool, the Group performed a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration.

4.5 Fair Value Hierarchy

The Group adopted the amendments to PFRS 7, *Improving Disclosures about Financial Instruments*, effective January 1, 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the statement of financial position.

In accordance with this amendment, financial assets and liabilities measured at fair value in the statement of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The table below presents the breakdown of the Group's financial assets and liabilities measured at fair value in the statements of financial position as of December 31, 2010 and 2009.

Group

		2010						
		Level 1		**Level 2**		**Level 3**		**Total**
Financial assets at FVTPL								
Government bonds	P	7,859	P	1,142	P	–	P	9,001
Other debt securities		1,990		2,674		–		4,664
Derivative assets		49		1,545		–		1,594
Equity securities		220		–		–		220
		10,118		5,361		–		15,479
AFS securities:								
Government bonds		28,485		415		–		28,900
Other debt securities		19,544		5,699		–		25,243
Equity securities		2,698		3		–		2,701
		50,727		6,117		–		56,844
Allowance for impairment	(	1,351)		–		–	(	1,351)
		49,376		6,117		–		55,493
Total Resources at Fair Value	**P**	**59,494**	**P**	**11,478**	**P**	**–**	**P**	**70,972**
Derivative liability	**P**	**–**	**P**	**1,374**	**P**	**–**	**P**	**1,374**

	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Government bonds	P 6,434	P 391	P –	P 6,825
Other debt securities	1,654	74	–	1,728
Derivative assets	54	759	–	813
Equity securities	50	–	–	50
	8,192	1,224	–	9,416
AFS securities:				
Government bonds	16,205	4,796	–	21,001
Other debt securities	14,267	–	–	14,267
Equity securities	2,450	3	–	2,453
	32,922	4,799	–	37,721
Allowance for impairment	(1,336)	–	–	(1,336)
	31,586	4,799	–	36,385
Total Resources at Fair Value	P 39,778	P 6,023	P –	P 45,801
Derivative liability	P –	P 704	P –	P 704

Parent

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Government bonds	P 4,654	P 1,093	P –	P 5,747
Other debt securities	1,880	2,570	–	4,450
Derivative assets	49	1,545	–	1,594
	6,583	5,208	–	11,791
AFS securities:				
Government bonds	21,092	–	–	21,092
Other debt securities	19,518	5,699	–	25,217
Equity securities	1,671	–	–	1,671
	42,281	5,699	–	47,980
Allowance for impairment	(1,289)	–	–	(1,289)
	40,992	5,699	–	46,691
Total Resources at Fair Value	**P 47,575**	**P 10,907**	**P –**	**P 58,482**
Derivative liability	**P –**	**P 1,374**	**P –**	**P 1,374**

	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Government bonds	P 5,269	P 342	P –	P 5,611
Other debt securities	1,610	–	–	1,610
Derivative assets	54	759	–	813
	6,933	1,101	–	8,034
AFS securities:				
Government bonds	13,000	4,558	–	17,558
Other debt securities	14,237	–	–	14,237
Equity securities	1,742	–	–	1,742
	28,979	4,558	–	33,537
Allowance for impairment	(1,276)	–	–	(1,276)
	27,703	4,558	–	32,261
Total Resources at Fair Value	P 34,636	P 5,659	P –	P 40,295
Derivative liability	P –	P 704	P –	P 704

There were no transfers between levels of hierarchy in 2010 and 2009. The Group and the Parent Company has no financial instruments as of December 31, 2010 and 2009 which fair value was measured under Level 3, as such, there were no gains or losses recognized in profit or loss for Level 3 instruments.

4.6 Operations 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, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Group maintains departmental operations manuals that are periodically updated. Central to these manuals is the tenet that 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 transactions are properly authorized, recorded and settled. Moreover, the Group places emphasis on the security of its computer systems and has a comprehensive information technology (IT) security policy. External vulnerability and penetration testing is performed at least annually as required by relevant BSP regulations. The Group has also designated a security administrator independent of the front office who is responsible for maintaining strict control over user access privileges to the Group's information systems.

The Group has also developed a Business Continuity Plan (BCP) based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Group's BCP is a disaster recovery plan to address the continued functioning of systems, recovery of critical data, and contingency processing requirements in the event of a disaster.

Operations Risk Management, as it relates to Capital Adequacy, is currently under Basic Indicator Approach (see Notes 5.1 and 5.2).

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Group's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Group to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels, or processes may generate adverse public opinion such that it seriously affects the Group's earnings or impairs capital. This risk is present in activities such as asset management and regulatory compliance.

As part of the Group's ICAAP initiatives (see Note 5.2), it initially adopted a representative, albeit provisional, measure of reputation risk based on a widely held theory that the stock price of a listed company more or less is a barometer of said company's reputation. Applying statistical treatment akin to VaR therefore provides an indication as to the maximum amount by which the Group's reputation may be eroded. The Group has indicated, however, that it shall be adopting a new approach beginning 2011.

4.7 Legal Risk and Regulatory Risk Management

Changes in laws and regulations could adversely affect the Group. In addition, the Group faces 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 Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of a country. The Group'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 BOD.

4.8 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 Group is required to submit "Covered Transaction Reports" involving single transactions in cash or other equivalent monetary instruments in excess of P500 thousand within one banking day. The Group is 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 Group is 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 Group is required to submit to the BSP a certificate signed by the President and the Chief Compliance Officer of each company stating that they have monitored compliance and that the Group is complying with the anti-money laundering rules and regulations.

In an effort to further prevent money laundering activities, the Group has 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 Group's procedures for compliance with the Anti-Money Laundering Act are set out in its Anti-Money Laundering Policy Manual. The Group's Compliance Offices monitor compliance and conduct compliance testing of business units.

The Group'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 and Regulations on a quarterly basis.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

The BSP, the Group's lead regulator, sets and monitors the capital requirements of the Group.

In implementing current capital requirements, the BSP requires 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).

Pillar 1 risk-weighted assets are the sum of credit risk, market risks and operational risks, computed based on BSP-prescribed formula provided for under its circulars.

Under the relevant provisions of the current BSP regulations, the minimum capitalization of the Parent Company, RSB, Merchants Bank, RCBC Capital, and JPL is P4.95 billion, P325 million, P325 million, P300 million and P32 million, respectively. In computing for the 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. non-controlling interest in the equity of subsidiary financial allied undertakings;

Subject to the 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 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 the 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 under Pillar 1 as of December 31 is presented as follows:

		2010		2009
Tier 1 Capital	**P**	**29,824**	P	27,129
Tier 2 Capital		**12,154**		12,734
Total Qualifying Capital, after deductions	**P**	**41,978**	P	39,863
Total Risk – Weighted Assets	**P**	**236,225**	P	215,826
Capital ratios:				
Total regulatory capital expressed as percentage of total risk – weighted assets		**17.77%**		18.47%
Total Tier 1 expressed as percentage of total risk – weighted assets		**12.63%**		12.57%

The Parent Company's regulatory capital position under Pillar 1 as of December 31 is presented as follows:

		2010		2009
Tier 1 Capital	**P**	**24,309**	P	22,091
Tier 2 Capital		**6,369**		7,351
Total Qualifying Capital, after deductions	**P**	**30,678**	P	29,442
Total Risk – Weighted Assets	**P**	**188,722**	P	170,922
Capital ratios:				
Total regulatory capital expressed as percentage of total risk – weighted assets		**16.26%**		17.23%
Total Tier 1 expressed as percentage of total risk – weighted assets		**12.88%**		12.92%

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

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk Weighted Assets

In January 2009, BSP issued Circular No. 639 on the ICAAP and Supervisory Review Process (SRP) covering universal and commercial banks on a group-wide basis. As a supplement to BSP Circular No. 538 on the Risk-Based Capital Adequacy Framework, ICAAP sets out the following principles:

a. Banks must have a process for assessing capital adequacy relative to their risk profile, operating environment, and strategic/business plans;

b. The Bank's ICAAP is the responsibility of the Board, must be properly documented and approved, and with policies and methodologies integrated into banking operations;

c. The Bank's ICAAP should address other material risks – Pillar 2 risks – in addition to those covered by Pillar 1, with risk measurement methodologies linked to the assessment of corresponding capital requirement both on a business-as-usual (BAU) and stressed scenario;

d. The minimum capital adequacy ratio prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and

e. The Bank's ICAAP Document must be submitted to the BSP every 31st January of each year, beginning 2011.

The Group submitted its first ICAAP trial document in January 2009. Subsequent revisions to the trial document were made, and likewise submitted in February 2010 and May 2010 following regulatory review and the Group's own process enhancements. Complementing the ICAAP document submissions were dialogues between the BSP and the Group's representatives, the second of which transpired last November 2010 between a BSP panel chaired by the Deputy Governor for Supervision and Examination, and the members of Parent Company's ExeCom. The Group expects to submit its final ICAAP document by the set deadline.

The Group identified the following Pillar 2 risks as material to its operations, and consequently set out methodologies to quantify the level of capital that it must hold.

i. *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Parent Company's credit exposures. Concentration is estimated using a simplified application of the HHI, and translated to risk-weighted assets as suggested by some European central bank practices. The Group plans to build on this concentration assessment methodology, recognizing the inherent limitations of the HHI.

ii. *Liquidity Risk* – The Group estimated its liquidity risk under BAU scenario in 2010 using standard gap analysis. Stressed liquidity risk on the other hand assumed a repeat of a historical liquidity stress, and estimated the impact if the Group were to partially defend its deposits and partially pay-off by drawing from its reserve of liquid assets.

iii. *Interest Rate Risk in the Banking Book (IRRBB)* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group estimated interest rate risk in the banking book using its capital-at-risk methodology. Stressed IRRBB was calculated by applying the highest observed market volatilities over a determined timeframe.

iv. *Compliance/Regulatory Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. The Group estimated compliance risk in 2010 as the sum of regulatory fines and penalties, and forecasted this amount in relation to the level of operating expenses.

v. *Reputation Risk* – The Group estimated its BAU reputation risk in 2010 by applying statistical treatment to the Group stock price following a widely accepted theoretical construct. It has however indicated that such approach will be amended come 2011. The measurement of reputation risk under stress was folded into the Group's assessment of stressed liquidity risk.

vi. *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treated strategic business risk in 2010 as a catch-all risk, and expressed its estimate as a cap on additional risk – weighted assets given other risks and the desired level of capital adequacy.

In January 2009, BSP issued Circular No. 639 on the ICAAP and Supervisory Review Process (SRP) covering universal and commercial banks on a group-wide basis. As a supplement to BSP Circular No. 538 on the Risk-Based Capital Adequacy Framework, ICAAP sets out the following principles:

The Group estimated its BAU Total Risk – Weighted Assets in 2010 as:

Pillar 1 Risk – Weighted Assets	P	236,225
Pillar 2 Risk – Weighted Assets		5,439
Total Risk – Weighted Assets	**P**	**241,664**

Capital ratios:

Total regulatory capital expressed as percentage of total risk – weighted assets	**17.37%**
Total Tier 1 expressed as percentage of total risk – weighted assets	**12.36%**

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 geographical markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

a. *Retail Banking* – principally handles the business centers offering a wide range of financial products and services to the commercial "middle market" customers. Products offered include individual customer's deposits, overdraft facilities, 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 groups and consolidated subsidiaries.

These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to primary business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

For secondary 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, 2010, 2009 and 2008 follow:

	2010				
	Retail Banking Group	**Corporate Banking Group**	**Treasury Group**	**Others**	**Total**
Results of operations					
Net interest income	P 4,271	P 2,063	P 1,431	P 3,119	P 10,884
Non-interest income	2,137	910	3,173	2,190	8,410
Total revenue	6,408	2,973	4,604	5,309	19,294
Non-interest expense	(4,493)	(1,080)	(432)	(8,032)	(14,037)
Profit (loss) before tax	1,915	1,893	4,172	(2,723)	5,257
Tax expense	–	–	–	(999)	(999)
Non-controlling interest in net profit	–	–	–	(10)	(10)
Net profit (loss)	P 1,915	P 1,893	P 4,172	(P 3,732)	P 4,248
Statement of financial position					
Total Resources	P 196,963	P 119,867	P 82,690	(P 79,528)	P 319,992
Total Liabilities	P 196,963	P 119,867	P 82,690	(P 111,940)	P 287,580
Other segment information					
Capital expenditures	P 288	P 12	P 3	P 961	P 1,264
Depreciation and amortization	P 358	P 14	P 3	P 428	P 803

	2009				
	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
Results of operations					
Net interest income	P 4,006	P 1,859	P 1,080	P 3,323	P 10,268
Non-interest income	1,808	938	2,388	752	5,886
Total revenue	5,814	2,797	3,468	4,075	16,154
Non-interest expense	(4,084)	(827)	(399)	(6,764)	(12,074)
Profit (loss) before tax	1,730	1,970	3,069	(2,689)	4,080
Tax expense	–	–	–	(745)	(745)
Non-controlling interest in net profit	–	–	–	(7)	(7)
Net profit (loss)	P 1,730	P 1,970	P 3,069	(P 3,441)	P 3,328
Statement of financial position					
Total Resources	P 184,765	P 96,875	P 75,578	(P 68,702)	P 288,516
Total Liabilities	P 184,765	P 96,875	P 75,578	(P 99,248)	P 257,970
Other segment information					
Capital expenditures	P 150	P 13	P 4	P 859	P 1,026
Depreciation and amortization	P 223	P 22	P 5	P 465	P 715

	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)	(6,987)	(9,974)
Profit (loss) before tax	1,951	1,067	1,098	(1,023)	3,093
Tax expense	–	–	–	(920)	(920)
Non-controlling interest in net profit	–	–	–	(19)	(19)
Net profit (loss)	P 1,951	P 1,067	P 1,098	(P 1,962)	P 2,154
Statement of financial position					
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 235	P 16	P 11	P 299	P 561

Secondary information (by geographical location) as of and for the years ended December 31, 2010, 2009 and 2008 follow:

	2010			
	Philippines	**United States**	**Asia and Europe**	**Total**
Results of operations				
Total revenues	P 25,028	P 63	P 119	P 25,210
Total expenses	20,709	119	134	20,962
Net profit (loss)	P 4,319	(P 56)	(P 15)	P 4,248
Statement of financial position				
Total resources	P 319,001	P 156	P 835	P 319,992
Total liabilities	P 286,837	P 104	P 639	P 287,580
Other segment information				
Capital expenditures	P 1,260	P 2	P 2	P 1,264
Depreciation and amortization	P 797	P 5	P 1	P 803

	2009			
	Philippines	United States	Asia and Europe	Total
Results of operations				
Total revenues	P 22,462	P 75	P 119	P 22,656
Total expenses	19,068	144	116	19,328
Net profit (loss)	P 3,394	(P 69)	P 3	P 3,328
Statement of financial position				
Total resources	P 287,950	P 147	P 419	P 288,516
Total liabilities	P 257,639	P 133	P 198	P 257,970
Other segment information				
Capital expenditures	P 1,019	P 3	P 4	P 1,026
Depreciation and amortization	P 709	P 5	P 1	P 715

	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 profit (loss)	P 2,172	(P 35)	P 17	P 2,154
Statement of financial position				
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 558	P 2	P 1	P 561

7. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		**Parent**	
	2010	2009	**2010**	2009
Cash and other cash items	**P 7,113**	P 6,812	**P 5,534**	P 5,409
Due from BSP	**24,889**	19,321	**22,915**	17,914
Due from other banks	**2,946**	3,067	**2,276**	1,789
	P 34,948	P 29,200	**P 30,725**	P 25,112

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 ATMs. Other cash items include cash items (other than currency and coins on hand), such as checks drawn on other banks or other branches after the 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 and to comply with existing trust regulations.

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

	Group		**Parent**	
	2010	2009	**2010**	2009
Foreign banks	**P 2,661**	P 1,973	**P 1,892**	P 1,089
Local banks	**285**	1,094	**384**	700
	P 2,946	P 3,067	**P 2,276**	P 1,789

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

	Group		**Parent**	
	2010	2009	**2010**	2009
Foreign currencies	**P 2,195**	P 2,550	**P 1,996**	P 1,405
Philippine pesos	**751**	517	**280**	384
	P 2,946	P 3,067	**P 2,276**	P 1,789

Interest rates per annum on these deposits range from 0.50% to 4.63% in 2010, 0.50% to 5.25% in 2009 and 0.50% to 7.00% in 2008.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of the following:

	Group		**Parent**	
	2010	2009	**2010**	2009
Government bonds	**P 9,001**	P 6,825	**P 5,747**	P 5,611
Other debt securities	**4,664**	1,728	**4,450**	1,610
Derivative financial assets	**1,594**	813	**1,594**	813
Equity securities – quoted	**220**	50	**–**	–
	P 15,479	P 9,416	**P 11,791**	P 8,034

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

	Group				Parent			
	2010		2009		**2010**		2009	
Held-for-trading	**P**	**10,693**	P	8,350	**P**	**10,197**	P	7,221
Designated as FVTPL on initial recognition		**4,786**		1,066		**1,594**		813
	P	**15,479**	P	9,416	**P**	**11,791**	P	8,034

Treasury bills and other debt securities issued by the government and other private corporations earn annual interest as follows:

	2010	2009	2008
Peso denominated	**4.63% - 9.13%**	4.02% - 11.88%	5.50% - 18.75 %
Foreign currency denominated	**2.50% - 11.04%**	3.75% - 11.38%	6.25% - 10.63%

Majority of financial assets at FVTPL are held-for-trading. The amounts presented have been determined directly by reference to published price quoted in an active market.

Fair values of government bonds and other debt securities 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 certain derivative financial assets were determined through valuation techniques using net present value computation. Derivatives instruments used by the Parent Company include mainly 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 derivative financial instruments and the aggregative fair values of derivative financial assets and liabilities as of December 31 both in the Group and Parent Company financial statements are set out as follows:

	2010					
	Notional Amount		**Fair Values**			
			Assets		**Liabilities**	
Currency swaps	P	340,655	P	1,470	P	1,228
Interest rate swaps/futures		4,914		64		123
Options		1,156		11		23
Debt warrants		–		49		–
	P	**346,725**	**P**	**1,594**	**P**	**1,374**

	2009					
	Notional Amount		Fair Values			
			Assets		Liabilities	
Currency swaps	P	90,958	P	747	P	699
Interest rate swaps/futures		1,960		12		5
Debt warrants		–		54		–
	P	92,918	P	813	P	704

The derivative liabilities of P1,374 and P704 as of December 31, 2010 and 2009, respectively, are shown as part of Other Liabilities under Derivatives with Negative Fair Values in the statements of financial position (see Note 21).

The Group recognized the change in value of financial assets at FVTPL resulting to an increase of P33 in 2010 and P39 in 2009, and decrease of P1,557 in 2008; and increase of P7 in 2010, P10 in 2009, and decrease of P1,316 in 2008 in the consolidated and Parent Company financial statements, respectively, which were included as part of Trading and Securities Gains (Losses) – net account in the statements of income.

As permitted by the BSP for prudential reporting purposes, the Group reclassified certain debt securities and embedded derivatives of CLNs from FVTPL to HTM investments, AFS securities and loans and receivables categories. The effects of the reclassification are fully disclosed in Notes 9, 10 and 11.

9. AVAILABLE-FOR-SALE SECURITIES

The Group's AFS securities consist of the following:

		Group		Parent	
	Note	**2010**	2009	**2010**	2009
Government bonds		**P 28,900**	P 21,001	**P 21,092**	P 17,558
Other debt securities		**25,243**	14,267	**25,217**	14,237
Equity securities		**2,701**	2,453	**1,671**	1,742
		56,844	37,721	**47,980**	33,537
Allowance for impairment	16	**(1,351)**	(1,336)	**(1,289)**	(1,276)
		P 55,493	P 36,385	**P 46,691**	P 32,261

Government bonds and other debt securities earn annual interest as follows:

	2010	2009	2008
Group	**1.48% - 15.50%**	2.50% - 17.50%	5.00% - 17.50%
Parent	**1.48% - 15.50%**	2.50% - 17.50%	5.23% - 17.50%

Changes in the account follow:

	Group		Parent	
	2010	2009	**2010**	2009
Balance at beginning of year	**P 36,385**	P 22,700	**P 32,261**	P 21,077
Additions	**65,998**	40,475	**61,305**	37,920
Fair value gains (losses)	**(365)**	1,976	**(669)**	1,807
Sale/disposal	**(46,318)**	(27,631)	**(46,177)**	(27,358)
Provision for impairment losses	**(15)**	(433)	**(13)**	(465)
Amortization/accretion of discount or premium	**1,015**	(272)	**1,078**	(471)
Revaluation of foreign currency investments	**(1,207)**	(430)	**(1,094)**	(249)
Balance at end of year	**P 55,493**	P 36,385	**P 46,691**	P 32,261

The changes in fair values of AFS securities which were recognized under other comprehensive income and directly to capital funds amounted to fair value losses of P365 in 2010 and P2,601 in 2008, and fair value gains of P1,976 in 2009 in the consolidated financial statements; and fair value losses of P669 in 2010 and P2,329 in 2008, and fair value gains of P1,807 in 2009 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 its 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. Had no reclassification been made, the Group would have earned additional fair value gain of P189 and P197 for the years ended December 31, 2010 and December 31, 2009, respectively. The carrying amount of the securities as of December 31, 2010 and 2009 amounted to P780 and P660, respectively, in the consolidated financial statements.

