2016
ANNUAL
REPORT

LEGACIES

RISING TO THE CALL OF LEADERSHIP

AMB. ALFONSO T. YUCHENGCO
CHAIRMAN EMERITUS

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.

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About the cover

The RCBC 2016 Annual Report cover is dedicated to the Bank's founder, visionary, and Chairman Emeritus Ambassador Alfonso T. Yuchengco. It was his passion for excellence and love for the country that fueled the Bank to reach greater heights. It is this same passion that will continue to be the guiding light of the Bank as it continues to rise above all challenges.

Highlights of the Year

PROFITABILITY FOR THE YEAR *(in million pesos except ratios)*

	2016	2015	2014
Operating Income	**22,821**	22,232	22,069
Operating Expenses	**17,355**	15,061	14,236
Net Income Attributable to Parent Bank's Shareholders	**3,868**	5,129	4,411
Return on Average Capital Funds	**6.42%**	9.33%	9.23%
Return on Average Assets	**0.77%**	1.09%	1.04%
Net Interest Margin	**4.06%**	4.15%	4.30%
Net Earnings per share (Basic and diluted)	**2.76**	3.07	3.11

BALANCE SHEET AT YEAR END *(in million pesos except no. of shares)*

	2016	2015	2014
Total Resources	**521,193**	516,061	457,905
Interest-Earning Assets	**405,551**	409,526	363,140
Liquid assets1/	**133,472**	89,500	97,102
Loans and receivables, net	**306,167**	299,119	261,574
Investment Securities	**75,622**	111,201	100,790
Deposits	**353,077**	342,362	315,761
Net Worth	**62,133**	58,129	53,131
Paid-in	**36,637**	36,637	28,908
Surplus Free	**24,531**	21,695	18,367
Hybrid Perpetual Securities	**-**	-	4,883
Others	**965**	(203)	973
Number of Common Shares	**1,399,912,464**	1,399,908,746	1,275,659,728
Book Value per share (Diluted)	**44.74**	41.52	37.82