On the other hand, the Group reclassified private and government debt securities with carrying value of P20,373 as of reclassification date to HTM investments in accordance with FRSPB (see Note 10). In addition, the Parent Company reclassified collateralized debt obligations (CDOs) and CLNs that are linked to ROP bonds, with an aggregate carrying value of P5,961 to loans and receivables (see Note 11).

10. HELD-TO-MATURITY INVESTMENTS

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

	Group		Parent	
	2010	2009	**2010**	2009
Government bonds	**P 18,452**	P 19,892	**P 16,732**	P 17,589
Other debt securities	**49**	70	**47**	50
	P 18,501	P 19,962	**P 16,779**	P 17,639

As to currency, HTM investments comprise of the following:

	Group		Parent	
	2010	2009	**2010**	2009
Foreign currency	**P 15,956**	P 17,232	**P 14,252**	P 15,103
Philippine pesos	**2,545**	2,730	**2,527**	2,536
	P 18,501	P 19,962	**P 16,779**	P 17,639

Changes in the HTM investments account in 2010 and 2009 are summarized below.

	Group		Parent	
	2010	2009	**2010**	2009
Balance at beginning of year	**P 19,962**	P 20,674	**P 17,639**	P 17,892
Revaluation of foreign currency	**(676)**	(371)	**(676)**	(371)
Maturities	**(394)**	(454)	**–**	–
Amortization of premium – net	**(220)**	(285)	**(184)**	(261)
Disposals	**(171)**	–	**–**	–
Additions	**–**	398	**–**	379
Balance at end of year	**P 18,501**	P 19,962	**P 16,779**	P 17,639

As of December 31, 2010 and 2009, the fair values of HTM investments amounted to P21,430 and P20,973, respectively, for the Group and P19,480 and P18,649, respectively, for the Parent Company. The fair values were determined through published closing prices or prices available from electronic financial data service providers which had been based on price quoted or actually dealt in an active market.

In accordance with BSP Circular No. 670, the Parent Company entered into a bond exchange transaction with Power Sector Assets and Liabilities Management Corporation (PSALM) on December 2, 2009 to convert its guaranteed notes and bonds originally issued by National Power Corporation (NPC) with total face value of US$100.0 million to PSALM's newly issued guaranteed global bonds amounting to US$105.0 million which will mature in 2024. The bond exchange transaction was not covered by the tainting rule since the exchange from NPC bonds to PSALM bonds occurred so close to the maturity of NPC bonds scheduled on March 16, 2010. The carrying amount of the investment in PSALM classified as HTM investment amounted to P4,628 and P4,848 as of December 31, 2010 and 2009, respectively.

Reclassification to HTM

The MB 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 PAS 39 and PFRS 7, and provided additional guidelines which include, among others, the reclassification of certain financial assets previously classified under AFS securities due to tainting of HTM portfolio which despite the continued tainting, the investment is reclassified back to the HTM 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 previous tainting of HTM portfolio, and certain financial assets at FVTPL to HTM investments category with an aggregate carrying value of P20,784 and P18,000, respectively, at reclassification date. The carrying amount and the corresponding fair values of the reclassified AFS securities and financial assets at FVTPL as of December 31 are presented below.

	Group			
	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
From AFS to HTM	**P 13,293**	**P 15,465**	P 14,508	P 15,439
From FVTPL to HTM	**394**	**452**	405	431
	P 13,687	**P 15,917**	P 14,913	P 15,870

	Parent			
	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
From AFS to HTM	**P 11,572**	**P 13,484**	P 12,204	P 13,015
From FVTPL to HTM	**394**	**452**	405	431
	P 11,966	**P 13,936**	P 12,609	P 13,446

The annual effective interest rates of FVTPL denominated in foreign currency and peso which were reclassified to HTM range from 5.89% to 9.00% and 7.24% to 8.43%, respectively, in 2010; and 7.75% to 10.63% and 8.43% to 8.85%, respectively, in 2009.

Had no reclassification been made, the net trading gain on FVTPL that would have been recognized for the years ended December 31, 2010 and 2009 both in the Group and Parent Company financial statements would have amounted to P21 and P85, respectively. The net unrealized fair value gains on AFS that would have been recognized in the capital funds as of December 31, 2010 would have amounted to P1,635 and P1,375 for the Group and Parent Company, respectively, and the unrealized fair value gains would have amounted to P453 and P333 as of December 31, 2009 for the Group and Parent Company, respectively, if the reclassification had not been made.

The amortization of the amount of net unrealized fair value losses at the date of reclassification of the reclassified AFS recognized in the profit or loss for the years ended December 31, 2010 and 2009 amounted to P10 and P16, respectively, in the consolidated statements of income; and P9 and P8, respectively, in the Parent Company statements of income.

11. LOANS AND RECEIVABLES

This account consists of the following:

	Group				Parent			
		2010		2009		**2010**		2009
Loans and discounts	**P**	**115,023**	P	118,502	**P**	**85,212**	P	85,265
Customers' liabilities on acceptances, import bills and trust receipts		**15,787**		11,644		**15,787**		11,644
Bills purchased		**1,615**		2,212		**1,549**		2,187
Securities purchased under reverse repurchase agreements		**660**		646		**–**		–
		133,085		133,004		**102,548**		99,096
Interbank loans receivables		**24,264**		24,358		**18,576**		22,958
Credit card receivables		**8,348**		8,188		**5,796**		5,523
Unquoted debt securities classified as loans		**5,049**		5,689		**5,049**		5,689
Accrued interest receivable		**2,190**		2,249		**1,802**		1,939
Accounts receivable		**1,096**		1,316		**1,255**		876
Sales contract receivables		**1,040**		1,217		**541**		702
Miscellaneous		**14**		11		**–**		–
		175,086		176,032		**135,567**		136,783
Allowance for impairment (see Note 16)	**(**	**7,577)**	(	7,466)	**(**	**4,773)**	(	4,434)
Unearned discount	**(**	**1,986)**	(	2,097)	**(**	**98)**	(	173)
Reserves for credit card	**(**	**1,168)**	(	1,208)	**(**	**413)**	(	443)
Prompt payment discount	**(**	**373)**	(	368)		**–**		–
	P	**163,982**	P	164,893	**P**	**130,283**	P	131,733

Loans and receivables bear average interest rates of 1.00% to 19.00% per annum in 2010, 2.00% to 11.00% in 2009 and 3.40% to 9.70% in 2008 in the Group's and Parent Company financial statements.

Included in these accounts are NPLs amounting to P4,906 (net of allowance of P5,123) and P6,138 (net of allowance of P4,351) as of December 31, 2010 and 2009, respectively, and in the Parent Company financial statements amounting to P2,818 (net of allowance of P2,405) and P4,764 (net of allowance of P1,521) as of December 31, 2010 and 2009, respectively.

Loans and receivables amounting to P751 and P2,355 as of December 31, 2010 and 2009, respectively, both in the Group and Parent Company financial statements are assigned as collateral to BSP as security for rediscounting availments (see Note 18).

The concentration of credit of the loan portfolio as to industry follows:

	Group				Parent			
		2010		2009		**2010**		2009
Real estate, renting and other related activities	**P**	**29,841**	P	32,770	**P**	**18,006**	P	16,286
Manufacturing (various industries)		**26,377**		27,743		**26,266**		27,686
Other community, social and personal activities		**23,780**		16,715		**20,421**		13,960
Consumer		**12,564**		12,294		**–**		–
Wholesale and retail trade		**10,543**		9,906		**9,808**		9,126
Electricity, gas and water		**10,113**		10,371		**10,113**		10,371
Transportation and communication		**7,327**		9,861		**6,945**		9,607
Financial intermediaries		**4,296**		3,740		**3,308**		2,944
Diversified holding companies		**3,738**		4,341		**3,738**		4,341
Hotels and restaurants		**1,061**		1,540		**1,060**		1,539
Agriculture, fishing and forestry		**895**		881		**695**		660
Construction		**264**		201		**–**		–
Others		**2,286**		2,641		**2,188**		2,576
	P	**133,085**	P	133,004	**P**	**102,548**	P	99,096

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio above plus the outstanding credit card receivables and interbank loans receivables.

The breakdown of the loan portfolio as to secured and unsecured follows:

	Group				Parent			
		2010		2009		**2010**		2009
Secured:								
Real estate mortgage	**P**	**43,129**	P	47,179	**P**	**27,375**	P	27,931
Deposit hold-out		**17,184**		6,489		**16,539**		5,863
Chattel mortgage		**13,045**		12,898		**128**		123
Other securities		**9,289**		12,594		**8,629**		11,948
		82,647		79,160		**52,671**		45,865
Unsecured		**50,438**		53,844		**49,877**		53,231
	P	**133,085**	P	133,004	**P**	**102,548**	P	99,096

The maturity profile of the loan portfolio follows:

	Group				Parent			
		2010		2009		**2010**		2009
Due within one year	**P**	**48,408**	P	43,608	**P**	**44,897**	P	42,077
Due beyond one year		**84,677**		89,396		**57,651**		57,019
	P	**133,085**	P	133,004	**P**	**102,548**	P	99,096

A reconciliation of the allowance for impairment at the beginning and end of 2010 and 2009 is shown below.

	Group				Parent			
		2010		2009		**2010**		2009
Balance at beginning of year	**P**	**7,466**	P	7,943	**P**	**4,434**	P	4,943
Provisions – net of recovery		**2,865**		1,662		**2,127**		1,156
Accounts written off/others	**(**	**2,754)**	(	2,139)	**(**	**1,788)**	(	1,665)
Balance at end of year	**P**	**7,577**	P	7,466	**P**	**4,773**	P	4,434

11.1 Reclassification to Loans and Receivables

The Parent Company reclassified its CLNs that are linked to ROP bonds and certain CDOs previously recognized as Available-for-sale Securities to Loans and Receivables with aggregate carrying amount of P5,961, and embedded derivatives with negative fair value amounting to P308, at reclassification date (see Notes 8 and 9). Presented below are the carrying amounts and the corresponding fair values of the outstanding reclassified CLNs linked to ROP bonds and CDOs to Loans and Receivables as of December 31:

	2010				2009			
		Carrying Amount		**Fair Value**		Carrying Amount		Fair Value
CLNs:								
From AFS – host contract	**P**	**5,049**	**P**	**4,851**	P	5,227	P	4,815
From FVTPL – embedded derivative		**–**		**720**		–		469
CDOs – from AFS		**–**		**–**		462		–
		5,049		**5,571**		5,689		5,284
Allowance for impairment		**–**		**–**	(	462)		–
	P	**5,049**	**P**	**5,571**	P	5,227	P	5,284

The effective interest at reclassification date ranges from 4.90% to 10.50% and 5.00% to 8.80% for CLNs and CDOs, respectively. The unrealized fair value gains or losses that should have been recognized in the Group's capital funds had the CLNs and CDOs not been reclassified to Loans and Receivables amounted to gain of P522 and nil, respectively, as of December 31, 2010, and loss of P729 and nil, respectively, as of December 31, 2009. Had the embedded derivatives not been reclassified by the Parent Company, interest income on loans and receivables would have decreased by P222 in 2010 and P21 in 2009 and the additional trading gains to be recognized in profit or loss amounted to P251 and P1,421 for the years ended December 31, 2010 and 2009, respectively.

11.2 Special Purpose Vehicle (SPV) Transactions

In accordance with the provisions of Republic Act (RA) No. 9182 (the SPV Act) and MB 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,
- Philippine Investments One, Inc. (PIOI) on August 25, 2004 and April 12, 2005,
- Star Two (SPV-AMC), Inc. (Star Two) on November 15, 2006,
- 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 transfers of specific NPAs, consisting of NPLs and real and other properties acquired (ROPA, presented as Investment Property), amounting to P51 in 2008 and P1,699 in 2007 to NPRMI; P3,771 and P1,433 in 2004 and 2005, respectively, to PIOI; P3,879 in 2006 to Star Two; P686 to Global SPVs in 2004; and P2,070 to Asian Pacific Recoveries in 2005. The agreement with the Global SPVs was made in conjunction with other participating banks.

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 "asset sale" agreement with NPRMI and the "sale and purchase" agreements with PIOI, among others, 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 SPVs.
- 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 SPVs' 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 from 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. 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 was received by the Parent Company in November 2006. The remaining outstanding balance of the purchase price amounting to P952 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 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.
- The 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 Parent Company 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 and P290 on the NPAs transferred to NPRMI in 2008 and 2007, respectively; P1,474 on the NPAs transferred to Star Two in 2006, P2,226 and P164 to PIOI and the Global SPVs, respectively, in 2004; and P1,211 to PIOI and P246 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 2008, the Parent Company reversed portion of the freed allowance amounting to P1,000 by charging it to current operations, instead of charging it to the beginning balance of Surplus account. Portion of the freed allowance was charged against amortization for deferred charges (as discussed below) totaling P537 in 2008 and P1,077 in 2007 and prior years. Also, in 2006, the Parent Company charged portion of the freed allowance for the write-off of certain impaired credit card receivables amounting to P2,593. FRSPB, 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 and P1,689 in 2007; subordinated/SPV notes issued by PIOI in 2005 amounted to P1,419 and P3,771 in 2004; the SPV note issued by Global SPVs amounted to P549 in 2004. In addition to the subordinated notes, Global SPV also paid cash to the Parent Company amounting to P27 in 2004; PIOI and Asian Pacific Recoveries paid cash amounting to P14 and P428, respectively, for the 2005 transfer; and NPRMI paid cash amounting to P3 in 2008 and P10 in 2007. In recording the transfers of the NPAs, the Parent Company derecognized the NPAs 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 FRSPB, 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. FRSPB 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 MB Resolution No. 135, the Parent Company has deferred over 10 years the recognition of the additional allowance for impairment as determined from the NPAs transferred to PIOI, and the losses determined from the NPAs transferred to Star Two, Global SPVs and Asian Pacific Recoveries, totaling to P1,335 in 2006, P1,605 in 2005 and P1,956 in 2004. The schedule of amortization of the additional allowance for impairment and losses as prescribed under MB Resolution No. 135 shall be 5% for the first three years, 10% for the next four years, and 15% for the remaining three years. In accordance with MB Resolution No. 135, total amortization recognized by the Parent Company and directly charged to surplus account amounted to P975 and P835 (see Note 15) for the years ended December 31, 2010 and 2009. While this accounting treatment is allowed under MB Resolution No. 135, FRSPB, however, requires the full recognition of the additional allowance for impairment for NPAs not qualified for derecognition and the losses for NPAs qualified for derecognition against current operations in the period such impairment and losses were determined instead of capitalizing them as deferred charges, and amortizing them over future periods and charging the amortization directly to surplus account.

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 additional allowance for impairment for NPAs not qualified for derecognition and the losses determined from the NPAs qualified for derecognition in accordance with FRSPB, the balance of the Group's Available-for-sale Securities would have decreased by P1,424 in 2010 and 2009; Investment Properties would have increased by P1,436 in 2010 and 2009; Deferred Charges (part of Other Resources account in Note 15) would have decreased by P6,072 and P7,047 in 2010 and 2009, respectively; Other Liabilities would have increased by P12 both in 2010 and 2009; and Surplus would have decreased by P6,072 and P7,047 in 2010 and 2009, respectively.

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

	Group				
	Effective Percentage of Ownership		**2010**		2009
Acquisition costs of associates:					
RRC[4]	34.80	**P**	**1,875**	P	1,947
RLI	49.00		**921**		921
RHI	4.71		**102**		102
HCPI	12.88		**91**		91
LIPC	35.00		**53**		53
YCS	40.00		**5**		5
SPC[5]	26.50		**–**		120
Subtotal			**3,047**		3,239
Equity in net earnings (losses):					
Balance at beginning of year			**244**		294
Equity in net earnings for the year			**285**		207
Dividends		**(**	**117)**	(	218)
Net effect of disposal of equity investment			**91**	(	39)
Balance at end of year			**503**		244
Subtotal			**3,550**		3,483
Share in additional paid-in capital of an associate			**533**		533
Revaluation increment in property of an associate			**59**		59
			4,142		4,075
Allowance for impairment (see Note 16)		**(**	**53)**	(	53)
Total		**P**	**4,089**	P	4,022

	Parent				
	Effective Percentage of Ownership		**2010**		2009
Subsidiaries:					
RSB	100.00	**P**	**3,190**	P	3,190
RCBC Capital	99.96		**2,231**		2,231
Bankard[1]	91.69		**1,000**		1,000
Merchants Bank	96.38		**493**		493
JPL	99.00		**350**		350
NPHI[2]	100.00		**388**		388
RCBC Forex	100.00		**150**		150
RCBC North America[3]	100.00		**134**		60
RCBC Telemoney Europe	100.00		**72**		72
RCBC IFL	99.99		**58**		58
			8,066		7,992
Associates:					
RRC[4]	34.80		**1,875**		1,947
RLI	49.00		**921**		921
HCPI	12.88		**91**		91
LIPC	35.00		**53**		53
YCS	40.00		**5**		5
SPC[5]	26.50		**–**		120
			2,945		3,137
			11,011		11,129
Allowance for impairment (see Note 16)		**(**	**253)**	(	253)
Subscription payable		**(**	**100)**	(	175)
		P	**10,658**	P	10,701

[1]Includes 25.11% ownership of RCBC Capital.
[2]Includes 49% ownership of RSB.
[3]Includes the 16.03% ownership of RCBC IFL in RCBC North America.
[4]Includes 9.81% ownership of RLI.
[5]Disposed in full in 2010.

The following table presents the audited financial information (except for HCPI for which 2010 and 2009 information were based on unaudited financial statements) on the significant associates as of and for the years ended December 31, 2010 and 2009:

		Assets		Liabilities		Revenues		Profit (Loss)
2010:								
RRC	P	8,945	P	3,308	P	1,251	P	457
RLI		647		1		1	(	2)
HCPI		4,281		1,819		14,543		260
2009:								
RRC	P	8,807	P	2,626	P	1,283	P	459
RLI		848		200		1	(	6)
HCPI		3,755		1,523		16,552		31

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI, to commit and undertake to vote as a unit the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been 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 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 RCBC Capital's ownership of only 4.71% in RHI, its investment is carried under the equity method of accounting.

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 which was approved by BSP on February 23, 2007. 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, 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 in obtaining additional or losing control. In accordance with the relevant accounting standards, the Parent Company's and Non-controlling Interest's (other than RCBC Capital) shares 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 Non-controlling Interest share in Bankard's net assets amounting to P241 was recognized directly in equity and presented as Other Reserves in the statements of changes in capital funds.

RRC redeemed a certain percentage of its preferred shares which resulted in the decrease of the Parent Company's cost of investment by P72 and P53 in 2010 and 2009, respectively. Consequently, the redemption of preferred shares resulted in a gain amounting to P178 and P129 in 2010 and 2009, respectively, which was recognized in the statements of income as part of Other Income.

On October 30, 2007, the Parent Company's BOD approved the acquisition of 96.38% interest in Merchants Bank for P494, inclusive of capital gains tax, property claims and buyer's tax claims which was temporarily held in escrow upon determination of the final amount of tax claims that will be paid by Merchants Bank through the Parent Company. This investment cost was reduced to P493 in 2009 as a result of the tax claims amounting to P650 thousand which was returned to the Parent Company in 2009.

On May 25, 2009, the BOD of the Parent Company approved the reclassification of its investment in NPHI with carrying amount of P388 from Investment Property account to Investments in Subsidiaries and Associates account in accordance with BSP Circular No. 520 (see Note 14).