CAPITAL ADEQUACY RATIO *(BASEL 3 Starting January 1, 2014)*

	2016	2015	2014
Tier 1	**12.89%**	12.55%	11.83%
CAR	**16.16%**	15.72%	15.37%

NUMBER OF EMPLOYEES

2016
6,473

2015 6,219
2014 5,909

NUMBER OF BRANCHES

2016
481

2015 456
2014 449

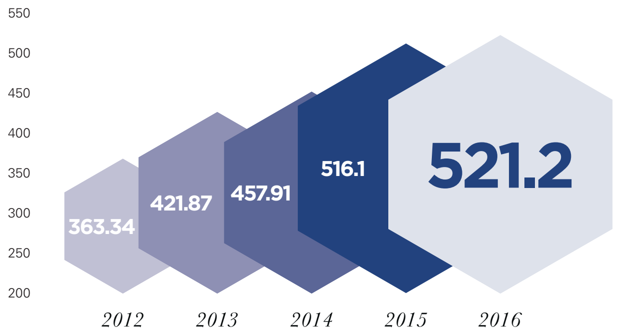
NUMBER OF ATMS

2016
1,488

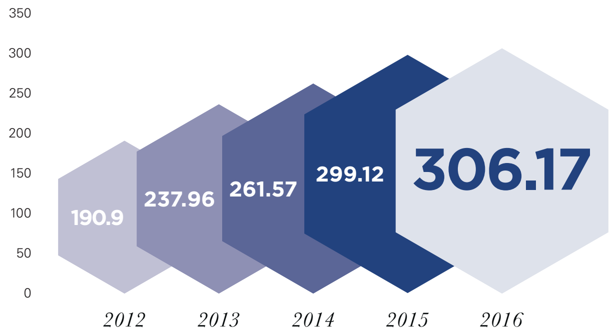
2015 1,342
2014 1,202

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

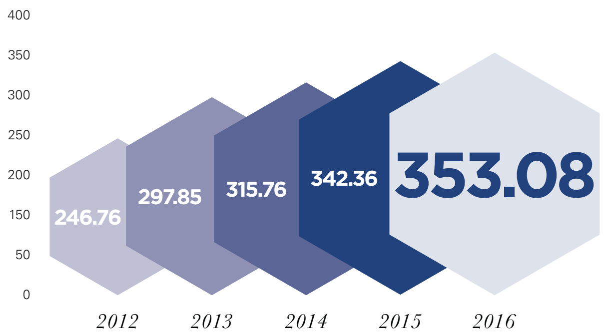
TOTAL RESOURCES *(in billion pesos)*



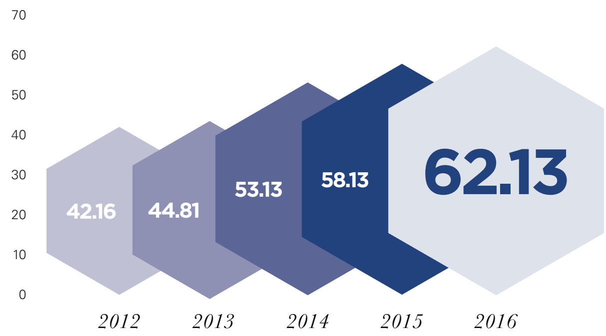
NET LOANS *(in billion pesos)*



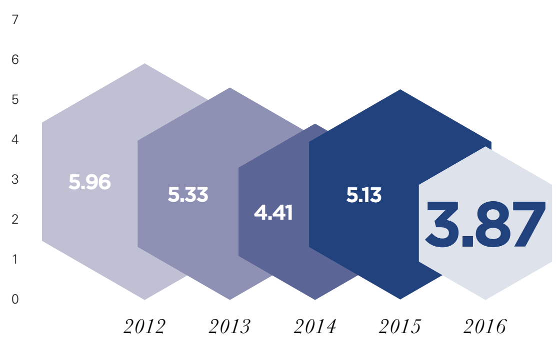
TOTAL DEPOSITS *(in billion pesos)*



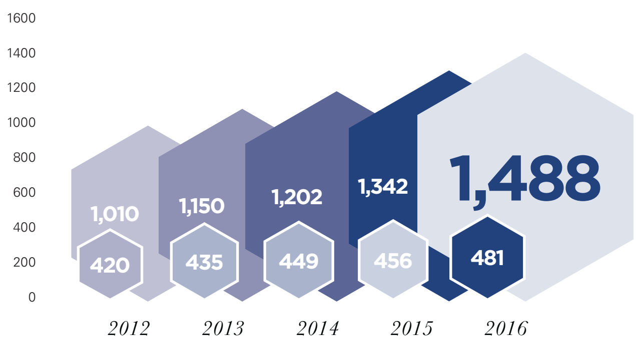
NET WORTH *(in billion pesos)*



NET INCOME *(in billion pesos)*



DISTRIBUTION NETWORK



THE LEGACY
AMB. ALFONSO T. YUCHENGCO
(February 6, 1923 - April 15, 2017)

He was a man of honor. A distinguished diplomat, a successful businessman, a passionate philanthropist, an ardent educator, and a man of integrity. Ambassador Alfonso T. Yuchengco, through his numerous successes in business, foreign relations, and socio-civic organizations, made a significant imprint not only in the various sectors and businesses he handled throughout his life, but also in the lives of millions of Filipinos.

Ambassador Yuchengco, fondly called "AY" by his friends and colleagues, lived an exemplary life, reflective of a true man of honor and a forward-thinking leader. He was the pivotal figure and founder of the Yuchengco Group of Companies (YGC), one of the country's biggest conglomerates with an impressive business portfolio. The conglomerate stands solid on four major flagship corporations that mirror AY's vision of putting up companies designed to help move the country forward.

The RCBC Group stands at the helm of YGC. Alongside RCBC, one of the country's major universal banks, is RCBC Savings Bank -- the retail banking arm of RCBC. The group also includes RCBC Bankard, the bank's credit card servicing entity. Following the RCBC Group is Malayan Group of Insurance Companies led by Malayan Insurance Company, Inc. currently the leading non-life insurer in the country, Bankers Assurance Corporation (BAC), and First Nationwide Assurance Corporation (FNAC). The third pillar of YGC is Grepalife (Great Pacific Life Assurance Corp.); one of the pioneer life insurance companies in the country, now Sunlife Grepa Financial. Completing YGC's flagship companies is House of Investments (HI), the first investment house in the country. Being a passionate philanthropist, Alfonso T. Yuchengco also put up the AY Foundation, YGC's socio-civic arm whose vision is to help uplift Filipino lives through various CSR (corporate social responsibility) projects. Part of his mandate for every YGC member is to give 1% of their profits to the AY Foundation to sustain multiple humanitarian efforts.

Alfonso T. Yuchengco's natural ability to weave success in all of his ventures was already evident in his earlier years. Born in February 6, 1923 to Don Enrique Yuchengco and Maria Tiaoqui, the young Alfonso showed immense interest in commerce by venturing into his own small business. As a teenage entrepreneur, he bought wholesale soap products from a soap factory owned by his father's friend and started a small buy-and-sell business that he ran independently and, later on, with the help of his other schoolmates. This early start proved the incontestable fact that the young Alfonso was born to lead and groomed to face every challenge with head held high, and with one thing in mind: success.

After his father passed, Alfonso took on the mantle as head of the family business in 1953. It was then that he began to show his strong business acumen. He assumed management of China Insurance and Surety Co., owned and founded by his father Don Enrique Yuchengco.

After being shattered due to the ravages of World War II, China Insurance was rebuilt from the ground up. Alfonso was a firsthand witness of how Don Enrique's stewardship allowed China Insurance to honor war claims ex-gratia, though these were not within the scope of the conditions of the policy. Alfonso inherited from his father the firm belief that Filipinos needed an insurance

company that they could count on for fair dealings and speedy settlement of just and valid claims. To support the social thrust to build a Malay race identity in the Philippines, the business was infused with fresh capital and became Malayan Insurance Company, Inc. Under the stewardship of AY, Malayan grew from a humble Binondo enterprise into a more thriving Malayan Group of Insurance Companies, the leading provider of non-life insurance products and services in the Philippines. By this time, Alfonso T. Yuchengco had already become a beacon of innovative thinking, having been one of the first industrialists to delve into joint ventures with local and international corporations.