On February 12 and 13, 2009, an agreement was executed between the Parent Company and JPL whereby the Parent Company infused an initial amount of P125 in JPL as stock subscription which resulted in the Parent Company's 33% ownership and full management control of JPL. The Parent Company was also granted the option to own the remaining 66% of the outstanding shares of the JPL by way of future equity infusion into JPL of P125 on February 2010 and another P125 on February 2011 bringing the total equity investment of the Parent Company to P375 or 99% by 2011. In March 2009, the Parent Company made an additional investment amounting to P50. In accordance with the agreement, the Parent Company made an additional cash infusion amounting to P75 on February 15, 2010. Since the Parent Company demonstrated full management control of JPL, it recognized its full stock subscription and resulted into consolidation of JPL's assets, liabilities and net profit in the Group's financial statements starting 2009.

On October 12, 2009, the Parent Company sold its 20% shareholdings in Great Life Financial Assurance Corporation (GLFAC) for the amount of P211 to Grepalife Financial, Inc. (Grepalife) in accordance with the sale and purchase agreement entered into between the two parties.

On July 21, 2010, the Parent Company received liquidating dividends representing the complete return of its capital investment in SPC. The gain amounting to P178, computed as the difference between the amount of liquidating dividends and the carrying value of the investment, was recognized as part of the Other Income account in the 2010 statement of income.

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment at the beginning and end of 2010 and 2009 are shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2010					
Cost	P 1,437	P 2,243	P 3,906	P 994	P 8,580
Accumulated depreciation and amortization	–	(764)	(2,364)	(108)	(3,236)
Net carrying amount	**P 1,437**	**P 1,479**	**P 1,542**	**P 886**	**P 5,344**
December 31, 2009					
Cost	P 1,438	P 1,736	P 3,467	P 992	P 7,633
Accumulated depreciation and amortization	–	(699)	(2,109)	(71)	(2,879)
Net carrying amount	P 1,438	P 1,037	P 1,358	P 921	P 4,754
January 1, 2009					
Cost	P 1,103	P 1,580	P 2,940	P 957	P 6,580
Accumulated depreciation, amortization and impairment	(11)	(616)	(1,878)	(46)	(2,551)
Net carrying amount	P 1,092	P 964	P 1,062	P 911	P 4,029

	Parent				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2010					
Cost	P 693	P 1,706	P 3,054	P 784	P 6,237
Accumulated depreciation and amortization	–	(589)	(1,837)	–	(2,426)
Net carrying amount	**P 693**	**P 1,117**	**P 1,217**	**P 784**	**P 3,811**
December 31, 2009					
Cost	P 693	P 1,382	P 2,646	P 818	P 5,539
Accumulated depreciation and amortization	–	(540)	(1,616)	–	(2,156)
Net carrying amount	P 693	P 842	P 1,030	P 818	P 3,383
January 1, 2009					
Cost	P 669	P 1,288	P 2,196	P 821	P 4,974
Accumulated depreciation and amortization	–	(484)	(1,452)	–	(1,936)
Net carrying amount	P 669	P 804	P 744	P 821	P 3,038

A reconciliation of the carrying amounts at the beginning and end of 2010 and 2009, of bank premises, furniture, fixtures and equipment is shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 1,438	P 1,037	P 1,358	P 921	P 4,754
Additions	5	539	600	120	1,264
Disposals	(6)	(15)	(27)	(5)	(53)
Depreciation and amortization charge for the year	–	(82)	(389)	(150)	(621)
Balance at December 31, 2010, net of accumulated depreciation and amortization	**P 1,437**	**P 1,479**	**P 1,542**	**P 886**	**P 5,344**
Balance at January 1, 2009, net of accumulated depreciation, amortization, and impairment	P 1,092	P 964	P 1,062	P 911	P 4,029
Additions	51	160	678	137	1,026
Reclassification from investment properties	315	–	–	–	315
Disposals	(20)	(6)	(56)	–	(82)
Depreciation and amortization charge for the year	–	(81)	(326)	(127)	(534)
Balance at December 31, 2009, net of accumulated depreciation, and amortization	P 1,438	P 1,037	P 1,358	P 921	P 4,754

	Parent				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 693	P 842	P 1,030	P 818	P 3,383
Additions	–	341	472	93	906
Disposals	–	(8)	(20)	–	(28)
Depreciation and amortization charge for the year	–	(58)	(265)	(127)	(450)
Balance at December 31, 2010, net of accumulated depreciation and amortization	**P 693**	**P 1,117**	**P 1,217**	**P 784**	**P 3,811**

	Parent				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 669	P 804	P 744	P 821	P 3,038
Additions	24	94	551	103	772
Disposals	–	–	(50)	–	(50)
Depreciation and amortization charge for the year	–	(56)	(215)	(106)	(377)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P 693	P 842	P 1,030	P 818	P 3,383

In October 2009, the Parent Company, RSB and Bankard entered into an agreement with Grepalife and Malayan Insurance Company, Inc. (MICO), all related parties, to form a consortium for the pooling of their resources and establishment of an unincorporated joint venture for the construction and development of high rise, mixed use commercial/office building. Total cash contribution of the Parent Company, RSB and Bankard to the joint venture amounted to P532 and P65 as of December 31, 2010 and 2009, respectively, and the land costing P315 were recorded as part of Buildings and Land accounts (see Note 30.2).

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 bank subsidiaries. As of December 31, 2010 and 2009, the Parent Company and bank subsidiaries have satisfactorily complied with this BSP requirement.

14. INVESTMENT PROPERTIES

Investment properties consist 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 2010 and 2009, and the gross carrying amounts and the accumulated depreciation and impairment of investment properties are as follows:

	Group		Parent	
	2010	2009	**2010**	2009
Balance at January 1, net of accumulated depreciation and impairment	**P 5,067**	P 7,388	**P 2,873**	P 3,500
Additions	**3,739**	1,438	**1,599**	223
Disposal	**(1,122)**	(777)	**(438)**	(328)
Reclassification to investment in subsidiaries and associates	**–**	(2,389)	**–**	(388)
Reclassification to bank premises	**–**	(315)	**–**	–
Write-off	**–**	(26)	**–**	(25)
Depreciation	**(116)**	(132)	**(44)**	(44)
Impairment	**(265)**	(120)	**(160)**	(65)
Balance at December 31, net of accumulated depreciation and impairment	**P 7,303**	P 5,067	**P 3,830**	P 2,873

	Group		Parent	
	2010	2009	**2010**	2009
December 31				
Cost	**P 9,086**	P 6,546	**P 4,464**	P 3,661
Accumulated depreciation	**(642)**	(624)	**(287)**	(362)
Accumulated impairment (see Note 16)	**(1,141)**	(855)	**(347)**	(426)
Net carrying amount	**P 7,303**	P 5,067	**P 3,830**	P 2,873

The fair value of investment property as of December 31, 2010 and 2009, based on the available appraisal values, amounted to P12,901 and P8,978, respectively, for the Group; and P6,402 and P5,485, respectively, for the Parent Company.

In 2010, the Group and the Parent Company foreclosed real and other properties totalling to P3,739 and P1,599, respectively in settlement of certain loan accounts. On May 25, 2009, the BOD of the Parent Company approved the reclassification of its investment in NPHI with carrying amount of P388 from Investment Properties account to Investments in Subsidiaries and Associates account (see Note 12) in accordance with BSP Circular No. 520. This resulted into the consolidation of NPHI's assets, liabilities and net profit in the Group's financial statements starting 2009.

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 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 P2,473 and P1,938 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 subsequent to 2006. Prior to 2009, 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 in 2005 which emphasized that the dacioned properties be recorded as ROPA-Real Properties, and which were subsequently reclassified as Investment Properties when RSB transitioned to PFRS. However, in 2009, in accordance with another letter received by RSB from BSP dated March 26, 2009, RSB reclassified these investment properties to equity investments, subject to the following conditions: (i) RSB should immediately dissolve the SPCs once the underlying dacioned real property assets are sold or disposed; and, (ii) the equity investments in the SPCs shall be disposed of within a reasonable period not beyond October 5, 2012. The reclassification resulted into consolidation of the SPCs in the Group's financial statements. Accordingly, the assets, liabilities, income and expenses of the SPCs were consolidated in the Group's financial statements starting 2009.

15. OTHER RESOURCES

Other resources consist of the following:

	Group		Parent	
	2010	2009	**2010**	2009
Deferred charges – SPV (see Note 11.2)	**P 6,072**	P 7,047	**P 6,072**	P 7,047
Real estate properties for sale – net	**2,793**	2,699	**–**	–
Foreign currency notes and coins on hand	**1,128**	1,149	**985**	1,018
Margin deposits	**737**	198	**737**	198
Software – net	**530**	313	**530**	313
Goodwill – net	**426**	426	**–**	–
Branch licenses – net	**244**	264	**–**	–
Prepaid expenses	**180**	248	**117**	201
Assets held-for-sale	**152**	141	**–**	–
Returned checks and other cash items	**144**	155	**113**	155
Inter-office float items	**129**	100	**137**	228
Unused stationery and supplies	**118**	91	**117**	91
Sundry debits	**106**	83	**59**	83
Refundable deposits	**98**	84	**98**	84
Miscellaneous (see Note 25)	**610**	576	**406**	191
	13,467	13,574	**9,371**	9,609
Accumulated depreciation	**(13)**	(11)	**(14)**	(11)
Allowance for impairment (see Note 16)	**(35)**	(154)	**(3)**	(123)
	P 13,419	P 13,409	**P 9,354**	P 9,475

15.1 Deferred Charges – SPV

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 11.2). The following table presents the movements in the Group's Deferred Charges – SPV account.

	Group		Parent	
	2010	2009	**2010**	2009
Balance at beginning of year	**P 7,047**	P 7,881	**P 7,047**	P 7,881
Amortization	**(975)**	(834)	**(975)**	(834)
Balance at end of year	**P 6,072**	P 7,047	**P 6,072**	P 7,047

15.2 Software

A reconciliation of the carrying amounts at the beginning and end of 2010 and 2009, of software is shown below.

	Group 2010	Group 2009	Parent 2010	Parent 2009
Balance at beginning of year	**P 313**	P 175	**P 313**	P 175
Additions	**283**	187	**283**	187
Amortization	**(66)**	(49)	**(66)**	(49)
Balance at end of year	**P 530**	P 313	**P 530**	P 313

15.3 Real estate properties for sale

Real estate properties for sale represent those properties held by SPCs under RSB that were consolidated to the Group's statements of financial position as of December 31, 2010 and 2009 (see Note 14).

15.4 Branch Licenses

On May 14, 2009, BSP approved the Parent Company's acquisition of JPL under the terms and conditions specified under the Term Sheet dated February 12, 2009 and Addendum to Term Sheet dated February 13, 2009, executed by the Parent Company and JPL subject to certain conditions (see Note 12). As a result of this approval to acquire JPL through capital infusion over three years, the Parent Company recognized the excess of the total cost of investment over the allocated net assets of JPL amounting to P264 as Branch Licenses in its financial statements. As of December 31, 2010, the carrying amount of the Branch Licenses, net of P20 amortization, amounted to P244.

16. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized as follows:

	Notes	Group 2010	Group 2009	Parent 2010	Parent 2009
Balance at beginning of year					
Loans and receivables	11	**P 7,466**	P 7,943	**P 4,434**	P 4,943
Available-for-sale securities	9	**1,336**	811	**1,276**	811
Investment in subsidiaries and associates	12	**53**	53	**253**	253
Bank premises	13	**–**	19	**–**	–
Investment property	14	**855**	963	**426**	429
Other resources	15	**154**	150	**123**	117
		9,864	9,939	**6,512**	6,553
Provisions during the year		**3,142**	2,243	**2,333**	1,684
Charge-offs during the year		**(2,849)**	(2,318)	**(2,180)**	(1,725)
		293	(75)	**153**	(41)
Balance at end of year					
Loans and receivables	11	**7,577**	7,466	**4,773**	4,434
Available-for-sale securities	9	**1,351**	1,336	**1,289**	1,276
Investment in subsidiaries and associates	12	**53**	53	**253**	253
Investment property	14	**1,141**	855	**347**	426
Other resources	15	**35**	154	**3**	123
		P 10,157	P 9,864	**P 6,665**	P 6,512

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

	Group 2010	Group 2009	Parent 2010	Parent 2009
Demand	**P 11,598**	P 11,034	**P 9,241**	P 8,535
Savings	**108,414**	93,572	**93,714**	81,166
Time	**116,767**	115,672	**86,462**	90,852
	P 236,779	P 220,278	**P 189,417**	P 180,553

The maturity profile of the deposit liabilities follow:

	Group				Parent			
		2010		2009		**2010**		2009
Within one year	**P**	**225,018**	P	212,119		**181,962**	P	176,371
Beyond one year, within five years		**3,217**		8,158		**3,047**		4,182
Beyond five years		**8,544**		1		**4,408**		–
	P	**236,779**	P	220,278	**P**	**189,417**	P	180,553

Deposit liabilities are in the form of savings, demand and time deposit accounts with annual interest rates ranging from 0.25% to 4.50% in 2010 and 2009 and 0.50% to 5.00% in 2008. 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 and statutory reserves equivalent to 11% and 8%, respectively, as of December 31, 2010 and 2009. As of December 31, 2010 and 2009, the Group is in compliance with such regulations.

Available reserves as of December 31, 2010 and 2009 follow:

	Group				Parent			
		2010		2009		**2010**		2009
Cash and other cash items	**P**	**7,655**	P	7,749	**P**	**6,136**	P	6,356
Due from BSP		**6,400**		5,273		**4,947**		4,056
Reserve deposit account (BSP)		**12,746**		13,513		**12,746**		13,513
AFS securities		**1,335**		550		**1,335**		550
Securities purchased under reverse repurchase agreement		**52**		71		**–**		–
	P	**28,188**	P	27,156	**P**	**25,164**	P	24,475

On September 30, 2009, the Parent Company issued US$85 million worth of United States Dollar (US$) denominated Negotiable Certificates of Time Deposits ("September NCTD"). On October 19, 2009, the Parent Company issued a second offering worth US$13.2 million of US$-denominated NCTD ("October NCTD"). The September NCTD and the October NCTD carry a fixed annual interest rate of 3.75% per annum, payable quarterly until September 30, 2012. The NCTDs are presented as part of Time Deposit under Deposit Liabilities account in both the Group and Parent Company's statements of position.

18. BILLS PAYABLE

This account consists of borrowings from:

	Group				Parent			
		2010		2009		**2010**		2009
Foreign banks	**P**	**14,722**	P	8,004	**P**	**14,722**	P	8,004
Local banks		**1,758**		540		**1,812**		294
BSP		**624**		2,130		**624**		2,130
Others		**13**		107		**13**		107
	P	**17,117**	P	10,781	**P**	**17,171**	P	10,535

The maturity profile of bills payable follows:

	Group				Parent			
		2010		2009		**2010**		2009
Within one year	**P**	**17,117**	P	8,973	**P**	**17,171**	P	8,727
Beyond one year but within five years		**–**		1,808		**–**		1,808
	P	**17,117**	P	10,781	**P**	**17,171**	P	10,535

Borrowings with foreign and local banks are mainly short-term in nature. In the financial statements of the Group, peso borrowings are subject to annual fixed interest rates ranging from 0.60% to 1.25% in 2010, 4.75% to 5.50% in 2009 and 5.00% to 12.00% in 2008, while foreign currency denominated borrowings are subject to annual fixed interest rates ranging from 0.15% to 2.98% in 2010, 0.10% to 3.18% in 2009 and 0.25% to 5.00% in 2008.

In the Parent Company financial statements, peso borrowings are subject to annual fixed interest rates ranging from 0.60% to 1.25% in 2010, 3.50% to 4.75% in 2009 and 5% to 6.7% in 2008, while foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.15% to 2.98% in 2010, 0.10% to 3.18% in 2009 and 0.25% to 5.00% in 2008.

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 P624 and P2,130 as of December 31, 2010 and 2009, respectively, both in the Group and Parent Company's financial statements. Such borrowings are collateralized by the assignment of certain loans amounting to P751 and P2,355 as of December 31, 2010 and 2009, respectively, both in the Group and Parent Company's 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. 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. 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. As of December 31, 2009, the peso equivalent of the outstanding bond issue amounted to P5,836. Subsequently, the outstanding principal balance of the Global Notes was fully redeemed on February 24, 2010.

Also, in February 2010, the Parent Company issued US$ denominated Senior Notes with principal amount of US$250,000 bearing an interest of 6.25% per annum, payable semi-annually in arrears on February 9 and August 9 of each year, commencing on August 9, 2010. The Senior Notes, unless redeemed, will mature on February 9, 2015. As of December 31, 2010, the peso equivalent of the outstanding bond issue amounted to P10,927.

20. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent	
	2010	2009	**2010**	2009
Accrued expenses	**P 1,958**	P 1,832	**P 1,629**	P 1,384
Accrued interest payable	**987**	870	**913**	801
Taxes payable	**317**	243	**110**	141
Others	**495**	305	**–**	–
	P 3,757	P 3,250	**P 2,652**	P 2,326

21. OTHER LIABILITIES

Other liabilities consist of the following:

	Group		Parent	
	2010	2009	**2010**	2009
Accounts payable	**P 2,456**	P 2,260	**P 2,015**	P 1,660
Derivatives with negative fair values (see Note 8)	**1,374**	704	**1,374**	704
Bills purchased – contra	**1,169**	1,790	**1,169**	1,790
Manager's checks	**669**	704	**481**	485
Outstanding acceptances payable	**446**	250	**446**	250
Guaranty deposits	**432**	92	**83**	92
Unearned income	**351**	399	**351**	399
Other credits	**229**	162	**210**	137
Payment orders payable	**205**	120	**172**	89
Withholding taxes payable	**155**	115	**129**	90
Sundry credits	**56**	40	**8**	40
Due to BSP	**26**	24	**26**	24
Miscellaneous	**486**	238	**100**	130
	P 8,054	P 6,898	**P 6,564**	P 5,890

22. SUBORDINATED DEBT

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

a. The P7 billion Notes shall mature on February 22, 2018, provided that they are not previously redeemed.

b. Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on February 22, 2013, redeem all of the outstanding notes at redemption price equal to 100% of the face value of the P7 billion Notes together with accrued and unpaid interest thereon.

c. The P7 billion Notes bear interest at the rate of 7% per annum from February 22, 2008 and shall be payable quarterly in arrears at the end of each interest period on May 22, August 22, November 22 and February 22 each year.

d. Unless the P7 billion Notes are previously redeemed, the interest rate from 2013 to 2018 will be reset at the equivalent of the five-year Fixed Rate Treasury Note benchmark bid yield as of February 22, 2013 multiplied by 80% plus 3.53% per annum. Such stepped-up interest shall be payable quarterly commencing 2013.

The P7 billion Notes were issued on February 22, 2008 and were fully subscribed. The carrying amount of the P7 billion Notes amounted to P6,968 and P6,954 as of December 31, 2010 and 2009, respectively.

On January 26, 2009, the Parent Company's BOD approved another issuance of P4 billion unsecured subordinated notes (the "P4 billion Notes") with the following significant terms and conditions:

a. The P4 billion Notes shall mature on May 15, 2019, provided that they are not previously redeemed.

b. Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on May 15, 2014, redeem all of the outstanding notes at redemption price equal to 100% of the face value of the P4 billion Notes together with accrued and unpaid interest thereon.

c. The P4 billion Notes bear interest at the rate of 7.75% per annum from May 15, 2009 and shall be payable quarterly in arrears at the end of each interest period on August 15, November 15, February 15 and May 15 each year.

d. Unless the P4 billion Notes are previously redeemed, the interest rate from May 15, 2014 to May 15, 2019 will be increased to the rate equivalent to 80% of benchmark rate as of the first day of the 21st interest period plus the step-up spread. Such stepped up interest shall be payable quarterly in arrears.

The P4 billion Notes were issued on May 15, 2009 and were fully subscribed. The carrying amount of the P4 billion Notes amounted to P3,978 and P3,973 as of December 31, 2010 and 2009, respectively.

The subordinated debt is measured at amortized cost at the end of each reporting period.

23. CAPITAL FUNDS

23.1 Capital Stock

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

	Shares		
	2010	2009	2008
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common shares – P10 par value Authorized – 200 shares Issued and outstanding	**21**	21	86
Common stock – P10 par value Authorized – 1,100 shares Issued and outstanding	**991**	991	963

	Amount		
	2010	2009	2008
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common shares – P10 par value Authorized – 200 shares Issued and outstanding	**P 207**	P 207	P 859
Common stock – P10 par value Authorized – 1,100 shares Issued and outstanding	**P 9,906**	P 9,906	P 9,629

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 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 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 dividend payments had been made to the preferred shares.

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 to P13,000, 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 stock 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 and P274, respectively. The corresponding additional paid-in capital on the additional issuances of shares amounted to P3,362.

In 2010, P87 thousand or 8 thousand preferred shares were converted to three thousand common shares. In 2009, P652 million or 65 thousand preferred shares were converted to 27.7 thousand common shares.

On June 28, 2010, the Parent Company's stockholders owning or representing more than 2/3 of the outstanding capital stock confirmed and ratified the approval by the majority of the Board of Directors on their Executive Session held on 21 May 2010, the proposed increase in authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or purchase any shares of any class, by amending its Articles of Incorporation. The proposed P16 billion authorized capital stock is divided into the following classes of shares:

a. One billion four hundred million (1,400 million) common shares of stock with par value of ten pesos (P10.00) per share.

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

The removal of pre-emptive rights was approved by BSP and SEC on October 20, 2010 and November 4, 2010, respectively, while the increase in authorized capital stock is not yet filed with the BSP and SEC.

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 P2,214, P1,814 and P1,451 as of December 31, 2010, 2009 and 2008, respectively, is not currently available for distribution as dividends.

23.2 Purchase of Treasury Shares

On March 16, 2009, the BOD of the Parent Company approved the acquisition of 92.4 million common shares and 18.1 million convertible preferred shares at P15.20 per share and P10.00 per share, respectively. Total cost of purchasing the treasury shares including the buying charges and documentary stamp taxes incurred amounted to P1,595. On September 1, 2009, majority of the stockholders approved the reissuance of the 41,993 common treasury shares amounting to P642 in exchange for 5.64% ownership or 169,059 shares of stock in MICO Equities, Inc. (MICOEI) amounting to P735. The excess of the carrying amount of the investment in MICOEI over the cost of treasury stock re-issued amounting to P93 was recognized as part of Capital Paid in Excess of Par in the financial statements as of December 31, 2010 and 2009. The remaining balance of the total cost of purchasing the treasury shares amounting to P953 is presented as Treasury Shares in the statements of changes in capital funds as of December 31, 2010 and 2009.

23.3 Cash Dividend Declaration

The details of the cash dividend distributions 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
September 29, 2008	P0.1331	P11,317	December 21, 2008	September 29, 2008	February 10, 2009	February 23, 2009
September 29, 2008	*	239,123	*	September 29, 2008	April 16, 2009	April 24, 2009
September 29, 2008	*	232,038	*	September 29, 2008	September 1, 2009	October 27, 2009
January 26, 2009	P 0.0881	5,978	December 31, 2008	January 26, 2009	April 16, 2009	May 8, 2009
March 30, 2009	0.0824	5,589	February 28, 2009	March 30, 2009	June 10, 2009	July 3, 2009
March 30, 2009	0.3060	20,762	March 11, 2009	March 30, 2009	June 10, 2009	July 13, 2009
March 30, 2009	0.3060	266,349	March 11, 2009	March 30, 2009	June 10, 2009	July 13, 2009
June 29, 2009	0.0667	4,526	May 31, 2009	June 29, 2009	September 1, 2009	September 10, 2009
September 28, 2009	0.0579	146	December 21, 2009	September 28, 2009	December 7, 2009	January 5, 2010
September 28, 2009	*	218,386	*	September 28, 2009	April 26, 2010	April 26, 2010
September 28, 2009	*	212,856	*	September 28, 2009	October 13, 2010	October 27, 2010
January 25, 2010	P 0.0563	143	March 31, 2010	January 25, 2010	April 26, 2010	May 11, 2010
March 29, 2010	0.6000	564,073	May 6, 2010	March 29, 2010	April 26, 2010	May 12, 2010
March 29, 2010	0.6000	1,573	May 6, 2010	March 29, 2010	April 26, 2010	May 12, 2010
April 26, 2010	0.0582	155	June 21, 2010	April 26, 2010	June 22, 2010	July 19, 2010
July 26, 2010	0.0649	161	September 21, 2010	July 26, 2010	August 20, 2010	September 30, 2010
October 26, 2010	0.0579	151	December 21, 2010	October 26, 2010	January 24, 2011	February 10, 2011

** Cash dividends on hybrid perpetual securities*

24. 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 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 No. 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 reset and payable quarterly in arrears, of 7.02% per annum 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 Parent Company, at its option, may redeem the Perpetual Securities at the fixed or final redemption date although the Parent Company may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and the Holders, redeem all (but not some only) of the securities (i) on the first optional redemption date; and (ii) on each interest payment date thereafter, at an amount equal to the liquidation preference plus accrued interest.

25. EMPLOYEE BENEFITS

Expenses recognized for employee benefits are analyzed below.

	Group		
	2010	2009	2008
Salaries and wages	**P 1,776**	P 1,730	P 1,580
Bonuses	**521**	506	443
Retirement – defined benefit plan	**259**	142	146
Compensated absences	**99**	92	84
Social security costs	**88**	74	69
Other short-term benefits	**245**	235	203
	P 2,988	P 2,779	P 2,525

	Parent		
	2010	2009	2008
Salaries and wages	**P 1,151**	P 1,067	P 971
Bonuses	**396**	369	338
Retirement – defined benefit plan	**175**	126	116
Compensated absences	**97**	90	83
Social security costs	**53**	49	46
Other short-term benefits	**150**	164	128
	P 2,022	P 1,865	P 1,682

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:

	Group		Parent	
	2010	2009	**2010**	2009
Fair value of plan assets	**P 2,749**	P 1,762	**P 2,270**	P 1,324
Present value of the obligation	**2,866**	1,958	**2,440**	1,579
Excess of obligation	**(117)**	(196)	**(170)**	(255)
Unrecognized actuarial gains	**226**	268	**270**	295
Retirement benefit asset	**P 109**	P 72	**P 100**	P 40

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

	Group		Parent	
	2010	2009	**2010**	2009
Balance at the beginning of year	**P 1,958**	P 1,258	**P 1,579**	P 993
Current service cost and interest cost	**325**	224	**251**	167
Actuarial losses	**737**	614	**747**	554
Past service cost	**41**	–	**–**	–
Benefits paid by the plan	**(195)**	(138)	**(137)**	(135)
Balance at end of year	**P 2,866**	P 1,958	**P 2,440**	P 1,579

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

	Group		Parent	
	2010	2009	**2010**	2009
Balance at the beginning of year	**P 1,762**	P 1,168	**P 1,324**	P 772
Actuarial gains	**772**	515	**766**	508
Expected return on plan assets	**114**	81	**82**	49
Contributions paid into the plan	**296**	136	**235**	130
Benefits paid by the plan	**(195)**	(138)	**(137)**	(135)
Balance at end of year	**P 2,749**	P 1,762	**P 2,270**	P 1,324

The plan assets consist of the following:

	Group		Parent	
	2010	2009	**2010**	2009
Assets				
Equity securities	**P 1,973**	P 1,394	**P 1,928**	P 1,297
Government securities	**327**	571	**156**	354
Long-term equity investments	**225**	–	**225**	–
Deposit with banks	**104**	127	**28**	49
Loans and receivables	**71**	78	**55**	76
Unit investment trust fund	**67**	53	**67**	53
ROPA	**16**	19	**16**	19
Other investments	**192**	62	**21**	18
	2,975	2,304	**2,496**	1,866
Liabilities	**(226)**	(542)	**(226)**	(542)
	P 2,749	P 1,762	**P 2,270**	P 1,324

Actual return on plan assets were P885 and P848 in 2010, while actual return on plan assets were P596 and P557 in 2009, for the Group and the Parent Company, respectively.

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

	Group		
	2010	2009	2008
Interest costs	**P 181**	P 141	P 152
Current service costs	**144**	83	83
Past service cost	**41**	–	–
Net actuarial losses (gains) recognized during the year	**7**	1	(3)
Expected return on plan assets	**(114)**	(81)	(111)
Retirement expense (income) due to ceiling	**–**	(2)	1
Net transition obligation recognized	**–**	–	24
Retirement benefits	**P 259**	P 142	P 146

	Parent		
	2010	2009	2008
Interest costs	**P 145**	P 111	P 126
Current service costs	**106**	56	49
Expected return on plan assets	**(82)**	(49)	(84)
Net actuarial gains recognized during the year	**6**	8	–
Net transition obligation recognized	**–**	–	25
Retirement benefits	**P 175**	P 126	P 116

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

	Group		
	2010	2009	2008
Discount rates	**8.00%**	9.20%	11.20%
Expected rate of return on plan assets	**6.00%**	6.00%	6.30%
Expected rate of salary increases	**5.00%**	5.00%	2.50%

	Parent		
	2010	2009	2008
Discount rates	**8.00%**	9.20%	11.20%
Expected rate of return on plan assets	**6.00%**	6.00%	6.30%
Expected rate of salary increases	**5.00%**	5.00%	2.50%

26. 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 as part of Occupancy and Equipment-related account in the statements of income) amounted to P396 in 2010 and P404 in 2009. The lease periods are from one 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, 2010, future minimum rentals payable under non-cancelable operating leases follow:

	Group		Parent	
Within one year	P	336	P	261
After one year but not more than five years		691		567
More than five years		258		223
	P	1,285	P	1,051

27. MISCELLANEOUS EXPENSES

Miscellaneous expenses consist of the following:

	Group					
	2010		2009		2008	
Litigation/Assets acquired expense	**P**	**652**	P	421	P	479
Insurance		**580**		512		469
Communication and information services		**380**		302		247
Transportation and travel		**325**		329		355
Other credit card related expenses		**298**		265		235
Management and other professional fees		**277**		461		434
Advertising and publicity		**232**		260		264
Stationery and office supplies		**125**		117		112
Other outside services		**120**		166		136
Representation and entertainment		**120**		74		71
Banking fees		**90**		101		86
Service charges		**58**		59		48
Donations and charitable contribution		**53**		42		43
Membership fees		**17**		15		14
Others		**669**		342		261
	P	**3,996**	P	3,466	P	3,254

	Parent					
	2010		2009		2008	
Litigation/Assets acquired expense	**P**	**511**	P	315	P	401
Management and other professional fees		**484**		412		395
Insurance		**445**		375		347
Other credit card related expenses		**298**		265		235
Communication and information services		**226**		207		156
Transportation and travel		**226**		166		167
Advertising and publicity		**164**		189		190
Stationery and office supplies		**89**		81		79
Other outside services		**82**		67		70
Banking fees		**81**		92		86
Representation and entertainment		**72**		51		23
Service charges		**58**		59		48
Donations and charitable contributions		**47**		38		39
Membership fees		**16**		13		13
Others		**237**		233		234
	P	**3,036**	P	2,563	P	2,483

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 statements of income), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST). In 2003, the Parent Company and its financial intermediary subsidiaries were subjected to 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 applicable regular corporate income tax rate (RCIT) was 32% up to October 31, 2005 and 35% up to December 31, 2008. In accordance with RA No. 9337 which amended certain sections of the National Internal Revenue Code of 1997, RCIT rate was reduced from 35% to 30% beginning January 1, 2009.

Effective July 2008, RA No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction equivalent to 40% of gross sales. Once the option is made, it shall be irrevocable for the taxable year for which the option was made. In 2010 and 2009, 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's net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three years.

In accordance with the Revenue Regulations (RR) 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.

On December 29, 2009, the Parent Company received a certification from the Bureau of Internal Revenue (BIR) that the exchange of shares between the Parent Company (41,993,389 common treasury shares) and PMMIC (169,059 shares of stock in MICO) is a tax-free exchange in accordance with RR 18-2001 (see Note 23.2).

Effective May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with 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.

28.1 Current and deferred taxes

The tax expense as reported in profit or loss consist of:

	Group		
	2010	2009	2008
Current			
Final withholding tax	**P 611**	P 451	P 480
RCIT	**277**	197	96
MCIT	**115**	98	89
Deferred tax expense (income)	**(4)**	(1)	255
	P 999	P 745	P 920

	Parent		
	2010	2009	2008
Current			
Final withholding tax	**P 381**	P 367	P 445
RCIT	**35**	54	44
MCIT	**114**	98	80
	P 530	P 519	P 569

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

	Group		
	2010	2009	2008
Statutory income tax at 30% in 2010 and 2009 and 35% in 2008	**P 1,577**	P 1,224	P 1,082
Adjustments for income subjected to lower income tax rates	**(43)**	(91)	(34)
Tax effects of:			
Non-taxable income	**(1,857)**	(1,098)	(247)
Non-deductible expenses	**484**	232	349
Unrecognized temporary differences	**450**	321	(117)
Application of unrecognized deferred tax assets	**(27)**	–	–
Application of unrecognized MCIT	**–**	(1)	–
Application of unrecognized NOLCO	**–**	(1)	–
Others	**415**	159	(113)
	P 999	P 745	P 920

	Parent		
	2010	2009	2008
Statutory income tax at 30% in 2010 and 2009 and 35% in 2008	**P 1,282**	P 927	P 609
Adjustments for income subjected to lower income tax rates	**(37)**	(47)	(43)
Tax effects of:			
Non-taxable income	**(1,580)**	(845)	(180)
Unrecognized temporary differences	**759**	335	(62)
Non-deductible expenses	**106**	149	245
	P 530	P 519	P 569

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

	Group		Parent	
	2010	2009	**2010**	2009
Allowance for impairment	**P 1,433**	P 1,407	**P 1,389**	P 1,389
Unamortized past service costs	**4**	1	**–**	–
Unrealized foreign exchange losses	**(3)**	–	**–**	–
Retirement benefits	**–**	1	**–**	–
Gain on rediscounting	**–**	(1)	**–**	–
	P 1,434	P 1,408	**P 1,389**	P 1,389

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, *Income Taxes*, the Parent Company and certain subsidiaries have not recognized deferred tax assets (liabilities) on certain temporary differences since management expects the non-realization of the tax benefits arising from these differences. Accordingly, the Group did not set up the net deferred tax assets on the following temporary differences:

	Group		Parent	
	2010	2009	**2010**	2009
Allowance for impairment	**P 5,380**	P 4,924	**P 2,036**	P 1,657
NOLCO	**3,088**	4,588	**2,992**	4,471
Unamortized past service cost	**(317)**	(229)	**(322)**	(233)
MCIT	**302**	267	**292**	266
Gain on revaluation	**4**	3	**–**	–
Advance rental	**–**	(1)	**–**	(1)
Unrealized foreign exchange loss	**–**	(1)	**–**	–
	P 8,457	P 9,551	**P 4,998**	P 6,160

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 3,061	P 3,061*	P –	2010
2007	21	21	–	2010
2008	753	–	753	2011
2009	753	–	753	2012
2010	1,582	–	1,582	2013
	P 6,170	P 3,082	P 3,088	

* 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	Used/Expired	Balance	Expiry Year
2005	P 3,061	P 3,061*	P –	2010
2008	672	–	672	2011
2009	738	–	738	2012
2010	1,582	–	1,582	2013
	P 6,053	P 3,061	P 2,992	

* Refers to losses incurred from SPV transactions in 2005.

As of December 31, 2010, the Group has MCIT of P302 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
2007	P	88	P	88	P	–	2010
2008		89		–		89	2011
2009		98		–		98	2012
2010		115		–		115	2013
	P	390	P	88	P	302	

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

Inception Year		Amount		Used/Expired		Balance	Expiry Year
2007	P	88	P	88	P	–	2010
2008		80		–		80	2011
2009		98		–		98	2012
2010		114		–		114	2013
	P	380	P	88	P	292	

28.2 Supplementary Information Required Under RR 15-2010

On November 25, 2010, the BIR issued RR 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with FRSPB; it is neither a required disclosure under the Philippine Securities and Exchange Commission rules and regulations covering form and content of financial statements under Securities Regulation Code Rule 68.

The Parent Company, however, presented this tax information required by the BIR as a supplemental schedule filed separately to the BIR from the basic financial statements.

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 financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P68,995 and P52,449 as of December 31, 2010 and 2009, respectively. The Parent Company's total trust resources amounted to P59,433 and P47,306 as of December 31, 2010 and 2009, 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 P707 (Group) and P582 (Parent Company); and P671 (Group) and P606 (Parent Company) as of December 31, 2010 and 2009, 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 granted under said circular as of December 31, 2010 and 2009:

	Group				Parent			
	2010		2009		**2010**		2009	
Total outstanding DOSRI loans	**P**	**4,615**	P	4,562	**P**	**4,442**	P	4,372
Percent of DOSRI accounts to total loans		**2.78%**		2.76%		**2.68%**		4.18%
Percent of unsecured DOSRI accounts to total DOSRI accounts		**2.05%**		5.03%		**1.85%**		4.92%
Percent of past due DOSRI accounts to total loans		**0.28%**		0.32%		**0.29%**		0.50%
Percent of nonaccruing DOSRI accounts to total loans		**0.28%**		0.32%		**0.29%**		0.50%

30.2 Joint Development Agreement

On October 1, 2009, the Parent Company entered into a Joint Development Agreement (Agreement) with RSB, Bankard, Grepalife, MICO, and Hexagonland (all related parties, collectively referred to as the Consortium) and with the conformity of Goldpath, the parent company of Hexagonland, whereby the Consortium agreed to pool their resources and enter into an unincorporated joint venture arrangement for the construction and development of a high rise, mixed use commercial/office building which shall be referred to by the Consortium as the RCBC Savings Bank Building Project (the Project). The estimated cost for the Project is at P2,800.

The Consortium shall share in the Project cost as follows:

Party	Type of Contribution	%
RSB	Cash	36.59%
Parent Company	Cash	23.16%
Hexagonland	Land	17.42%
Bankard	Cash	13.89%
MICO	Cash	4.47%
Grepalife	Cash	4.47%
		100%

Furthermore, within six months from the execution of the Agreement, RSB shall undertake to liquidate Hexagonland, which will result to the partial liquidation of Goldpath, to acquire ownership of the land, thereby increasing the RSB's share in the Project cost to 54.01%. As of December 31, 2010, RSB is still in the process of completing the requirements for the liquidation of Goldpath and Hexagonland.

The Group and the Parent Company's total cash contribution to the joint venture amounted to P532 and P329, and P65 and P40 as of December 31, 2010 and 2009, respectively, and the land costing P315. The Group and Parent Company's contributions are presented as part of the Bank Premises, Furniture, Fixtures and Equipment account in the Group and Parent Company's statements of financial position (see Note 13).

30.3 Key Management Personnel Compensation

The breakdown of key management personnel compensation follow:

	Group					
	2010		2009		2008	
Short-term benefits	**P**	**201**	P	154	P	186
Post-employment benefits		**45**		41		38
	P	**246**	P	195	P	224

	Parent					
	2010		2009		2008	
Short-term benefits	**P**	**51**	P	53	P	60
Post-employment benefits		**38**		41		37
	P	**89**	P	94	P	97

30.4 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 Group and Parent Company financial statements amounted to P200 and P193 in 2010 and P168 and P159 in 2009, respectively, and are included as part of Occupancy and Equipment-related account in the statements of income. The Parent Company's lease contract with RRC is until December 31, 2015.

30.5 Deposits

As of December 31, 2010 and 2009, 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 consolidated 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 financial position items at their equivalent peso contractual amounts as of December 31, 2010 and 2009:

	Group		Parent	
	2010	2009	**2010**	2009
Derivative liabilities	**P 174,800**	P 53,081	**P 174,800**	P 53,081
Derivative assets	**171,925**	39,837	**171,925**	39,837
Trust department accounts (see Note 29)	**68,995**	52,449	**59,433**	47,306
Spot exchange bought	**7,513**	2,824	**7,513**	2,824
Spot exchange sold	**7,057**	3,138	**7,057**	3,138
Outstanding guarantees issued	**6,164**	871	**6,164**	871
Inward bills for collection	**3,312**	4,128	**3,312**	4,128
Unused commercial letters of credit	**2,798**	4,485	**2,798**	4,485
Late deposits/payments received	**497**	635	**462**	593
Outward bills for collection	**262**	455	**262**	454
Minimum lease rentals under non-cancellable operating lease	**201**	216	**–**	–

RCBC Capital has filed an arbitration claim with the International Chamber of Commerce against Banco De Oro Unibank (BDO) 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 it is entitled to damages for the breach, the amount of which would be determined by the tribunal with the assistance of an expert appointed by it. The hearings concerning the amount of damages due to RCBC Capital were concluded in October 2009, and RCBC Capital's Memorandum and Reply Memoranda were submitted on December 1, 2009 and December 15, 2009, respectively. On January 15, 2010, the final evidence on RCBC Capital's arbitration costs was submitted by its external counsel and the case was submitted for resolution. On June 16, 2010, the tribunal issued its final award, declaring the amount of liability of BDO to RCBC Capital for damages for the breach, cost of arbitration, cost of expert and other legal costs. Moreover, on July 17, 2010, RCBC Capital filed an Application for Correction/Interpretation of Final Award before the tribunal, which was denied by the latter in a decision issued on September 30, 2010.