Alfonso's ventures expanded with the birth of Grepalife (Great Pacific Life Assurance Corp.), one of the earlier top life insurance companies in the country in terms of assets and premium income. In 1959, he established HI (House of Investments) which delved into property management, construction, car dealership, and later on, education. This spurred the birth of iPeople which focuses on the academe, having Mapua Institute and its subsidiaries as members. Years after, RDB (Rizal Development Bank) was born and was renamed Rizal Commercial Banking Corporation (RCBC) when it became a commercial bank in 1963. To date, RCBC remains one of the major universal banks in the Philippines. Thanks to the Ambassador's trailblazing thinking, he also pioneered the introduction of Diner's Card in 1958, the first credit card in the country. The coming years saw the imminent success of Alfonso T. Yuchengco's dreams as YGC continued to grow into the iconic conglomerate it is known today.

Going beyond the confines of his country, Alfonso T. Yuchengco also gained recognition in the international arena. He was Ambassador to China (1986-1988) and Japan (1995-1998), Presidential Special Envoy to Greater China, Japan and Korea (2001), and Philippine Permanent Representative to the United Nations (2001-2002). After two years, he was appointed Presidential Adviser on Foreign Relations. His active role in business and foreign relations earned him international recognition, several honorary doctorate degrees from renowned universities, honorary professorships, and several Hall of Fame awards. Up to this day, Alfonso T. Yuchengco's name stands tall, mirroring what it means to be a true man of honor.

A bigger feather on his cap though, is his remarkable way of touching the lives of others. Through his AY Foundation, he was able to mount numerous socio development-focused programs such as scholarships, medical missions, community service awards, child welfare assistance, and national discipline programs. AY Foundation was Ambassador Yuchengco's answer to his vision of uplifting the country, driven to pursue the road to greatness.

Through the years, Alfonso T. Yuchengco has built his name with ideals that will never falter, no matter what kind of changes, challenges, and opportunities would come. Then and now, this is the legacy that Ambassador Alfonso T. Yuchengco will always be remembered for—one that is founded on leadership, built with integrity, and anchored on service.

AFFILIATIONS

- Yuchengco Group of Companies
  Chairman of the Board

- Pan Malayan Management and Investment Corporation (PMMIC)
  Chairman of the Board and Chief Executive Officer

- Rizal Commercial Banking Corporation
  Chairman Emeritus

- MICO Equities Inc. (holding company of Malayan Group of Insurance Companies)
  Chairman of the Board

- Malayan Insurance Co., Inc.
  Member of the Board of Directors

- Malayan Insurance Co. (HK) Ltd.
  Chairman of the Board

- Malayan Securities Corporation
  Member of the Board of Directors

- GPL Holdings, Inc.
  Chairman of the Board

- Sunlife Grepa Financial Inc.
  Member of the Board of Directors

- House of Investments, Incorporated
  Member of the Board of Directors

- Malayan Colleges Inc.
  Chairman of the Board of Trustees

- Malayan Colleges Laguna Inc.
  Chairman of the Board

- EEI Corporation
  Chairman of the Board of Trustees

- RCBC Realty Corporation
  Chairman of the Board

- RCBC Land Inc.
  Member of the Board of Directors

- AY Foundation
  Chairman of the Board

- Philippine Integrated Advertising Agency, Inc.
  Chairman of the Board

- Yuchengco Center, De La Salle University, Philippines
  Chairman of the Board

- Yuchengco Museum
  Chairman of the Board

- Y Realty Corporation
  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

- Asian Bankers Association
  Chairman Emeritus

- 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

- Bantayog ng mga Bayani (Pillars of Heroes Foundation)
  Chairman Emeritus

- Philippine Constitutional Association (PHILCONSA)
  Chairman Emeritus

- 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

- 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

- Luisita Industrial Park Corporation
  Chairman of the Board

- Compania Operatta ng Pilipinas, Inc. (Philippine Opera Company)
  Honorary Chairman of the Board

- Lifetime Achievement Award
  Asian Bankers Association
  November 13, 2015

- Illustrious Service Award
  Confederation of Asia-Pacific Chamber of Commerce & Industry
  November 24, 2016

MESSAGE TO OUR STOCKHOLDERS

Year on year, RCBC rises to the call of the times. It is our continuous pursuit of providing progressive financial products and services that make us a real partner. Let us continue to serve with all our heart and might, empowering our clients to rise to every challenge in their lives.

HELEN Y. DEE
Chairperson

Dear Fellow Shareholders,

Our story of 2016 is far from being a dark narrative, as one may perhaps be tempted to think. To be sure, the past year was a difficult one. Our resolve was tested, our growth trajectory threatened, and our good name tainted. But those are not all that comprise the 2016 story of Rizal Commercial Banking Corp (RCBC). Our story is equally that of resilience, grit, and of rising to the challenge. If 2016 proved anything, it would be that our foundation is made of sturdy material, and that a dogged persistence to abide by the Vision to be the best for every Filipino works.

We dedicate this Annual Report to RCBC Founder and Chairman Emeritus Ambassador Alfonso T. Yuchengco. It was his vision of a strong financial institution that started it all for RCBC. It was his passion for excellence that fueled the Bank to reach for new heights. It was his compassion and love for the country that has inspired the Bank to serve generations of Filipinos. The very same vision, passion, and compassion guide and motivate us today in our efforts towards greater achievements, and in contributing to the noble goal of nation-building.

The Financial Performance of 2016

As the Bank faced a more stringent operating and regulatory environment, on top of an already competitive space, 2016 was one of modest growth and returns. Total Resources in 2016 grew by 1.00% to Php521.2 billion, with the Loan Portfolio increasing by 2.37% to settle at Php306.2 billion. On the liability side, RCBC sourced Php353.1 billion in Deposits, reflecting a growth of 3.13%. Total Capital in 2016 was at a strong Php62.1 billion. These numbers make RCBC still one of the largest and well-capitalized Universal Banks in the country.

Also in 2016, your Bank earned Php3.9 billion in Net Income, in part a direct result of a conscious decision to expense ahead, and in full, the Php1 billion regulatory fine levied by the Bangko Sentral ng Pilipinas (BSP). Return on Equity thus settled at 6.42% and Return on Assets at 0.77%. Modest, for sure; but we are heartened to note that the Php22.8 billion Revenues from 2016 were on the back of solid growth of core businesses and key select markets, as 69% came from Net Interest Income.

Best Commercial Bank of the Philippines
2016 World Finance, London

You will recall that your Bank in 2014-2015 has set out on a path of going back to banking basics. The results of 2016 thus served as validation of that decision. The Bank's asset quality remained strong, with an NPL ratio of 0.98%, among the lowest for RCBC. Net Interest Margins held up at 4.06% as selective lending was preferred, with focus on consumer loans growing by 18.8% and SME loans including microfinance growing by 10.2%. Our Basel 3 capital ratios remained strong at 16.16% and Common Equity Tier 1 Ratio was at 12.89%.

The events of 2016 may have slowed down RCBC's growth momentum; but they also revealed a core set of customers that highlighted the well-established ties

At the cornerstone of our ambition is to become the most trusted financial partner to every Filipino worldwide. On our 56th year, we have proven that nothing can distract us from working towards that vision. In the face of difficulty, we demonstrated stability. On that note, I encourage every member of the RCBC family to rise and stand proud.

GIL A. BUENAVENTURA
President and Chief Executive Officer

built on 57 years of service. These core customers are our 8 million-strong depositors, the 532,000 RCBC Bankard cardholders, the nearly 4,000 corporate and commercial clients being serviced by our Relationship Managers, the 79,000 consumer loan relationships managed by RCBC Savings, and the 2,200 small micro business entrepreneurs helped by our microfinance arm, Rizal Microbank. These unique and varied business relationships reflect your Bank's commitment to provide relevant valuable banking and financial services.

As we continued to deepen our business relationships with our core clients, our business in niche markets expanded. RCBC Leasing saw a 94% increase in new loans and leases. Total disbursements of Rizal Microbank, our microfinance arm, increased by 81% as its client base increased by 31%. On the cash management side, our check cutting services saw a nearly 20% surge in payment value versus 2015, the same level of upturn we saw in transactions with our partner agencies in the government such as the BIR, SSS, Philhealth, and Pag-ibig. Finally, RCBC's strong and dedicated presence in the export processing zones continued to bear fruit, as our client base expanded by 30% in 2016.

Notwithstanding the events of the past year, your Bank's distribution and servicing network continued to expand and reach out for new clients. In 2016 we saw our nationwide network hit 481 branches (including extension offices), 1,488 ATMs, and 65 lending centers. RCBC Touch Q, our lobby management system went full blast in 2016, rolling out 100 machines in 60 strategic branches. A total of 1.5 million transactions passed through those machines in a span of six months, significantly enhancing branch efficiency.

The 2016 Transformation and De-Risking

In our 2015 letter to you, fellow Shareholders, we shared the initiatives that your Bank had so far embarked on, even as the crisis of 2016 was still at its peak. We now would like to share with you what we have so far accomplished, what are being done, and what you might still expect to happen in the future.

The decisions made in 2016 were not easy, but were nonetheless guided by the singular goal of coming out of the transformation process a stronger institution. The business of banking has become more complex, and regulations continue to be at the forefront of changes in the financial landscape. Risks have evolved. Competition has dramatically stiffened. Your Bank in 2016 understood that a balance needed to be struck between short term business objectives and long term sustainability. We understood that the kind of transformation we embarked on would not be simple and easy; but it will be good for the institution. It will be good for the entire financial industry in the long run.

Governance

As early as late 2015 your Board of Directors willingly subjected itself and the Bank to a Corporate Governance examination by the International Finance Corporation (IFC). In August of the following year, your Board approved the adoption and implementation of the corporate governance standards recommended by the IFC. You may thus expect the ushering of a stronger corporate governance system and a set of governance practices very much aligned with the benchmarks of the ASEAN Corporate Governance Scorecard.

The make-up of your Board of Directors likewise underwent transformation in 2016, as we welcomed eight (8) new members coming from diverse backgrounds. We now count as Board members individuals who were former regulators, fund managers, business leaders, and professional corporate governance practitioners. From previously having three (3) Independent Directors, your Bank now counts seven (7), nearly half of your 15-member Board, thus furthering the Board's independence.

To highlight the importance of a strong compliance culture with respect to Anti-Money Laundering, the

Board during the same year resolved to adopt a separate Money Laundering and Terrorist Financing (ML/TF) Risk Assessment Framework. Your Board's decision thus promoted ML/TF to an enterprise risk covered under our Internal Capital Adequacy Assessment Process (ICAAP).

Control Environment

Your Bank in 2016 likewise completed the Branch Transformation program, thus fortifying controls and compliance in every business center or branch, while at the same time continuing to provide dedicated and quality service to our clients. Two separate units now operate at the branch: the Branch Operations Control team handling service, control and compliance, and the Branch Sales team focusing on reaching out to clients and maximizing the opportunities in the market.