In line with the final award issued by the tribunal, BDO filed a motion for reconsideration with a regional trial court, with which it has previously filed a petition invoking the jurisdiction of the court over domestic arbitration described above. The motion has been subsequently denied by the court confirming the tribunal's final award dated June 16, 2010 subject to the Application for Correction/Interpretation filed by RCBC Capital, in an order dated November 10, 2010. On November 30, 2010, BDO and other former stockholders of Bankard filed another Motion for Reconsideration relative to the order of the court dated November 10, 2010. Thereafter, on December 9, 2010, RCBC Capital filed its Opposition to the Motion for Reconsideration filed by BDO and other former stockholders of Bankard with a Motion for Execution of the court's November 10, 2010 order. As of December 31, 2010, the foregoing motion was submitted for resolution.

Meanwhile, BDO filed a separate action with another branch of the regional trial court seeking to vacate the award of the tribunal. RCBC Capital opposed the same, citing that the previous regional trial court has already confirmed the award and has acquired jurisdiction over the matter. Notwithstanding the jurisdiction acquired by the first regional trial court, the second regional trial court issued an order on February 25, 2011 vacating the award. RCBC Capital has since filed for reconsideration, which is now pending resolution.

There are also a number of cases pending before the Court of Appeals filed by BDO appealing various orders from the regional trial court, as well as one filed by RCBC Capital seeking to enjoin the second regional trial court from acquiring jurisdiction.

32. EVENT AFTER THE END OF THE REPORTING PERIOD

On March 17, 2011, the Parent Company issued 73 million common shares, comprised of 50 million treasury shares and 23 million unissued shares, to International Finance Corporation for a total consideration of P2,130 representing 7.2% ownership interest.

33. 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 millions, except EPS data):

	Group		
	2010	2009	2008
Basic Earnings Per Share			
a. Net profit attributable to parent company's shareholders	**P 4,248**	P 3,328	P 2,154
Less: allocated for preferred and Hybrid Tier 1 dividends	**(432)**	(487)	(497)
	3,816	2,841	1,657
b. Weighted average number of outstanding common shares	**940**	908	963
c. Basic EPS (a/b)	**P 4.06**	P 3.13	P 1.72
Diluted Earnings Per Share			
a. Net profit attributable to parent company's shareholders	**P 3,816**	P 2,841	P 1,657
b. Weighted average number of outstanding common shares	**941**	928	999
c. Diluted EPS (a/b)	**P 4.06**	P 3.06	P 1.66

	Parent		
	2010	2009	2008
Basic Earnings Per Share			
a. Net profit attributable to parent company's shareholders	**P 3,742**	P 2,572	P 1,170
Less: allocated for preferred and Hybrid Tier 1 dividends	**(432)**	(487)	(497)
	3,310	2,085	673
b. Weighted average number of outstanding common shares	**940**	908	963
c. Basic EPS (a/b)	**P 3.52**	P 2.30	P 0.70
Diluted Earnings Per Share			
a. Net profit attributable to parent company's shareholders	**P 3,310**	P 2,085	P 673
b. Weighted average number of outstanding common shares	**941**	928	999
c. Diluted EPS (a/b)	**P 3.52**	P 2.25	P 0.67

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

34. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2010	2009	2008
Return on average capital funds	**14.08%**	11.95%	7.40%
Return on average assets	**1.47%**	1.24%	0.87%
Net interest margin	**4.55%**	4.62%	4.25%
CAR	**17.77%**	18.47%	17.30%

	Parent		
	2010	2009	2008
Return on average capital funds	**14.72%**	10.46%	3.56%
Return on average assets	**1.55%**	1.14%	0.56%
Net interest margin	**3.97%**	4.00%	3.57%
CAR	**16.26%**	17.23%	16.28%

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

Business Process Excellence

Over time, bridging gaps among people and systems builds business process excellence across our organization. It lets us be flexible in today's rapidly changing business environment, stay ahead of the competition, and touch base with our customers even better.

Personal Banking Machine (automated tellering machine) introduced in1987

RCBC began computerization in 1980

Drive-in facility was installed in Pasay Road branch in 1972 to serve the fast growing business areas in Makati

RCBC

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Senior Management

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Heads of Subsidiaries

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Senior Officers

Honorary Chairman
AMBASSADOR ALFONSO T. YUCHENGCO

Chairman of the Board
HELEN Y. DEE

Corporate Vice Chairman
CESAR E. A. VIRATA

President and Chief Executive Officer
LORENZO V. TAN

First Senior Vice Presidents
JOHN THOMAS G. DEVERAS
Head, Strategic Initiatives

EDGAR ANTHONY B. VILLANUEVA
Head, Global Transaction Services

Senior Vice President
MARIA LOURDES JOCELYN S. PINEDA
Head, Microfinance

First Vice Presidents
EDWIN R. ERMITA
Bank Security Officer

JOSE EDWINIEL C. GUILAS
Head, Corporate Communications Div.

Vice President
ENRIQUE C. BUENAFLOR
Business Development Manager
Global Transaction Services

INTERNAL AUDIT DIVISION

First Senior Vice President
ANA LUISA S. LIM
Division Head

First Vice President
ELOIDA F. OQUILDA
Head, Cluster 4

Vice President
ALBERTO Y. BUESER
Head, Cluster 1

ELVIRA D. SORIANO
Head, Cluster 3

TRUST AND INVESTMENTS DIVISION

Senior Vice President
LOURDES BERNADETTE M. FERRER
Division Head and Trust Officer

First Vice Presidents
CRISELDA Y. PASTORAL
Head, Trust Retail Marketing

RAOUL V. SANTOS
Head, Trust Investment Services Dept.

Vice Presidents
JOSEPH F. MONZON
Trust Risk Officer

ERIC B. VICTORIA
Head, Trust Business Development Dept.

ASSET MANAGEMENT AND REMEDIAL GROUP

Executive Vice President
ALFREDO S. DEL ROSARIO, JR.
Group Head

Senior Vice Presidents
CLARO PATRICIO L. CONTRERAS
Head, Remedial Management Div.

EVELYN NOLASCO
Head, Asset Disposition Div.

First Vice Presidents
LOIDA C. PAPILLA
Head, Asset Management Support Div.

Vice Presidents
KENNETH MARK F. GARCIA
Head, Account Management Dept. 3

LEAH B. TORRES
Head, Account Management Dept. 2

LOLITO S. VELASQUEZ
Head, Account Management Dept. 1

CORPORATE PLANNING GROUP

Executive Vice President
ELBERT M. ZOSA
Group Head

Vice President
MA. CHRISTINA P. ALVAREZ
Head, Financial Planning and Development Div.

CORPORATE RISK MANAGEMENT SERVICES

Senior Vice Presidents
REGINO V. MAGNO
Group Head

RAFAEL ALOYSIUS M. DAYRIT
Head, Credit Risk Div.

Vice Presidents
BRENDA S. TARUC
Head, Market Risk Div.

LUIS A. JACINTO
Risk Management System Office

CONTROLLERSHIP GROUP

Senior Vice President
ZENAIDA F. TORRES
Group Head

First Vice Presidents
FLORENTINO M. MADONZA
Head, General Accounting Div.

NELIA A. PEÑA
Head, Financial Management, Accounting and Control Div.

Vice President
MARIETA O. MIRANDA
Head, Financial Accounting Dept.

CORPORATE BANKING GROUP

Executive Vice President
UY CHUN BING G.
Group Head

First Senior Vice President
MICHAEL O. DE JESUS
Head, Corporate Banking Segment

Senior Vice Presidents
ANGELITO C. CRUZ
Head, Japanese and Ecozone Banking Segment
(Until November 12, 2010)

ROGELIO P. DAYRIT
Head, Japanese and Ecozone Banking Segment

SIONY C. DY TANG
Head, Chinese Banking Segment – Div. 1

JOHN P. GO
Head, Chinese Banking Segment 2

ELI D. LAO
Head, Chinese Banking Segment 1

YASUHIRO MATSUMOTO
Head, Japanese Business Relationship Office

REYNALDO P. ORSOLINO
Head, Commercial and Small Medium Enterprise Banking Div.

First Vice Presidents
MA. FELISA R. BANZON
Head, Corporate Banking Segment – Div. 1

RENATO V. CARPIO
Head, Corporate Banking Segment - Conglomerate Div.

HAZEL DEANNE T. CO
Head, Chinese Banking Segment - Div. 2

GRACIANO P. DEL ROSARIO
Head, Japanese and Ecozone Banking Segment – Div. 1

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

KOJI ONOZAWA
Japanese Business Relationship Officer

MA. ANGELA V. TINIO
Head, Visayas and Mindanao Region, CSMED

Vice Presidents
ABENER M. BALATBAT
Head, Ortigas Lending Department, CSMED

LALAINE I. BILAOS
Head , Corporate Banking Segment – Div. 2

RICO M. BORGONIA
Relationship Manager, Japanese and Ecozone Banking Segment – Div. 1

GLORIA T. CARLOTA
Relationship Manager, Corporate Banking Segment – Conglomerate Div.

ANTONIO MANUEL E. CRUZ, JR.
Head, Metro Manila Lending Dept., CSMED

ARMANDO A. INABANGAN, JR.
Relationship Manager, Corporate Banking Segment – Div. 2

JOSE S. ISON, JR.
Relationship Manager, Corporate Banking Segment – Div. 1

EDUARDO C. MASANGCAY
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

PATRICK PETER R. SANTOS
Relationship Manager, Corporate Banking Segment – Div. 2

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

ALBERT C. SUBIDO
Relationship Manager, Japanese and Ecozone Banking Segment – Div. 1

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

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

TREASURY GROUP

Executive Vice President
JOSE EMMANUEL U. HILADO
Group Head and Treasurer

Senior Vice Presidents
ANITA LINDA R. AQUINO
Head, Global Distribution and Advisory Div.

MARCELO E. AYES
Head, Financial Institution Management Div.

RAUL VICTOR B. TAN
Head, Balance Sheet Management Segment
Concurrent Head, Asset and Liability Management Div.

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

CARLOS CESAR B. MERCADO
Head, Trading Segment

JOSEPH COLIN B. RODRIGUEZ
Head, Foreign Exchange Risk Div.

Vice Presidents
PAULA FRITZIE ARTEFICIO
Head, Derivatives Trading Dept.

MANUEL R. BENGSON, JR.
Senior Investment Officer

JOSE MANUEL E. CANIZA
Head, Domestic Interest Rate Risk Div.

MA. CHARINA M. FUENTES
Head, Corporate Sales Dept.

ALBERTO N. PEDROSA
Head, Investment Portfolio Management Div.
Acting Head, Domestic Investment Portfolio Dept.

ERNEE A. REGALA
Head, Commercial Sales Dept.

HUMAN RESOURCES GROUP

First Senior Vice President
MELISSA G. ADALIA
Group Head

INFORMATION TECHNOLOGY SHARED SERVICES GROUP

Executive Vice President
REDENTOR C. BANCOD
Group Head

First Vice Presidents
ELIZABETH D. M. GOCO
Head, Management Services Div.

JENNIE F. LANSANG
Head, Shared Technology Services

EDMUNDO C. LIAO
IT Manager, Technical Support Dept.

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

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

Vice Presidents
FRANCISCO J. DE SILVA
IT Manager, Electronic Banking

JOEL RIZALDY G. FLOR
Head, Shared Business Services

FRANCIS VICENTE O. HILARIO
Head, I.T. Governance

MICHAEL ANGELO C. RAMOS
Head, Applications Development Div. 3

EDMUNDO A. REYES
Applications Architect

OPERATIONS GROUP

Executive Vice President
REDENTOR C. BANCOD
Group Head

Senior Vice President
VIVIEN I. LUGO-MACASAET
Head, Head Office Operations Div.

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

OSCAR G. GUMABAY
Head, Technical Services Dept.

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

REYNALDO ANTONIO R. JIMENEZ
Head, International Operations Dept.

LORNA V. MARIANO
Head, Credit and Loans Dept.

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

MA. EVANGELINE T. REYES
Head, RCD Business Process Management

YVONNE A. ROQUE
Head, Treasury Operations Dept.

LEGAL AND REGULATORY AFFAIRS GROUP

Senior Vice President
MA. CELIA H. FERNANDEZ-ESTAVILLO
Group Head and Corporate Secretary

Vice Presidents
ELSIE S. RAMOS
Head, Legal Affairs Div.

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

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

OVERSEAS FILIPINO BANKING/ TELEMONEY GROUP

First Senior Vice President
CYNTHIA P. SANTOS
Group Head

Vice President
CARMELITA P. GALANO
Head, Remittance Tie-Ups Business Div.

RETAIL BANKING GROUP

Executive Vice President
ISMAEL R. SANDIG
Group Head

Senior Vice Presidents
REMEDIOS M. MARANAN
Deputy Group Head for Service

JOSE P. LEDESMA III
Regional Sales Manager, South Luzon

PRUDENCIO J. GESTA
Deputy Group Head for Sales, Vismin

NESTOR O. PINEDA
Regional Sales Manager, South Metro Manila

First Vice Presidents
BRIGITTE B. CAPINA
Regional Sales Manager, Corporate Headquarters

ROBERTO D. CHICA
Regional Sales Manager, Mindanao

ARSENIO L. CHUA
Regional Sales Manager, Central Metro Manila

DOMINGO P. DAYRO, JR.
Head, Business Solutions & Retail Systems Div.

JOSEPHINE M. EMPACES
Regional Sales Manager, Visayas

REMO ROMULO M. GARROVILLO, JR.
Head, Channel Management & Product Development Div.

ZENAIDES R. LAPERA
Regional Sales Manager, North Luzon

NOEL D. LARDIZABAL
Regional Service Head, South Luzon

MATIAS L. PALOSO
Regional Sales Manager, North Metro

ARSILITO A. PEJO
Regional Service Head, Visayas

ROBERTO L. RODRIGUEZ, JR.
District Sales Manager, South West

ANNA SYLVIA E. ROXAS
Head, BC Planning & Expansion Div.

FLORANTE G. SANTIAGO
District Sales Manager, Southern Mindanao

Vice Presidents
ANITA O. ABAD
District Sales Manager, Chinese Downtown District

LORAN SD. ABANILLA
Head, Retail Product Management Div.

MA. ESTRELLA G. BERNARDO
District Sales Manger, South Central Luzon

CONCORDIO R. BONGON, JR.
District Sales Manager, South West Luzon

LUIS GONZAGA S. BONOAN
Business Manager, Greenbelt Business Center

MARY CATHERINE T. BUNTUA
Business Manager, Buendia Business Center

BENJAMIN L. CABRERA
Business Manager, Palawan Business Center

FORTUNATO G. CAGAS
District Sales Manager, Northern Mindanao

DANTE P. DE CASTRO
Business Manager, Sta. Ana Business Center

MA. ELIZABETH V. DELA PAZ
District Sales Manager, Ortigas Central Business District

BENJAMIN E. ESTACIO
Regional Service Head, Mindanao

EDWIN JOHN R. FRIAS
District Sales Manager, North East Metro

MA. ESTER B. GABATIN
Business Manager, Paseo de Roxas Business Center

RAMON C. GARCIA
Head, Bancassurance and Cross Selling Dept.

ERICO C. INDITA
District Sales Manager, Makati Central Business

NELMIDA B. MABUTAS
District Sales Manager, Upper North Metro District

RAFAEL A. MENDOZA
District Service Head, South Central Luzon

EDGARDO F. MIGUEL
Head, Cash Services & Management Div.

GRACE MARIE G. MONTALVO
Business Manager, Ayala Business Center

ANGEL A. MONTE DE RAMOS, JR.
Business Manager, Carmelray Business Center

HELEN F. MORALES
District Sales Manager, South East Metro Manila

VIRGINIA U. ONG
District Sales Manager, Metro Cebu

HONORATA V. PO
District Sales Manager, South East Luzon

NANCY J. QUIOGUE
Regional Service Head, Metro Manila

FRANCIS O. RAMOS
District Sales Manager, Panay District

FRANCIS NICOLAS G. REYES
Head, Research & Development Dept.

MA. ROSANNA M. RODRIGO
District Sales Manager, North Central Luzon

CARREN T. SARIA
District Sales Manager, Chinese Uptown District

GIANNI FRANCO D. TIRADO
District Sales Manager, Central Mindanao

PABLO C. TRINIDAD
District Sales Manager, North West Luzon

LORETO M. ULPINDO
District Service Head, Southeast Manila

EMMANUEL MARI K. VALDES
Head, Cash Management Services Department

MA. VICTORIA P. VICTORIA
Business Manager, The Firm Business Center

GERALDINE M. VILLANUEVA
District Sales Manager, Negros Occidental District

CYNTHIA T. YUZON
Business Manager, Caloocan Business Center

WEALTH MANAGEMENT

First Senior Vice President
MANUEL G. AHYONG, JR.
Head, Segment 2

First Vice President
JANE N. MAÑAGO
Division Head, Segment 1

Vice President
KAREN K. CANLAS
Officer-in-Charge/Division Head, Segment 2

SUBSIDIARIES

Domestic

RCBC SAVINGS BANK

Chairman
HELEN Y. DEE

Vice Chairman
LORENZO V. TAN

President
LOPE M. FERNANDEZ
(Until September 30, 2010)

ROMMEL S. LATINAZO
(Starting October 1, 2010)
(Seconded from RCBC)

Executive Vice Presidents
CARMELITA M. CHAVEZ
Head, Retail Banking Group

CARLOS A. PINPIN, JR.
Head, Financial Management Group

Senior Vice Presidents
LIZETTE MARGARET MARY J. RACELA
Head, Consumer Lending Group
(Seconded from RCBC)

RAMON V. PARAISO
Head, Asset Management and Remedial Group
(Until May 31, 2011)

AL JAN G. YAP
Head, Business Information Group
(Seconded from RCBC)

First Vice Presidents
ELIZABETH G. ABECIA
Head, VisMin Provincial Lending Centers

ATTY. JOHN A. AGBAYANI
Head, Collection and Remedial Management Div.

JO ANNE C. CHAN
Head, Controllership & Other Support Services Div.

MARY GRACE P. MACATANGAY
Head, Loan Operations Div.

ELIZA P. PATALUD
Head, Luzon Provincial
Lending Centers

MA. ANTONIA G. REBUENO
Regional Sales Manager, Luzon Area

THADDEUS ANTHONY L. TAN
Deputy Group Head,
Retail Banking Group
(Seconded from RCBC)

LORNA M. VALENZUELA
Regional Sales Manager,
Metro Manila/Rizal

BASILIA E. VILLAMOR
Regional Sales Manager, VisMin

Vice Presidents
ELMER M. AQUINO
Head, Wholesale Lending Div.

AMADOR T. BAIRA
Head, Auto & Personal/ Salary Loans Div.

LEONOR F. BELEN
Business Center Manager,
Pacific Place Business Center

JUDY ROSARIO G. CAM
Compliance Officer

ATTY. MA. CARMINA P. CARPIO
Head, Trust Marketing and
Investments Div.

ARIEL J. CRUZ
District Sales Manager,
Northern Luzon Area

LARRY F. DE GUZMAN
District Sales Manager, Northeast/
North Central Metro Manila

CRISPINA D. DEL ROSARIO
District Sales Manager, Luzon Area

NOEL R. GODOY
Head, Credit Processing &
Pre-booking Div.

NIMFA FRANCIS C. GREGORIOS
Regional Service Head, VisMin Area

EVELINDA M. HICARO
Head, Cash & ATM Div.

GENEVIEVE P. ICASIANO
District Sales Manager,
Northwest Metro Manila

ROMEO R. LLAVE, JR.
District Sales Manager, Makati/ South
Metro Manila

JOHN LYNDON O. LUDOVICE
Head, Corporate Planning Div.

BRIGITTE P. MAHOR
Head, Management Services Div.

DONNA KRISTINE F. MARCELO
Head, Corporate Communications &
Marketing Services Div.

EDWIN B. NANGCAS
District Sales Manager, Mindanao Area

PATRICIO A. PICAZO
Head, Human Resource Div.

ATTY. ALBERTO A. REGINO, JR.
Head, Litigation Dept.

GUIA MARGARITA Y. SANTOS
Head, Corporate Legal Services Div.
(Seconded from RCBC)

NINFA F. SEE
Regional Service Head, Luzon Area

MICHAEL Z. SISON
Head, Product Profitability and
Credit MIS Div.

RANDY B. TORRES
Head, Retail Housing Loans Div.

MA. LOURDES G. TRINIDAD
Head, Risk Management Div.

MA. LOURDES R. VASQUEZ
Regional Service Head, Metro Manila/
Rizal Area

VICTORIA ANN S. VILLARUZ
Head, Credit Supervision Div.

VALERIE U. WONG DE LEON
Head, Sales Distribution Channel Dept.

BANKARD, INC.
Chairman
RIZALINO S. NAVARRO

Vice Chairman
CESAR E. A. VIRATA

President and Chief Executive Officer
OSCAR B. BIASON

**Executive Vice President,
Chief Operating Officer and
Chief Information Officer**
RAFAEL ANDRES R. REYES

First Vice Presidents
MARIA ANGELINA V. ANGELES
Head, Customer Service

EUGENIO U. FERNANDEZ
Chief Finance Officer

Vice Presidents
VILMA M. BALTAZAR
Head, Human Resource Management

KATRINA JOY G. CRUZ
Head, Collection

BENJAMIN W. R. CUMPAS, JR.
Head, Merchant Business

EVELYN A. FERNANDEZ
Head, Acceptance Services

AMOR A. LAZARO
Head, Portfolio MIS

FE FORTUNATA R. RIO
Head, Operations

MA. LIWAYWAY M. TAN
Head, Compliance Risk Management
and Internal Audit

RCBC FOREX BROKERS CORP.
Chairman
CESAR E. A. VIRATA

President and Chief Executive Officer
MA. CRISTINA S. ROSALES

Corporate Treasurer
RIZALINO S. NAVARRO

Corporate Secretary
ATTY. SAMUEL V. TORRES

JP LAUREL RURAL BANK, INC.
Chairman
JOHN THOMAS G. DEVERAS

Vice Chairman and Treasurer
ALFREDO S. DEL ROSARIO, JR.

President
MARIA LOURDES JOCELYN S. PINEDA

Corporate Secretary
ATTY. GERARDO R. MANALO

RIZAL MICRO BANK
Chairman
LORENZO V. TAN

President
JOHN THOMAS G. DEVERAS

**Corporate Secretary and
Compliance Officer**
ATTY. MERLYN E. DUENAS

RCBC CAPITAL CORP.
Chairman
YVONNE S. YUCHENGCO

President and Chief Executive Officer
JOSE LUIS F. GOMEZ

Senior Vice President
RAMON M. POSADAS
Debt Securities

First Vice Presidents
MELANIE A. CAGUIAT
Credit and Administration

RUTH B. GUTIERREZ
Chief Accountant

Vice President
RUTH M. ANINON
Compliance Officer

Corporate Secretary
ATTY. MA. CELIA H. FERNANDEZ-ESTAVILLO

Subsidiaries:
RCBC SECURITIES, INC.

Chairman
RAUL M. LEOPANDO

President
JEROME A. TAN

RCBC LAND, INC.
Chairman
CESAR E. A. VIRATA

President
YVONNE S. YUCHENGCO

Corporate Secretary
ATTY. SAMUEL V. TORRES

Subsidiary:
RCBC REALTY CORP.
Chairman
AMBASSADOR ALFONSO T.
YUCHENGCO

President
PERRY Y. UY

**Treasurer and Chief
Financial Officer**
JOSE MA. G. CASTILLO III

Corporate Secretary
ATTY. SAMUEL V. TORRES

NIYOG PROPERTY HOLDINGS, INC.
Chairman and President
JOHN THOMAS G. DEVERAS

Vice President
ALFREDO S. DEL ROSARIO, JR.

Treasurer
FLORENTINO M. MADONZA

Corporate Secretary
ATTY. MA. CELIA H. FERNANDEZ-
ESTAVILLO
International

RCBC NORTH AMERICA, INC.
(formerly RCBC CALIFORNIA
INTERNATIONAL, INC.)
Chairman
RIZALINO S. NAVARRO

President
CYNTHIA P. SANTOS

**Acting Managing Director and Chief
Executive Officer**
PIA R. MARTINEZ

**RCBC INTERNATIONAL
FINANCE, LTD.**
Chairman
LORENZO V. TAN

**Managing Director and
Chief Executive Officer**
MARK DEXTER D. YABUT

RCBC TELEMONEY EUROPE, SpA.
Chairman
LORENZO V. TAN

Vice Chairman
CYNTHIA P. SANTOS

Acting Managing Director
ARIEL N. MENDOZA

ASSOCIATES

HONDA CARS PHILIPPINES, INC.
President
HIROSHI SHIMIZU

LUISITA INDUSTRIAL PARK CORP.
Chairman
AMBASSADOR ALFONSO T.
YUCHENGCO

Co-Chairman
HELEN Y. DEE

Vice Chairman
CESAR E. A. VIRATA

President
RAMON S. BAGATSING, JR

Treasurer
ELENA F. TRAJANO

Corporate Secretary
ATTY. MA. CELIA H. FERNANDEZ-
ESTAVILLO

YGC CORPORATE SERVICES, INC.
Chairman
AMBASSADOR ALFONSO T.
YUCHENGCO

President
HELEN Y. DEE

**Executive Vice President
and Chief Operating Officer**
LIWAYWAY F. GENER

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

Branch Directory

METRO MANILA

168 MALL
168 Mall Shopping Center
Stall No. 4H-01, Soler St.
Binondo, Manila
Tel. No.: 708-2290 to 91; 708-2386 to 87
Fax No.: 708-2289

A. MABINI
1353 A. Mabini St.
Ermita, Manila
Tel. Nos.: 526-0444; 526-0445; 526-0424; 526-0468
Fax No.: 526-0446

ALABANG
RCBC Bldg., Tierra Nueva Subd.
Alabang-Zapote Rd., Alabang
Muntinlupa City
Tel. Nos.: 807-2245; 807-2246; 809-0401; 809-0403
Fax No.: 850-9044

ALABANG WEST SERVICE ROAD
Alabang West Service Rd.
cor. Montillano St. and
South Superhighway, Alabang
Muntinlupa City
Tel. Nos.: 556-3416 to 17; 556-3419; 666-2953
Fax No.: 556-3507

ARANETA
G/F, Unit 111 Sampaguita
Theatre Bldg., cor. Gen. Araneta
and Gen. Roxas Sts.
Cubao, Quezon City
Tel. Nos.: 912-1981 to 83; 912-6049
Fax No.: 912-1979

ARRANQUE
1001 Orient Star Bldg.
cor. Masangkay and Soler Sts.
Binondo, Manila
Tel. Nos.: 245-7055; 244-8443 to 44; 244-8438
Fax No.: 244-8437

AYALA
Unit 709-710, 7/F, Tower One &
Exchange Plaza, 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 I-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 Doña Soledad
Better Living Subd.
Parañaque City
Tel. Nos.: 828-4810; 828-2174; 828-3478; 828-3095
Fax No.: 828-9795

BF HOMES
Unit 101 Centermall Bldg.
President Ave., BF Homes
Parañaque City
Tel. Nos.: 807-8760 to 63; 842-1554
Fax No.: 842-1553

BINONDO
Yuchengco Tower
500 Quintin Paredes St.
Binondo, Manila
Tel. Nos.: 241-2491; 242-2746; 242-5933
Fax No.: 244-4031

BONI AVENUE
617 Boni Ave.
Mandaluyong City
Tel. Nos.: 533-0280; 533-6337; 533-6335; 532-5532
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 Felix Ave.
Cainta, Rizal
Tel. Nos.: 645-6713; 645-6703 to 04; 645-6710
Fax No.: 645-6704

CALOOCAN
259 Rizal Ave. Ext.
Kalookan City
Tel. Nos.: 361-0406; 361-1593 to 94; 361-1597
Fax No.: 361-1598

CARLOS PALANCA
G/F BSA Suites
Carlos Palanca St.
Legaspi Village, Makati City
Tel. Nos.: 888-6701 to 03
Fax No.: 888-6704

COMMONWEALTH
G/F Verde Oro Bldg.
535 Commonwealth Ave.
Diliman, Quezon City
Tel. Nos.: 931-5242; 931-5251; 931-2309; 931-2375; 931-2319
Fax No.: 931-2328

CONCEPCION MARIKINA
17 Bayan-Bayanan Ave.
Brgy. Concepcion Uno
Marikina City
Tel. Nos.: 384-3973; 948-4002; 948-4478
Fax No.: 942-6368

CONNECTICUT (GREENHILLS)
51 Connecticut St., Northeast
Greenhills, San Juan City
Tel. Nos.: 721-4495; 722-4424; 726-9793; 744-6348
Fax No.: 722-4424

CUBAO
Rustan's Superstore Complex
Cubao, Quezon City
Tel. Nos.: 911-2476; 911-0870; 912-8127; 911-2527; 913-6163
Fax No.: 911-2535

D. TUAZON
19 cor. D. Tuazon St. and
Quezon Ave., Quezon City
Tel. Nos.: 731-7290; 731-5805 to 07; 731-7261
Fax No.: 731-7262

DEL MONTE
180 Del Monte Ave.
Quezon City
Tel. Nos.: 712-9456 to 57; 712-7567
Fax No.: 741-6010

DELTA
Delta Bldg., cor. Quezon Ave.
and West Ave., Quezon City
Tel. Nos.: 352-8115; 352-8113
Fax No.: 352-8112

DELA ROSA
G/F Sterling Center
cor. Ormaza and Dela Rosa Sts.
Legaspi Village, Makati City
Tel. Nos.: 893-6828; 893-4312; 893-4216; 893-9050; 893-5039
Fax No.: 893-5039

DILIMAN
cor. Matalino St. and
Kalayaan Ave., Diliman
Quezon City
Tel. Nos.: 924-3627; 924-3629; 925-2148
Fax No.: 924-3628

DIVISORIA
New Divisoria Condominium
628 Sta. Elena, Divisoria, Manila
Tel. Nos.: 241-7884; 242-9082; 241-7847; 241-7853
Fax No.: 241-7841

EASTWOOD MALL
G/F Unit A-102, Eastwood Mall
Orchard Rd. near Garden Rd.
Eastwood City, Quezon City
Tel. Nos.: 470-9382; 470-6275; 470-0504; 470-9379
Fax No.: 470-9380

EDSA TAFT
Giselle's Park Plaza
cor. EDSA and Taft Ave.
Pasay City
Tel. Nos.: 832-2064; 852-5775; 851-2074
Fax No.: 852-3954

ELCANO
622 G/F Elcano Plaza, Elcano St.
Binondo, Manila
Tel. Nos.: 242-8684; 242-3643; 242-8685; 242-3598
Fax No.: 242-3649

ERMITA
550 United Nations Ave.
Ermita, Manila
Tel. Nos.: 525-5238; 523-2948; 523-2983; 525-5241; 525-5219
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
G/F Transcom Bldg.
Frontera Verde Compound
Brgy. Ugong, Pasig City
Tel. Nos.: 706-4721; 706-4724 to 26
Fax No.: 706-4723

GARNET
Unit No. 106, Parc Chateau Cond.
cor. Garnet and Onyx Sts.
Ortigas Center, Pasig City
Tel. Nos.: 570-9141 to 42; 570-6317; 570-6319
TeleFax No.: 570-9144

GILMORE
100 Granada St., Valencia
Quezon City
Tel. Nos.: 726-2404; 726-4236; 725-0818
Fax No.: 725-9087

GREENBELT
BSA Tower, Legaspi St.
Legaspi Village, Makati City
Tel. Nos.: 845-4881; 845-4883; 845-4051
Fax No.: 845-4883

LA FUERZA
Unit 10 & 11 G/F, La Fuerza Plaza 1
2241 Chino Roces Ave.
Makati City
Tel. Nos.: 893-4293; 893-8495; 893-1607; 893-0076
Fax No.: 893-3021

LAS PIÑAS
Veraville Bldg.
Alabang-Zapote Rd.
Las Piñas City
Tel. Nos.: 874-1659; 873-4496; 874-8365; 874-0394
Fax No.: 873-4498

LEGASPI VILLAGE
ACCRA Condominium
cor. Salcedo and Gamboa Sts.
Legaspi Village, Makati City
Tel. Nos.: 817-2664; 812-4893; 818-4919; 817-2689
Fax No.: 813-5287

LIBIS
191 Triquetra Bldg.
E. Rodriguez Jr. Ave.
Libis, Quezon City
Tel. Nos.: 638-0552; 638-0553
Fax No.: 638-0552

LINDEN SUITES
G/F The Linden Suites Tower II
37 San Miguel Ave., Ortigas Center
Pasig City
Tel. Nos.: 477-7267; 477-7269; 477-7271; 477-7273 to 74
Fax No.: 477-7275

LOYOLA HEIGHTS
G/F MQI Centre, 42 cor. E. Abada and
Rosa Alvero Sts., Loyola Heights
Quezon City
Tel. Nos.: 426-6533 to 35; 426-6528; 426-6525
Fax No.: 426-6602

MAKATI AVENUE
G/F Executive Bldg. Center, Inc.
369 cor. Sen. Gil Puyat Ave. and
Makati Ave., Makati City
Tel. Nos.: 890-7023 to 25; 895-9578; 897-9384
Fax No.: 890-7026

MAKATI RADA
One Legaspi Park Bldg., 121 Rada St.
Legaspi Village, Makati City
Tel. Nos.: 909-5201 to 03
Fax No.: 909-5204

MALABON
cor. J.P. Rizal Ave. Extn.
and Pascual St., Brgy. San Agustin
Malabon City
Tel. Nos.: 281-0198 to 99; 281-0518; 281-2709
Fax No.: 281-0190

MALATE
470 Maria Daniel Bldg.
cor. San Andres and M.H. Del Pilar Sts.
Malate, Manila
Tel. Nos.: 516-4686 to 87; 516-4690; 516-4694 to 95
Fax No.: 516-4694

MALAYAN PLAZA (ORTIGAS)
Unit G3 & G4, G/F Malayan Plaza
cor. ADB Ave. and Opal Rd.
Pasig City
Tel. Nos.: 635-5164; 634-7493; 634-7491 to 92
Fax No.: 635-5166

MANDALUYONG
Unit 102 G/F, Edsa Central Square
Greenfield District, Mandaluyong City
Tel. Nos.: 633-9585; 637-5381; 631-5851 to 52; 631-5804
Fax No.: 631-5803

MARIKINA
cor. Gil Fernando Ave. and
Sta. Ana Extn., Marikina City
Tel. Nos.: 681-6669; 470-3821
Fax No.: 681-1717

MASANGKAY
1473 G. Masangkay St.
Sta. Cruz, Manila
Tel. Nos.: 254-5283; 252-9321; 255-1123; 255-0367
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.: 736-2478; 735-1387;
735-4465; 736-2477
Fax No.: 736-0568

MULTINATIONAL
Unit 8, G/F, 3963 JJM Bldg. II
Ninoy Aquino Ave., Sto. Niño
Parañaque City
Tel. Nos.: 851-1174; 851-1172;
851-1171
Fax No.: 851-1173

NAIA TERMINAL 3
NAIA Terminal 3, Pasay City
Tel. Nos.: 556-7645 to 47
Fax No.: 556-7648

NEW MANILA
269 E. Rodriguez Sr. Ave.
Quezon City
Tel. Nos.: 725-6021; 727-6010;
727-6013
Fax No.: 727-6012

NOVALICHES
882 Quirino Highway and
Nitang St., Novaliches
Quezon City
Tel. Nos.: 936-8677 to 78;
930-6191; 930-6188
Fax No.: 936-8676

ORTIGAS AVE. GREENHILLS
Unit 104, Grace Bldg., Ortigas Ave.
Greenhills, San Juan City
Tel. Nos.: 727-4714; 725-2985;
726-9901; 727-4341
Fax No.: 725-0472

OTIS (PACO)
Isuzu Manila, 1502 Paz M.
Guanzon St., Paco, Manila
Tel. Nos.: 561-7262; 564-5367;
563-6562; 564-5368
Fax No.: 561-7272

PADRE RADA
649 Padre Rada St., Tondo, Manila
Tel. Nos.: 245-0250; 245-5514;
245-0241; 245-0082
Fax No.: 245-0241

PASAY
San Bell Bldg.
2015 Sen. Gil Puyat Ave. Extn.
Pasay City
Tel. Nos.: 846-6282; 846-6283;
846-6285; 846-6288
Fax No.: 846-6284

PASEO DE ROXAS
8747 G/F Lepanto Bldg.
Paseo de Roxas Ave., Makati City
Tel. Nos.: 403-7157 to 58;
403-7151; 403-7153
Fax No.: 403-7159

PASIG
92 cor. Dr. Sixto Ave. and
C. Raymundo St., Pasig City
Tel. Nos.: 628-0803; 641-0640;
641-7914; 641-7993;
641-6259
Fax No.: 641-0639

PASONG TAMO
2283 cor. Pasong Tamo Extn. and
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.: 371-8178; 373-3552;
373-4224; 371-8184;
373-3551
Fax No.: 373-3554

QUIRINO AVENUE
411 Anflocor Bldg.
cor. Quirino Ave. and NAIA Rd.
Tambo, Parañaque City
Tel. Nos.: 852-0403; 852-4690;
851-4692; 851-4694
Fax No.: 853-4685

RAON SALES
655-657, cor. Gonzalo Puyat and
Sales Sts., Quiapo, Manila
Tel. Nos.: 733-1661; 733-1657;
733-1654 to 55
Fax No.: 733-1662

RCBC MAIN OFFICE BRANCH
G/F Yuchengco Tower
RCBC Plaza, 6819 Ayala Ave.
Makati City
Tel. Nos.: 894-9082; 894-9517;
894-9072; 878-3313;
878-3416; 878-3307 to 08
Fax No.: 894-9000 loc. 2288

ROCKWELL
G/F, Phinma Plaza, Hidalgo St.
Rockwell Center, Makati City
Tel. Nos.: 898-1502; 898-1504;
898-1505; 898-2049;
898-2050
Fax No.: 898-1503

ROOSEVELT
302 Roosevelt Ave., San Francisco
Del Monte, Quezon City
Tel. Nos.: 372-2412 to 13;
372-2415 to 16
Fax No.: 372-2417

ROXAS BOULEVARD
cor. Russel St. and Roxas Blvd.
Pasay City
Tel. Nos.: 853-7562; 853-9343;
851-8964; 851-7984;
851-7986
Fax No.: 851-7987

SALCEDO VILLAGE
G/F, Y. Tower II Bldg.
cor. Leviste and Gallardo Sts.
Salcedo Village, Makati City
Tel. Nos.: 892-7715; 892-7775;
892-7794; 894-2281;
894-2288
Fax No.: 892-7786

SAN LORENZO
1018 G/F, L&R Bldg.
A. S. Arnaiz Ave., Makati City
Tel. Nos.: 843-1342; 843-8196;
816-2506; 844-7822
Fax No.: 843-3242

SHANGRI-LA EXTENSION OFFICE
507, 5th Level, Shangrila Plaza Mall
cor. EDSA and Shaw Blvd.
Mandaluyong City
Tel. Nos.: 633-9582; 633-4485
Fax No.: 633-9583

SOUTH HARBOR
Harbor Centre I
cor. Chicago and 23rd Sts.
Port Area, Manila
Tel. Nos.: 527-6486; 527-7311 to 12;
527-6481 to 82
Fax No.: 527-7310

SOUTHMALL
CillBen Commercial Bldg.
467 Real St., Alabang-Zapote Rd.
Brgy. Almanza Uno, Las Piñas City
Tel. Nos.: 801-6425; 801-0321;
801-6489; 801-5565
Fax No.: 801-7462

STA. LUCIA EAST
Sta. Lucia East Grand Mall
Brickroad Area, cor. Marcos
Highway and Felix Ave.
Cainta, Rizal
Tel. Nos.: 645-3685 to 86; 645-6685;
645-7911; 682-0359;
682-5857; 682-5963;
682-7126
Fax No.: 645-3685