Further to our desire for the organization to be able to respond more to the increased focus on control and risk management that characterized most of 2016, your Board likewise resolved to either carve out or create new functions dedicated to the management of specific risks and control processes. The Operational Risk Management Group (ORMG), for instance was carved out of the larger Corporate Risk Management Group. One of the divisions under ORMG is the Enterprise Fraud Management Division, a unit likewise created in 2016 tasked with the implementation of an enterprise-wide fraud risk management framework. We made a significant investment in technology to enable EFMD to fulfill its mandate. A Branch Audit Group was likewise created, thus creating a set of functions distinct from the internal audit of Head Office units. Branch Operations Control units were likewise created and centralized under the Operations Group. Finally, the Compliance office, in January 2017, was spun-off and elevated into a separate group, and its complement of full-time employees almost doubled. We have likewise bolstered the technology that supports our compliance function, thus greatly improving our client screening capability, among others.

Realizing that keen awareness is key to a successful control environment, your Bank in 2016 also embarked on a plan to subject 100% of its personnel to an AML Certification Program (ACP). The ACP's first complete run is on-track to be completed within the first half of 2017.

Validations

Last year was not without validations, as your Bank was recognized by other institutions for our products and the kind of service that we provide. We are grateful for these and for the 117 we have received to date, as they only serve to motivate us to continue with the good work that we do.

In April 2016, the Retail Banker International Asia Trailblazer Awards presented our RCBC Bankard Brand with the Best Card Offering Category, for its innovative Rewards Program that allows its cardholders to select how they want to be rewarded (Points, Airmiles, Cash Rebate). This outstanding rewards program complements proprietary financial tools, making RCBC Bankard a consistent winner in its category.

As testimony to your Bank's commitment to support the growth of the small and medium-sized enterprises (SMEs), the judges of the Capital Finance International CFI.co bestowed on RCBC the 2016 Best SME Bank-Philippines award. Your Bank's initiatives in providing financial inclusion and stability to Filipino entrepreneurs, especially women, were highlighted as clear contributing factors to the efforts in nation building through SMEs.

We continued supporting infrastructure growth in 2016, one of which was the Light Rail Transit Project that aims to build the 11.7km Cavite extension lines connecting the existing system south of Baclaran to the southern end of Bacoor, Cavite. RCBC Capital, our investment banking arm, was the lead arranger for this project that was later chosen as the Infrastructure Deal for 2016 by Project Finance International, and Best Project Finance Deal for 2016 by Alpha Southeast Asia.

The service we provide to our Treasury clients likewise did not go unnoticed. Just last February 2017, our Treasury Group received various awards from AsiaMoney : Best in Fixed Income and Rates Sales , Overall Best for Credit, Overall Best for Interest Rate, Best for Credit Research and Market Coverage, Best for Credit Sales, Best for Credit Derivatives, Best for Credit Services, Best for Interest Rate Research, Best for Interest Rate Product and Sales, Best for Interest Rate Derivatives.

Finally, we take pride in sharing with you that London-based Continuity, Insurance and Risk (CIR) Magazine conferred on RCBC the International Award during the 18th annual Business Continuity Awards for exemplary actions in business continuity and risk management.

Thank You

All the work during this past year would not have been accomplished without the support of everyone.

We thank our customers and depositors for their continued trust and confidence. Their belief and loyalty, especially during trying times, serve as inspiration for us to persevere and do even better. It is our hope that we remain as partners even in the generations to come.

We thank all our associates for their dedication and unwavering commitment to their work. Where we are today is a product of their invaluable contributions. Theirs are the faces that our clients see, the counsels that our business partners seek, and the service that our customers experience. Their hard work is our strength.

We are grateful to our Board of Directors and Advisors for their wisdom, valuable advice, and guidance. We look forward to greater things, with you always ready to provide both support and a tempering voice.

We thank you, our shareholders, for keeping the faith. Rest assured that creating value for your investment remains an abiding principle in all the initiatives that we undertake.

We will forever be grateful to our patriarch, RCBC's Chairman Emeritus Ambassador Alfonso T. Yuchengco. Throughout his life he guided and inspired us. His vision to uplift the lives of Filipinos has shaped our Bank to its present form, and hopefully will inspire others to infuse new life in our tomorrows. The legacy he leaves behind extends far beyond banking, and shall forever be etched in the hearts and minds of those whose lives he has touched.

Your Bank is ready to put the difficulties of 2016 behind us. Now is a time to recover what we may have lost. Now is the time to get back on the path we may have been sidetracked from. Now certainly is the time to rise. Believe it.

HELEN Y. DEE
Chairperson

GIL A. BUENAVENTURA
President and Chief Executive Officer

FINANCIAL PERFORMANCE

Strength and Resilience to Stay On Top

Focused efforts on core business contributed to the Php 3.87 Billion net income for 2016. With Php 521.2 Billion in assets, RCBC remains one of the top 10 universal banks in the Philippines.

MOVING STRONGER
Operating in a stringent regulatory environment, the bank focused on growing its core businesses in key markets.

FINANCIAL PERFORMANCE

FINANCIAL CONDITION

RCBC's Total Assets stood at Php521.2 billion.

Cash and other cash items increased by 7.86% or Php1.11 billion from Php14.07 billion to Php15.18 billion. Due from Bangko Sentral ng Pilipinas, representing 12.76% of total resources, increased by 31.42% or Php15.90 billion from Php50.62 billion to Php66.52 billion. Due from other banks increased by 28.38% or Php5.59 billion from Php19.70 billion to Php25.29 billion. Total trading investment securities decreased by 32.00% or Php35.58 billion from Php111.20 billion to Php75.62 billion and represented 14.51% of total resources.

As permitted by PFRS 9 and BSP Circular 708, the Group sold certain loans and receivables, peso and dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of Php73.46 billion. The disposals resulted in a gain of Php1.35 billion, which is included under Trading and securities gains-net in the statement of profit or loss. In addition, the Group concluded that the sales did not result to changes in its business models for managing financial assets to collect contractual cash flows.

Loans and Receivables-net reached Php306.17 billion and represented 58.74% of total resources.

Average loan volume of the consumer segment grew by 19%, and SME by 9%. Corporate loans remain to have the largest share in the total loan portfolio at 62% while consumer and SME loans accounted for 26% and 12%, respectively.

Bank Premises, furniture, Fixtures and Equipment, net grew by 16.76% or Php1.27 billion from Php7.60 billion to Php8.88 billion mainly due opening of additional 25 branches and acquisition of equipment for lease during the year. Other Resources, net increased by 20.29% or Php2.03 billion from Php10.02 billion to Php12.05 billion.

Deposit liabilities settled at Php353.08 billion and accounted for 67.74% of total resources. Demand deposits were recorded at Php42.05 billion. Savings deposits reached Php162.93 billion and accounted 31.24% of total resources. Time deposits grew by 23.56% or Php28.24 billion from Php119.85 billion to Php148.10 billion and accounted for 28.42% of total resources.

Bills payable decreased by 23.81% or down by Php11.76 billion from Php49.40 billion to Php37.64 billion mainly attributable to the net payment on foreign borrowings, it represented 7.22% of total resources. Bonds payable, was recorded at Php41.60 billion and accounted for 7.98% of total resources.

Total liabilities stood at Php459.06 billion and represented 88.08% of Total Resources

Total Equity went up by 6.89% or Php4.00 billion from Php58.13 billion to Php62.13 billion.

The Basel III CAR reached 16.16% representing a 616 basis points (6.16%) buffer over the 10% Basel III regulatory minimum. The Tier 1 ratio reached 12.89%, representing a 439 basis points (4.39%) buffer over the 8.5% Basel III regulatory minimum (6% minimum + 2.5% conservation buffer).

Our balance sheet remained strong with P521.2B in Assets and P62.1B in Capital. Built on a solid base of P306.2B of Loans and P353.1B in Deposits

RESULT OF OPERATION

RCBC posted a consolidated net income of Php3.87 billion for full year 2016.

Total interest income reached Php23.14 billion and accounted for 101.38% of total operating income. Interest income from loans and receivables went up by 11.34% or Php1.98 billion from Php17.46 billion to Php19.44 billion and accounted for 85.19% of total operating income. The increase is mainly due to increase in average volume of Loans and Receivables and higher average yield. Other interest income stood at Php426 million and interest income from investment securities reached Php3.27 billion and accounted for 14.32% of total operating income.

Total interest expense went up by 25.02% or Php1.49 billion from Php5.94 billion to Php7.43 billion and accounted for 32.56% of total operating income. Interest expense from deposit liabilities, which grew by 9.26% from Php2.99 billion, reached Php3.27 billion, representing 14.32% of total operating income. Interest expense from bills payable and other borrowings reached Php4.16 billion, 41% up or Php1.21 billion higher from last year's Php2.95 billion, it represented 18.23% of total operating income. As a result, net interest income reached Php15.71 billion and accounted for 68.83% of total operating income.

The Group booked lower impairment losses at Php1.77 billion, down by 24.68% or Php580 million from Php2.35 billion and represented 7.76% of total operating income.

Other operating income of Php7.11 billion accounted for 31.17% of total operating income and is broken down as follows:

- Service fees and commissions stood at Php3.16 billion and accounted for 13.86% of total operating income
- Trading and securities gain-net settled at Php1.62 billion and accounted for 7.09% of total operating income
- Foreign exchange gains increased by 6.15% or Php16 million from Php260 million to Php276 million attributable to higher commission from commercial transactions
- Trust fees settled at P294 million
- Share in net earnings of subsidiaries and associates settled at Php131 million.
- Miscellaneous income went up by 34.05% or Php414 million from Php1.22 billion to P1.63 billion brought about by higher dividend and rental income.

Operating expenses grew by 15.23% or Php2.29 billion from Php15.06 billion to Php17.36 billion and consumed 76.05% of total operating income.

- Manpower costs reached Php5.41 billion and consumed 23.70% of total operating income due to additional headcount for the 25 newly opened business centers.

- Occupancy and equipment-related stood at Php2.87 billion and consumed 12.58% of total operating income
- Taxes and licenses stood at Php1.77 billion
- Depreciation and amortization reached Php1.84 billion
- Miscellaneous expenses went up by 17.01% or Php795 million to settle at Php5.47 billion from Php4.68 billion, increase was mainly due to the Php1 billion BSP fine, and it consumed 23.97% of total operating income

Excluding the Php1 billion BSP fine, OPEX grew by Php8.59% or Php1.29 billion.