STA. MESA
1-B G. Araneta Ave.
Brgy. Doña Imelda, Quezon City
Tel. Nos.: 715-8939; 715-8936;
715-8938
Fax No.: 715-8937

SUCAT
2F Santana Grove
cor. Dr. A. Santos Ave. and
Soreena St., Sucat, Parañaque City
Tel. Nos.: 828-6719; 828-5761;
828-9813
Fax No.: 828-5615

T. ALONZO
1461-1463 Soler St.
Sta. Cruz, Manila
Tel. Nos.: 733-7863 to 65
Fax No.: 733-7862

TAYTAY
Manila East Rd., Taytay, Rizal
Tel. Nos.: 286-0658; 286-0490;
286-3465
Fax No.: 658-0637

TEKTITE
1904-A East Tower
Philippine Stock Exchange Center
Ortigas Center, Pasig City
Tel. Nos.: 638-7304 to 05; 634-6725;
638-7302
Fax No.: 634-6647

THE FIRM
CVC Law Center
cor. 11th Ave. and 39th St.
Fort Bonifacio, Taguig
Tel. Nos.: 519-6880; 519-7690;
519-7090; 519-6878
Fax No.: 519-7693

THE FORT SAPPHIRE
G/F Sapphire Residences
cor. 31st St. and 2nd Ave.
The Fort, Taguig City
Tel. Nos.: 519-5771; 519-7243;
519-1553; 519-5709
Fax No.: 519-5758

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; 734-1201;
733-0631; 734-1069;
733-0617
Fax No.: 733-7448

TORDESILLAS
117 Tordesillas St.
Salcedo Village, Makati City
Tel. Nos.: 808-2080; 808-1059;
808-1396; 808-2378
Fax No.: 869-3878

TRINOMA
Space P015B Level 1, Trinoma
cor. EDSA and North Ave.
Quezon City
Tel. Nos.: 901-6105; 901-6108;
901-6146; 901-6179
Fax No.: 901-6146

TUTUBAN
G/F Center Mall I, Tutuban Center
C. M. Recto Ave., Manila
Tel. Nos.: 251-0412; 251-0410;
253-1446; 251-0449
Fax No.: 253-1445

UNIMART
Greenhills Commercial Complex
Ortigas Ave., San Juan City
Tel. Nos.: 721-3552; 721-6388;
721-2120 to 23
Fax No.: 727-2884

VALENZUELA
231 McArthur Highway
Karuhatan, Valenzuela City
Tel. Nos.: 291-6592 to 93;
293-8378; 291-9551
Fax No.: 293-6204

WACK WACK
Unit K Facilities Center Bldg.
548 Shaw Blvd., Mandaluyong City
Tel. Nos.: 533-8182; 534-4305;
534-2394; 534-4416
Fax No.: 534-4416

LUZON

ANGELES
RCBC Bldg., cor. Sto. Rosario St.
and Teresa Ave., Angeles City
Tel. Nos: (045) 888-2532;
888-8633; 887-1566
Fax No.: (045) 322-1510

ANGELES STO. CRISTO
243 Sto. Entierro St.
Brgy. Sto. Cristo, Angeles City
Tel. Nos: (045) 887-2811;
626-2060 to 61
Fax No.: (045) 626-2062

APARRI
108 Rizal St., Centro 14
Aparri, Cagayan
Tel. Nos.: (078) 888-0347 to 51

BACOOR
Maraudi Bldg.
Gen. E. Aguinaldo Highway
Brgy. Niog, Bacoor, Cavite
Tel. Nos: (046) 417-7662;
417-7454; 417-0736
Telefax No.: (02) 529-8969

BAGUIO
RCBC Bldg., 20 Session Rd.
Baguio City
Tel. Nos: (074) 442-5345 to 46;
442-2077; 446-1657 (SMED)
Fax No.: (074) 442-3512

BALAGTAS
McArthur Highway, Balagtas, Bulacan
Tel. Nos: (044) 693-1350 to 51
Fax No.: (044) 794-4436

BALANGA
cor. Don Manuel Banzon Ave.
and Cuaderno St.
Balanga City, Bataan
Tel. Nos: (047) 237-9693; 237-9695
Fax No.: (047) 237-9694

BALIBAGO
McArthur Highway, Balibago
Angeles City
Tel. Nos: (045) 625-5587; 331-5188;
892-0764
Fax No.: (045) 625-5736

BALIUAG
001 cor. J.P. Rizal and S. Tagle Sts.
Baliwag, Bulacan
Tel. Nos: (044) 766-2643; 766-3530
Fax No.: (044) 766-2642

BATAAN
Bataan Economic Zone
Mariveles, Bataan
Tel. Nos: (047) 935-4021 to 23
Fax No.: (045) 935-4020

BATAC
Marcos Blvd., Batac, Ilocos Norte
Tel. Nos: (077) 792-3126; 670-1812
Fax No.: (077) 617-1631

BATANGAS
17 cor. Rizal Ave. and P. Gomez St.
Batangas City
Tel. Nos.: (043) 723-7870; 723-3104
to 05; 723-7720
Fax No.: (043) 723-1802

BIÑAN
G/F Admin. Bldg.
Laguna International Industrial Park
Mamplasan, Biñan, Laguna
Tel. Nos.: (049) 539-0167;
(02) 520-9174
Fax Nos.: (049) 539-0177;
(02) 520-9174

CABANATUAN
1051 Burgos Ave.
Cabanatuan City, Nueva Ecija
Tel. Nos.: (044) 463-5359; 463-8420;
600-2195
Fax No.: (044) 463-0533

CALAMBA
cor. National Highway and Dolor St.
Crossing, Calamba City, Laguna
Tel. Nos.: (049) 545-1720; 545-1930;
545-9174; 545-6166
Fax No.: (049) 545-6165

CARMELRAY
G/F Admin Bldg.
Carmelray Industrial Park 1
Canlubang, Calamba City, Laguna
Tel. Nos.: (049) 549-2898; 549-1372
Fax No.: (049) 549-3081

CARMELRAY 2
G/F Admin Bldg., Carmelray Industrial
Park 2, Km. 54, Brgy. Tulo
Calamba City, Laguna
Tel. Nos.: (049) 545-0040; 545-1295;
545-0964
Fax No.: (049) 545-0964

CARMEN ROSALES
McArthur Highway
Carmen Rosales, Pangasinan
Tel. Nos.: (075) 564-4228; 582-2657; 582-7369
Fax No.: (075) 564-3912

CARMONA
People's Technology Complex (SEZ)
Governor's Drive, Carmona, Cavite
Tel. Nos.: (046) 430-1401 to 02
Fax Nos.: (046) 430-1490; (02) 520-8093

CAUAYAN
Central Store Bldg., Roxas St.
Cauayan, Isabela
Tel. Nos.: (078) 652-2371; 652-1157; 897-1509
Fax No.: (078) 634-2371

CAVITE CITY
P. Burgos Ave., Caridad, Cavite City
Tel. Nos.: (046) 431-2242; 431-5951; (02) 529-8503
Fax Nos.: (046) 431-2398; (02) 529-8503

CLARK
Bldg. N4033, C.M. Recto Highway
Clark Freeport Zone
Tel. No.: (045) 599-3058
Fax No.: (045) 599-3057

CLARK 2
Berthaphil III, Clark Center
Jose Abad Santos Ave.
Clark Freeport Zone
Tel. No.: (045) 499-1167
Fax No.: (045) 499-1168

CPIP-BATINO
Citigold Bldg., Calamba Premier
Industrial Park, Brgy. Tulo
Calamba City, Laguna
Tel. Nos.: (049) 545-0018; 545-0015 to 16
Fax No.: (045) 545-0019

DAGUPAN
RCBC Bldg., A.B. Fernandez Ave.
Dagupan City
Tel. Nos.: (075) 653-3440; 522-0828; 522-0015
Fax No.: (075) 522-0829

DASMARIÑAS
RCBC Bldg., FCIE Cmpd.
Governor's Drive, Langkaan
Dasmariñas, Cavite
Tel. Nos.: (046) 402-0031 to 33; (02) 529-8118
Fax No.: (046) 402-0034

DASMARIÑAS MANGUBAT
Heritage Bldg., Mangubat Drive
Dasmariñas, Cavite
Tel. Nos.: (046) 416-6698; 416-6865; 850-0830; (02) 529-8133
Telefax No.: (046) 416-6865

DMIA
DMIA Bldg.
7549 Clark Freeport Zone
Tel. No.: (045) 477-8292

GAPAN
Tinio St., Gapan City, Nueva Ecija
Tel. Nos.: (044) 486-0936; 486-1389; 940-2853
Fax No.: (044) 486-0375

GATEWAY
RCBC Bldg., Gateway Business Park
Brgy. Javalera, General Trias, Cavite
Tel. Nos.: (046) 433-0289; 433-0126; (02) 6700-5355
Fax No.: (046) 433-0250

GMA, CAVITE
Citi Appliance Bldg.
Brgy. San Gabriel, Governor's Drive
GMA, Cavite
Tel. Nos.: (02) 520-8708; (046) 972-0317
Telefax 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 45
Fax No.: (045) 985-1546

ILAGAN, ISABELA
RCK Bldg., Calamagui 2nd
Maharlika Rd., Ilagan Isabela
Tel. No.: (078) 524-1168
Fax No.: (078) 624-1158

IMUS
Esguerra Bldg., Palico IV
Aguinaldo Highway, Imus, Cavite
Tel. Nos.: (046) 471-3784; (02) 529-8622
Fax No.: (046) 471-3816

LA TRINIDAD
Peliz Loy Centrum Bldg.
Km. 5, La Trinidad, Benguet
Tel. Nos.: (074) 424-3344 to 48
Fax No.: (074) 424-3349

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) 246-3004

LAGUNA TECHNOPARK
LTI Administration Bldg. II
Laguna Technopark
Brgy. Malamig, Biñan, Laguna
Tel. Nos.: (049) 544-0719; 541-2756; 541-3271; (02) 520-8114
Fax No.: (049) 541-2755

LAOAG
Jackie's Commercial Bldg. II
Rizal St., Laoag City
Tel. Nos.: (077) 772-0616; 772-1765
Fax No.: (077) 771-4447

LEGAZPI CITY
G/F M. Dy Bldg., Rizal St.
Legazpi City
Tel. Nos.: (052) 214-3033; 480-6053
Fax No.: (052) 480-6416;
Telefax No.: (02) 429-1812

LIMA
Lima Technology Center
Malvar, Batangas
Tel. Nos.: (043) 981-1846 to 47
Fax No.: (043) 981-1849

LIPA
cor. C.M. Recto and E. Mayo St.
Lipa City
Tel. Nos.: (043) 756-6479; 756-2565
Fax No.: (043) 756-0220

LUCENA
cor. Quezon Ave. and
M.L. Tagarao St., Lucena City
Tel. Nos.: (02) 250-8208; (042) 710-4086; 710-6461
Fax No.: (042) 710-4458

LUCENA-EVANGELISTA
cor. Quezon Ave. and
Evangelista St., Lucena City
Tel. Nos.: (042) 710-8068; 710-5788;
Telefax No.: (02) 250-8325

MALOLOS
FC Bldg., McArthur Highway
Bo. Sumapang Matanda
Malolos, Bulacan
Tel. No.: (044) 662-1228
Fax No.: (02) 299-8147

MARINDUQUE
EDG Bldg., Brgy. Lapu-Lapu
Sta. Cruz, Marinduque
Tel. No.: (042) 321-1941
Fax No.: (042) 321-1942

MASBATE
Quezon St., Masbate City
Tel. No.: (056) 333-2269
Fax No.: (056) 333-2885

MEYCAUAYAN
VD & S Bldg., McArthur Highway
Calvario, Meycauayan City
Bulacan
Tel. Nos.: (044) 935-4637; 935-2590
Fax No.: (044) 935-2821

NAGA
G/F Crown Hotel Bldg.
Peñafrancia Ave., Naga City
Tel. Nos.: (054) 811-9116; 473-9114; (02) 250-8132
Telefax No.: (02) 250-8132

OLONGAPO
1055 Rizal Ave. Extn.
West Tapinac, Olongapo City
Tel. Nos.: (047) 611-0179; 611-0205
Fax No.: (047) 611-0206

PALAWAN
RCBC Bldg., Junction 1
cor. Rizal Ave. and National
Highway, 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; 437-6260; (02) 529-8829 to 30
Fax No.: (046) 971-0587

SAN FERNANDO
McArthur Highway, Dolores
City of San Fernando, Pampanga
Tel. Nos.: (045) 963-4757 to 58; 963-4759; 963-4761
Fax No.: (045) 963-4760

SAN FERNANDO ROBINSONS
Level 1, Candaba Gate
Robinson's Starmills
City of San Fernando, Pampanga
Tel. No.: (045) 961-5143
Fax No.: (045) 961-5147

SAN FERNANDO SINDALAN
SBC Bldg., McArthur Highway
Sindalan, City of San Fernando
Pampanga
Tel. Nos.: (045) 861-3661 to 62; 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) 511-1408; 947-0488
Telefax No.: (044) 947-0453

SAN PABLO
Ultimart Shopping Plaza
M. Paulino St., San Pablo City
Tel. No.: (049) 562-0782
Fax No.: (049) 562-0781

SAN PEDRO
315 Brgy. Nueva, National Highway
San Pedro, Laguna
Tel. Nos.: (02) 847-5685; 868-9459 to 60; 868-5724
Fax No.: 847-5683

SANTIAGO
26 Maharlika Rd., Victory Norte
Santiago City, Isabela
Tel. Nos.: (078) 682-4599; 682-7426
Fax No.: (078) 682-4599

SCIENCE PARK
Admin Bldg., LISP1, Pulo Rd.
Brgy. Diezmo, Cabuyao, Laguna
Tel. Nos.: (049) 543-0105 to 06; 543-0571
Fax No.: (049) 543-0572

SOLANO
211 J.P. Rizal Ave.
National Highway
Solano, Nueva Vizcaya
Tel. Nos.: (078) 326-7524; 326-6678
Fax No.: (078) 326-5569

STA. CRUZ
cor. A. Regidor and Burgos Sts.
Sta. Cruz, Laguna
Tel. Nos.: (049) 501-2136; 501-3538;
Telefax No.: (02) 520-8318

STA. MARIA, BULACAN
39 J. P. Rizal St., Poblacion
Sta. Maria, Bulacan
Tel. Nos.: (044) 641-0251; 641-5371; 288-2694; 815-4349
Fax No.: (044) 641-4845

STA. ROSA-BALIBAGO
Carvajal Bldg.
Old National Highway
Balibago, Sta. Rosa, Laguna
Tel. Nos.: (049) 534-5017 to 18; (02) 520-8443
Fax No.: (049) 534-5017

STA. ROSA-PASEO
Unit 1, Sta. Rosa Country Market
Brgy. Don Jose, Sta. Rosa, Laguna
Tel. Nos.: (049) 541-2751 to 53; (02) 520-8115; 420-8020
Fax No.: (049) 541-2343

SUBIC
Royal Subic Duty Free Complex
cor. Rizal and Argonaut Highways
Subic Free Port Zone
Olongapo City
Tel. Nos.: (047) 252-5023; 252-5025 to 26
Fax No.: (047) 252-5024

TABACO
232 Ziga Ave., Tabaco City, Albay
Tel. Nos.: (052) 558-2013; 830-0112
Telefax No.: (02) 429-1808

TAGAYTAY
Unit 1, Olivarez Plaza
Emilio Aguinaldo Highway
Tagaytay City
Tel. Nos.: (02) 845-3302; (046) 483-0540 to 43
Fax No.: (046) 483-0542

TARLAC
F. Tañedo St., Tarlac City
Tel. Nos.: (045) 982-1394; 982-0820 to 21; 982-3389
Fax No.: (045) 982-1395

TAYUG
A. Bonifacio St., Tayug
Pangasinan
Tel. Nos.: (075) 572-2024; 572-4800
Fax No.: (075) 572-6515

TUGUEGARAO
cor. Bonifacio and Gomez Sts.
Tuguegarao City, Cagayan
Tel. Nos.: (078) 844-1165; 846-1926
Fax No.: (078) 846-2845

URDANETA
E. F. Square Bldg.
McArthur Highway
Urdaneta City, Pangasinan
Tel. Nos.: (075) 568-2925; 568-2090; 656-2289
Fax No.: (075) 568-2925

VISAYAS

ANTIQUE
cor. Solana and T. Fornier Sts.
San Jose, Antique
Tel. Nos.: (036) 540-8191 to 92; 320-1981
Fax Nos.: (036) 540-8191; (036) 320-1981

BACOLOD LACSON
Lourdes C. Centre II
14th Lacson St., Bacolod City
Tel. Nos.: (034) 432-3189; 433-0113; 709-0488
Fax No.: (034) 432-3441

BACOLOD LIBERTAD
Libertad Extn., Bacolod City
Tel. Nos.: (034) 433-9646; 434-8193; 707-6207
Fax No.: (034) 433-9647

BACOLOD MAIN
cor. Rizal and Locsin Sts.
Bacolod City
Tel. Nos.: (034) 433-7850; 433-7844; 434-7348; 433-0835
Fax No.: (034) 434-5443

BACOLOD SHOPPING
Hilado Extn., Bacolod City
Tel. Nos.: (034) 434-6807 to 08; 433-8483; 709-1708; 709-1710
Fax No.: (034) 433-0828

BANILAD
RCBC Bldg., Banilad Rd.
Banilad, Cebu City
Tel. Nos.: (032) 346-3892; 346-3894; 346-5431; 346-7083
Fax No.: 346-3891

BAYAWAN
National Highway
Bayawan City, Negros Oriental
Tel. No.: (035) 531-0554
Telefax No.: (035) 228-3322

BORACAY
Station 1, Brgy. Balabag, Boracay
Malay, Aklan
Tel. Nos.: (036) 288 1905 to 06
Fax No:. (036) 288-1905

CADIZ
cor. Abelarde and Mabini Sts.
Cadiz City
Tel. Nos.: (034) 493-0567; 493-0531; 493-0751
Fax No.: (034) 493-0531

CALBAYOG
cor. Magsaysay Blvd. and Gomez St.
Calbayog City, Western Samar
Tel. Nos.: (055) 209-1338; 209-1565; 533-9013
Fax No.: (055) 533-9013

CATARMAN
J.P. Rizal St., Catarman
Northern Samar
Tel. Nos.: (055) 500-9480; 500-9482; 251-8071; 251-8410
Fax No.: (055) 251-8071

CATBALOGAN
Del Rosario St., Catbalogan
Western Samar
Tel. Nos.: (055) 251-2005; 251-2775; 543-9062
Fax No.: (055) 543-9062

CATICLAN EXTENSION
Caticlan Jetty Port, Caticlan
Malay, Aklan
Tel. Nos.: (036) 288-7570; 288-7644

CEBU BUSINESS PARK
Lot 1, Block 6, cor. Mindanao Ave.
and Siquijor St., Cebu Business Park
Cebu City
Tel. Nos.: (032) 238-6923; 233-6229; 416-3708
Fax No.: (032) 233-5450

CONSOLACION
ADM Bldg., National Highway
Consolacion, Cebu
Tel. Nos.: (032) 564-2052; 564-2014; 423-9335
Fax No.: 564-2049

DUMAGUETE
Dr. V. Locsin St., Dumaguete City
Negros Oriental
Tel. Nos.: (035) 225-1349;
422-8422; 422-8096
Fax No.: (035) 422-8096

FUENTE OSMEÑA
Grepalife Tower, Fuente Osmeña
Rotonda, Cebu City
Tel. Nos.: (032) 255-4886;
253-2560; 255-3326;
255-3566; 253-2581
Fax No.: (032) 253-0018

GUADALUPE
151 M. Velez St., Guadalupe
Cebu City
Tel. Nos.: (032) 255-5353;
254-3102; 254-3104;
254-5512
Fax No.: (032) 254-3103

HINIGARAN
Rizal St., National Rd.
Hinigaran, Negros Occidental
Tel. Nos.: (034) 391-2322 to 23
Fax Nos.: (034) 391-2323;
391-2321

ILOILO
J. M. Basa Iloilo Business Center
cor. J.M. Basa and Arsenal Sts.
Iloilo City
Tel. Nos.: (033) 336-9643;
337-8153; 336-9714
Fax No.: (033) 337-8100

JARO
cor. E. Lopez and Seminario Sts.
Jaro, Iloilo City
Tel. Nos.: (033) 320-4074;
320-4077
Fax No.: (033) 320-4075