Tax expense increased by 43.32% mainly due to higher minimum corporate income tax (MCIT) and lower recognition of Deferred Tax Income relating to reversal of NOLCO and origination of MCIT, allowance for impairment losses and other temporary differences.

Income from non-controlling interest went up to settle at Php2 million.

RCBC's performance as of December 31, 2016 resulted to profitability ratios of 0.77% and 6.42% for Return on Assets and Return on Equity, respectively. Net Interest Margin was at 4.06%, one of the highest in the banking sector.

NPL ratio (net) was at 0.98%. Basel CAR was at 16.16% and CET 1 ratio of 12.89%.

TOTAL RESOURCES *(in billion pesos)*

521.2

NET INCOME *(in billion pesos)*

3.87

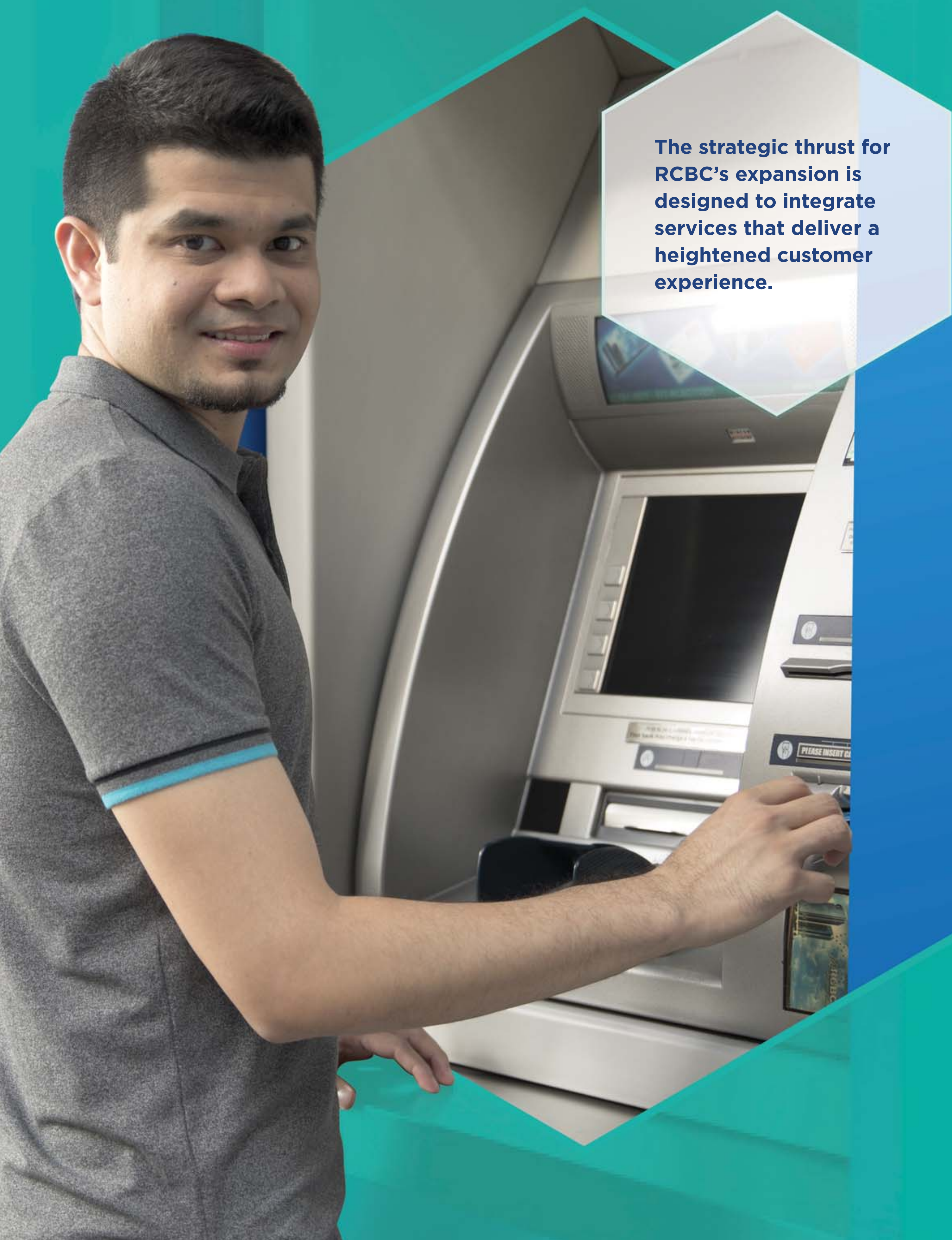
NET WORTH *(in billion pesos)*

62.13

OPERATIONAL HIGHLIGHTS

Focusing on Core Competence Leads to Strategic Growth

The bank expanded its reach to nearly 500 branches, creating a wider network for better customer experience. Supported by investments in people and technology, RCBC is passionately reaching out to more Filipinos here and anywhere in the world.



The strategic thrust for RCBC's expansion is designed to integrate services that deliver a heightened customer experience.

OPERATIONAL HIGHLIGHTS

RETAIL BANKING

The Retail Banking Group (RBG) which serves as the initial point of contact that customers have with RCBC, stood at the forefront in the sale of the Bank's products and services.