KABANKALAN
Guanzon St., Kabankalan City
Negros Occidental
Tel. Nos.: (034) 471-2316;
471-2516
Fax No.: (034) 471-2516

KALIBO
Roxas Ave., Kalibo, Aklan
Tel. Nos.: (036) 262-3474;
268-5108; 500-8262
Fax No.: (036) 268-5108

LEDESMA
cor. Ledesma and Quezon Sts.
Iloilo City
Tel. Nos.: (033) 508-6019;
338-4370
Telefax No.: (033) 338-4369

MABINI
Go Pun Bldg., cor. Mabini and
Delgado Sts., Iloilo City
Tel. Nos.: (033) 509-1732;
336-6616
Fax No.: (033) 336-3728

MACTAN
RCBC Bldg., MEPZ 1
Mactan, Lapu-lapu City
Tel. Nos.: (032) 340-1853;
340-1726; 340-2955;
340-0750; 340-1282;
340-1743; 340-1810
Fax No.: (032) 340-0737

MANALILI
Tan Suching Bldg., V. Gullas St.
(formerly Manalili St.), Cebu City
Tel. Nos.: (032) 412-3441;
255-2050; 253-0624;
255-0422
Fax No.: (032) 256-1671

MANDAUE
A.C. Cortes St., Ibabao
Mandaue City
Tel. Nos.: (032) 346-1283;
346-0025; 346-1727
Fax Nos.: (032) 346-0948

MEPZ 2 EXTENSION OFFICE
Pueblo Verde
Mactan Economic Zone II (MEZII)
Brgy. Basak, Lapu-Lapu City
Tel. Nos.: (032) 340-1686;
341-2738; 340-1778
Fax No.: (032) 340-5422

NORTH RECLAMATION
G/F CIFC Tower, cor. J.L. 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
G/F MFT Bldg., cor. Real and
Carlos Tans Sts., Ormoc City
Tel. Nos.: (053) 255-3454;
561-8134; 255-4225;
561-8701; 255-3292
Fax No.: (053) 255-4225

PASEO ARCENAS
Don Ramon Arcenas St. along
R. Duterte St., Banawa, Cebu City
Tel. Nos.: (032) 236-8012;
236-8016
Telefax No.: (032) 236-8017

ROXAS
Plaridel St., Roxas City
Tel. Nos.: (036) 522-3570;
621-1210
Fax No.: (036) 621-1104

SAN CARLOS
Laguda Bldg., Locsin St.
San Carlos City
Tel. Nos.: (034) 729-8605;
312-5141
Fax No.: (034) 312-5142

SARA
RCBC Bldg., Don Victorino
Salcedo St., Sara, Iloilo
Tel. No.: (033) 392-0156
Fax No.: (033) 392-0172

SILAY
cor. Rizal and Burgos Sts.
Silay City
Tel. Nos.: (034) 495-1989;
495-0505; 714-8774
Fax No.: (034) 495-1990

STO. NIÑO
Belmont Hardware Depot Bldg.
cor. P. Burgos and Legaspi Sts.
Brgy. San Roque, Cebu City
Tel. Nos.: (032) 253-6028;
256-0173
Telefax No.: (032) 255-8256

TABOAN
cor. Lakandula and C. Padilla Sts.
Cebu City
Tel. Nos.: (032) 261-6061 to 62
Fax No.: (032) 261-7213

TACLOBAN
RSB Bldg., cor. Zamora and
Sto. Niño Sts., Tacloban City
Tel. Nos.: (053) 325-5058;
321-2917; 321-2892;
523-4167; 523-1930
Fax No: (053) 523-4167

TAGBILARAN
RCBC Bldg, C.P.G. Ave.
Tagbilaran City
Tel. Nos.: (038) 412-3583;
412-3555; 235-3043;
412-5874; 501-7536
Fax No.: (038) 411-5874

TALISAY EXTENSION
South Central Square, Lawaan
Talisay City, Cebu
Tel. Nos.: (032) 505-6199;
505-5194
Telefax No.: (032) 505-4416

TOLEDO
G/F Toledo Commercial Village
Bldg., Rafols St., Poblacion
Toledo City, Cebu
Tel. No.: (032) 322-5300
Fax Nos: (032) 322-5301;
467-9635

MINDANAO

BUTUAN
Dy Esteban Bldg. II
Ester Luna St., Butuan City
Tel. Nos.: (085) 342-8923;
341-5267; 342-7551;
815-1354; 341-8829
Fax No.: (085) 341-9093

COTABATO
M Bldg., Quezon Ave.
Cotabato City
Tel. Nos.: (064) 421-3565;
421-3585
Fax No.: (064) 421-3575

DADIANGAS
Pioneer Ave., General Santos City
Tel. Nos.: (083) 552-5470;
552-3034; 552-4634
Fax No.: (083) 552-5469

DAMOSA GATEWAY MALL
Damosa Gateway Commercial
Complex, cor. J.P. Laurel Ave. and
Mamay Rd., Lanang, Davao City
Tel. No.: (082) 234-7002
Telefax No.: (082)234-7019

DAVAO BAJADA
cor. J.P. Laurel Ave. and
Villa Abrille St., Davao City
Telefax Nos: (082) 225-1112;
305-5231

DAVAO-RECTO
RCBC Bldg., cor. C.M. Recto and
Palma Gil Sts., Davao City
Tel. Nos.: (082) 300-4299;
222-7901 to 03
Fax No.: (082) 221-6034

DIGOS
RCBC Bldg., cor. J.P. Rizal and
M.L. Roxas Sts., Digos City
Davao Del Sur
Tel. No.: (082) 553-2560
Fax No.: (082) 553-2319

DIPOLOG
cor. Gen. Luna and
Balintawak Sts., Dipolog City
Tel. Nos.: (065) 212-6479;
212-2543
Fax No.: (065) 212-2542

DOLE EXTENSION OFFICE
Dole Phils. Pavillion
Polomolok, South Cotabato
Tel. Nos.: (083) 500-2643;
500-2500 loc. 3627
Fax No.: (083) 500-2643

GENSAN
Stall No. 7 & 8, Safii Mall
J. Catolico Sr. Ave., Lagao
General Santos City
Tel. Nos.: (083) 553-8880;
553-8883
Fax No.: (083) 301-3473

ILIGAN
Lanao Fil-Chinese Chamber of
Commerce, Inc. Bldg.
cor. Quezon Ave. and
B. Labao St., Iligan City
Tel. Nos.: (063) 221-3006;
221-5443; 221-5449;
223-8333
Fax No.: (063) 221-3006

ILUSTRE
cor. V. Ilustre and San Pedro Sts.
Davao City
Tel. Nos.: (082) 221-4912;
221-4909
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;
201-4912; 471-0233
Fax No.: (064) 471-0233

KIDAPAWAN
KMCC Bldg., Dayao St.
Kidapawan City, North Cotabato
Tel. Nos.: (064) 288-1572 to 73

LAPASAN
Lapasan Highway, Lapasan
Cagayan de Oro City
Tel. Nos.: (088) 856-1888;
(08822) 728-447;
722-449
Fax Nos.: (08822) 722-448;
(088) 856-3888

LIMKETKAI
Gateway Tower 1, Limketkai
Center, Cagayan de Oro City
Tel. Nos.: (088) 856-3707;
856-3708; 852-1291
Fax No.: (088) 856-3708

MALAYBALAY
Tiongson Bldg., 8 Don Carlos St.
Malaybalay City, Bukidnon
Tel. Nos.: (088) 813-3564 to 66
Fax No.: (088) 813-3564

MARBEL
cor. Gen. Santos Drive and
Roxas Sts., Koronadal City
South Cotabato
Tel. Nos.: (083) 228-2331;
(083) 520-1378
Fax No.: (083) 228-2333

NCCC MALL DAVAO
NCCC MALL, Davao, Crossing
McArthur Highway and Ma-a Rd.
Matina, Davao City
Tel. Nos.: (082) 297-1247;
299-3974; 299-3976

OSMEÑA
Simplex Bldg., Osmena St.
Cagayan De Oro City
Tel. Nos.: (088) 856-2888;
857-1888;
(08822) 726-754
Fax No.: (08822) 725-863

OZAMIS
cor. Don Anselmo Bernard Ave.
and Mabini St., Ozamis City
Tel. Nos.: (088) 521-1311 to 12;
521-1559
Fax No.: (088) 521-1559

PAGADIAN
RCBC Bldg., Rizal Ave.
Pagadian City
Tel. Nos.: (062) 214-1773;
214-1781; 214-1271
Fax Nos.: (062) 214-1781;
(062) 925-0397

PANABO
Gaisano Panabo Grand Mall
Quezon St., Panabo City
Davao del Norte
Tel. Nos.: (084) 822-1192;
822-1320; 645-0002
Fax No.: (084) 822-1192

POLOMOLOK
B-French St., Polomolok
South Cotabato
Tel. Nos.: (083) 500-9161;
225-2148; 500-9561
TeleFax No.: (083) 500-9161

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
cor. National Highway and
Mabini St., Surallah
South Cotabato
Tel. Nos.: (083) 238-3017;
238-3250
Fax No.: (083) 238-3018

SURIGAO
cor. San Nicolas and Burgos Sts.
Surigao City
Tel. Nos.: (086) 231-7266;
826-1288
Telefax No.: (086) 826-4034

TACURONG
G/F Hilario Bldg.
cor. National Highway and
Bonifacio Sts., 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; 400-3113
Fax No.: (084) 400-1006

TANDAG
Pimentel Bldg, Donasco St.
Tandag, Surigao del Sur
Tel. Nos.: (086) 211-3065 to 66;
211-3059
Fax No.: (086) 211-3063

TORIL
Felcris Supermarket
National Highway
Purok 11, Brgy. Crossing Bayabas
Toril, Davao City
Tel. Nos.: (082) 295-1600;
295-1700
Fax No.: (082) 295-1600

VALENCIA
Sayre, National Highway
Valencia, Bukidnon
Tel. Nos.: (088) 828-2166 to 67
Fax No.: (088) 828-2166

VELEZ
cor. A. Velez and J.R. Borja Sts.
Cagayan De Oro City
Tel. Nos.: (088) 856-8888;
856-4982;
(08822) 726-057;
727-964
Fax No.: (088) 856-8888

VICTORIA PLAZA
Victoria Plaza Mall
J.P. Laurel Ave., Davao City
Tel. Nos.: (082) 221-8580 to 83
Fax No.: (082) 221-8581

ZAMBOANGA
cor. Tomas Claudio and
Barcelona Sts.
Zamboanga City
Tel. Nos.: (062) 991-2048;
991-0753 to 54
Fax No.: (062) 991-0754

ZAMBOANGA VETERANS
YPC Bldg., Veterans Ave.
Zamboanga City
Tel. Nos.: (062) 990-1200 to 01
Fax Nos.: (062) 990-1201;
991-1420

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

RCBC Savings Bank Branch Directory

METRO MANILA

AMORANTO
509 cor. N.S. Amoranto and
Sicaba Sts., Quezon City
Tel. No. : 559-5012
Fax No. : 415-1992

AMPID
122 Gen Luna St., Ampid 1
San Mateo, Rizal
Tel. Nos. : 998-2799; 997-3761
Fax No. : 997-3761

ANGONO
Quezon Ave., Angono, Rizal
Tel. No. : 651-0731
Fax No. : 651-0730

ANONAS
69 cor. Anonas and Chico Sts.,
Project 2, Quezon City
Tel. Nos. : 925-1320; 928-9762
Fax No. : 925-1319

ANTIPOLO-TAYTAY
Palmera II Ortigas Extn.
Taytay, Rizal
Tel. Nos. : 660-3854 to 55
Fax No. : 660-3858

AYALA ALABANG
G/F Sycamore Bldg.
cor. Alabang Zapote Rd.
and Buencamino St.
Alabang, Muntinlupa City
Tel. Nos. : 850-8825 to 26;
850-9712
Fax No. : 850-8825

AYALA AVENUE
G/F Jaka Bldg., 6780 Ayala Ave.
Makati City
Tel. Nos. : 893-7266 to 67;
812-4065 to 66;
813-3602
Fax No. : 893-7265

BACLARAN
3916 cor. Quirino Ave.
and Aragon St., Baclaran
Parañaque City
Tel. Nos. : 853-9693; 551-1593
Fax No. : 551-1593

BARANGKA
84 A. Bonifacio Ave., Riverbanks
Center, Marikina City
Tel. Nos. : 997-8456; 997-5442;
948-1093; 514-1623
Fax No.: 941-3244

BETTERLIVING
Doña Soledad St.
Better Living Subd.
Bicutan, Parañaque City
Tel. Nos. : 824-0176; 823-9232
Fax No. : 824-0176

BINANGONAN
cor. ML Quezon and
P. Zamora Sts., Libid
Binangonan, Rizal
Tel. Nos. : 652-0082; 652-1177
Fax No. : 652-0082

BLUMENTRITT
1876 cor. Blumentritt and
Andrade Sts., Sta. Cruz, Manila
Tel. No. : 781-8342
Fax No. : 7818342

CAMARIN
Susano Rd., Camarin
Caloocan City
Tel. Nos. : 939-7283; 961-7239
Fax No. : 961-7239

CM RECTO
G/F Ongpauco Bldg.
cor. Wilson and P. Guevarra Sts.
Greenhils, San Juan City
Tel. Nos. : 735-3316; 734-1404

COMMONWEALTH
L43 B3 Commonwealth Ave.
Old Balara, Quezon City
Tel. Nos. : 9314404; 931-0718;
434-3965
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. RODRIQUEZ
444 E. Rodriguez Sr.
Brgy. Doña Aurora
Galas, Quezon City
Tel. Nos. : 743-1953; 743-1965
Fax No. : 743-1953

EDSA PASAY
527 EDSA, Pasay City
Tel. Nos. : 8875678 to 79;
514-2347
Fax No. : 887-5677

ERMITA
Mabini St., Ermita, Manila
Tel. Nos. : 526-7988 to 90
Fax No. : 526-1315

FELIX AVENUE
Phase 2 Karangalangan Village
Brgy. De La Paz, Pasig City
Tel. Nos. : 681-7565; 681-4836;
681-4845
Fax No. : 681-7565

FORT BONIFACIO
Unit 152 MC Home Depot
cor. Bonifacio Blvd.
Global City, Taguig
Tel. No. : 816-3938
Fax No. : 816-3930

J.P. RIZAL
cor. J.P. Rizal and Makati Ave.
Brgy. Poblacion, Makati City
Tel. Nos. : 899-7551; 899-7537
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., Pasig City
Tel. Nos. : 631-8178 to 79;
635-5437
Fax No. : 631-8179

KATIPUNAN
G/F Torres Bldg.
321 Katipunan Ave.
Loyola Heights, Quezon. City
Tel. Nos. : 929-8469; 929-8418
Fax No. : 929-8604

LA HUERTA
Brgy. La Huerta, Quirino Ave.
Parañaque City
Tel. Nos. : 829-6022 to 23;
825-5850; 820-7606
Fax No. : 829-6022

LAGRO
Km 22 Quirino Highway, Lagro
Novaliches, Quezon City
Tel. Nos. : 936-0158; 461-5070
Fax No. : 417-8996

LAS PIÑAS
Manuela Bldg. 1, Alabang Zapote
Rd., Las Piñas City
Tel. Nos. : 874-5340 to 41
Fax No. : 874-5341

MANUELA EDSA
444 cor EDSA and Shaw Blvd.
Mandaluyong City
Tel. Nos. : 718-2491 to 92;
726-5424
Fax No. : 724-3547

MARULAS
McArthur Highway, Marulas
Valenzuela, Metro Manila
Tel. Nos. : 277-7592;
293-9408 to 09
Fax No. : 277-7592

MASINAG
259 Sumulong Highway
Mayamot, Antipolo City
Tel. Nos. : 645-1969; 682-4906
Fax No. : 645-5575

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Concepcion Aguila St.
San Miguel, Manila
Tel. No. : 734-9587
Fax No. : 734-0452

METROPOLIS
G/F Starmall Alabang
South Superhighway
Alabang, Muntinlupa City
Tel. Nos. : 809-8568; 809-8604
Fax No. : 809-8604

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cor. J.Rizal and. Linco Sts.
Balite, Montalban, Rizal
Tel. Nos. : 948-1385; 942-2472
Fax No. : 948-1385

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T. Claudio St., Brgy. San Juan
Morong, Rizal
Tel. Nos. : 653-0289; 691-5245
Fax No. : 653-0289

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National Highway, Muntinlupa
Metro Manila
Tel. No. : 862-0034
Fax No. : 862-0035

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cor. N. Domingo and Araneta Ave.
San Juan, Metro Manila
Tel. No. : 723-8859
Fax No. : 727-4074

NAVOTAS
cor. Estrella and Yangco Sts.
Navotas East, Metro Manila
Tel. Nos. : 282-4392; 282-0338
Fax No. : 282-0338

NOVALICHES
917 Bo. Gulod, Quirino Highway
Novaliches, Quezon City
Tel. Nos. : 936-8811; 418-0213
Fax No. : 937-1326

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Fax No. : 641-0783

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Fax No. : 924-8753

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Alaminos City
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Products and Services

DEPOSITS
Peso Deposits
- Checking Accounts
  - Regular Checking
  - SuperValue Checking
  - eWoman Checking
  - Rizal Enterprise Checking
  - eLite Checking
- Savings Accounts
  - Regular Savings
  - Dragon Savings
  - ePassbook Savings
  - Super Earner
  - eWoman Savings
  - SSS Pensioner
  - Payroll Savings
  - Student Savings ATM
  - WISE Savings
- Cash Card
  - RCBC/RCBC Savings My Wallet
- Savings Accounts with Automatic Transfer (SWAT)
  - Dragon Savings SWAT
  - RECA SWAT
- Time Deposits
  - Regular Time Deposit
  - Special Time Deposit
  - Premium Time Deposit

Foreign Currency Deposits
- Savings Accounts
  - US Dollar
  - Japanese Yen
  - Euro Dollar
  - British Pounds
  - Canadian Dollar
  - Chinese Yuan
  - Australian Dollar
  - Swiss Franc
  - Singapore Dollar
  - Dollar Dragon Savings
- Time Deposits
  - US Dollar
  - Japanese Yen
  - Euro Dollar
  - British Pounds
  - Canadian Dollar
  - Australian Dollar
  - Swiss Franc

ELECTRONIC BANKING CHANNELS
Automated Teller Machines
Bills Payment Machines
Enterprise Banking
RCBC/RCBC Savings Access One Personal
RCBC Access One Corporate
RCBC eSHOP
RCBC Payment Gateway
RCBC Phone Banking
RCBC Mobile
myRCBC Mobile Banking via BancNet
BancNet Online
BancNet POS System

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

LOANS
Commercial Loans (Peso and/or Foreign Currency)
- Fleet and Floor Stock Financing
- Short-term Credit Facilities
- Small Business Loans
- Term Loans
- Trade Finance

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

Special Lending Facilities
- DBP Wholesale Lending Facilities
- Land Bank Wholesale Lending Facilities
- SSS Wholesale Lending Facilities
- BSP Rediscounting Facility
- ADB Trade Finance Program
- 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

Overseas Workers Remittances
Securities Settlement

TREASURY AND GLOBAL MARKETS
Foreign Exchange
- Foreign Exchange Spot
- Foreign Exchange Forwards
- Foreign Exchange Swaps

Structured Products
- Cross Currency Swaps (CCS)
- Interest Rate Swaps (IRS)

Fixed Income
- Peso Denominated Debt Instruments
  - Treasury Bills
  - Fixed Rate Treasury Notes (FXTNS)
  - Retail Treasury Bonds (RTB)
  - Local Government Units Bonds (LGUs)
  - Long Term Commercial Papers (LTCPs)
- Non Peso Denominated Sovereigns
  - Republic of the Philippines (RoP) Bonds
  - Republic of the Philippines Global Peso Notes (GPNs)
  - Government Bonds issued by other countries (e.g. US Treasuries)
- Corporate Bonds

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

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

Unit Investment Trust Funds
- Rizal Peso Money Market Fund
- Rizal Dollar Money Market Fund
- Rizal Peso Bond
- Rizal Dollar Bond Fund
- Rizal Equity Fund
- Rizal Balanced Fund

CORPORATE CASH MANAGEMENT
Collection and Receivables Services
- Agent Collection via OTC
- Bills Collection
- Check Manager
- Auto Debit Arrangement

Payment Management Services
- Employee Payments Service
- eCheck Payment Solution
- RCBC 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

Receivable Financing
- Vendor Invoice Program

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

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