Despite the challenges of 2016 RBG continued to serve its customers to meet their financial needs. RBG continued to be aggressive in the market with its various deposit product offerings. 2016 also saw the launch of two new products – the Dragon Checking Account, a 3-in-1 (with checkbook, ATM and passbook) checking account with tiered interest rates for both personal and corporate clients; and the 2, 3, 4 Year Peso Time Deposit for clients preferring maximum yields through longer term and fixed interest rates.

Aside from this, several internal and external pocket campaigns, promos, plus the introduction of targeted marketing via digital engagements were initiated. The highlight of which was the Twice the SurPrize promo, a consumer campaign that saw the Bank give away a brand new Honda Civic as part of RCBC's 56th Anniversary celebration. Other campaigns focused on giving instant gratification to new customers of the Bank like the eWoman in the Rain, Refer a Friend, Bring Me, and the special Dragon Savings rates offers proved to be a success. Collectively, the volume generated from all these efforts reached a substantial level to its deposit portfolio from thousands of accountholders who have participated.

RCBC Touch Q, the Bank's lobby management system, went full blast rolling out more than 100 machines to 60 strategic branches by the mid-year of 2016 for better efficiency in processing branch transactions. In six months, almost 1.5 million transactions were processed using the kiosk, web and mobile applications. RCBC Touch Q online account application was also introduced in the last quarter of the year aiming to shorten account opening process in the branch by allowing customers to pre-stage their details online.

As the Bank continued to focus on the fast growing SME loan sector, the Rizal Biz Access Line, RBG's retail lending product, financed more than 300 Small and Medium Enterprises (SMEs) loans and at the same time, generated CASA volume for the Bank. By providing working capital and expansion loan solutions for our clients, Rizal Biz Access Line served as a crucial tool in maintaining and further growing our business with valued depositors.

Developing deeper business relationships through cross-selling resulted to total amount financed for Consumer Loans reaching Php5.5 Billion with 10% increase in income. Sun Life Grepa Financial's total first year premium stood at Php3.06 Billion with 33% increase in income. RCBC Bankard, First Nationwide Assurance Corporation (FNAC) and Malayan Insurance remained to have stable and steady business with the Bank.

Eyeing better accessibility, reach and continuous expansion, RBG opened 21 branches concentrating more on the highly competitive areas of Makati, San Juan, Quezon City, Manila, Pasig City and Parañaque, and relocated 4 branches.

2016 saw the branches go through a branch transformation process to improve risk control and compliance, ensure proper implementation of Know Your Customer (KYC) and Anti-Money Laundering (AML) processes, and clearly define the duties and responsibilities of every branch personnel with the ultimate focus on serving our customers better and achieving business growth.

With the unwavering support and trust of RCBC's management, RBG is confident and committed to deliver more quality products and services to all its valued customers.

CONSUMER BANKING

Consumer financing particularly of auto, housing, personal and salary loans are offered through RCBC Savings Bank while credit card financing is through RCBC Bankard, its credit card brand. As part of its strategic thrust, RCBC aims to continue growing its consumer lending business to reach at least 30% of the total loan portfolio.

RCBC Savings Bank (RSB) has made advances in this direction as it continued to serve its market by providing reliable and accessible financing services, ending 2016 with a 19% growth in consumer loans. This was primarily driven by its core loans, MyWheels and MyHome, which accounted for 94% of its total loan portfolio.

RSB opened two new provincial lending centers: Dinalupihan, Bataan and Legazpi, Albay. These 2 areas have shown significant growth in consumer loan production and these new lending centers will allow RSB to better service its customers there.

To establish digital presence and offer loans to a wider market segment, RSB partnered with Lendr©, a BSP-accredited end-to-end loans origination and loan management platform that can be accessed via desktop or mobile device. This gives customers more convenience in applying for loans as they can now apply for one anytime, anywhere.

RCBC Bankard credit card remains a key player in the credit card industry. Through its various strategic initiatives, it surpassed the growth in its key target areas vis-à-vis 2015 performance resulting to the following: (a) 6.82% increase in card base from 497,882 to 531,846, (b) 22.57% increase in issuing billings from Php25.96 Billion to Php31.82 Billion, (c) 16.39% increase in volume acquired, from Php 17.26 Billion to Php 14.83 Billion, and (d) 17.76% increase in Net Credit Card Receivable Outstanding from Php 10.36 Billion to Php 12.20 Billion.

RCBC Bankard offers different card types, depending on the retail clients' needs and lifestyle. Its starter cards range from Classic to Gold. For the more established clientele, it has a slew of six premium cards. It also offers seven co-brand cards, which are considered as industry firsts, and are tailor-fit for those who frequently shop at the co-brand partner stores. For clients who have yet to establish their credit worthiness, RCBC Bankard provides them their first card through the InstaCard program.

For all RCBC Bankard retail cards, the main benefit is based on its capability to help its cardholders manage their budget better while providing them with a rewarding experience. For better budget management, its proprietary features include the Spend Monitor, which allows cardholders to pre-set their budget, and the Spend Analyzer, which summarizes their spending based on categories. The Flexible Rewards programme gives the customer a choice of points, air miles, or cash rebates. RCBC Bankard also provides seasonal spend anywhere offers where cardholders can redeem free treats or exclusive discounts for their qualified purchases.

The migration of RCBC's magstripe credit card to EMV-enabled cards was completed in December 2016 to ensure strengthened card holder security.

COMMERCIAL AND SME BANKING

In a nation whose business landscape is largely composed of Small and Medium-sized enterprises (SMEs), the Commercial and SME (CSME) Banking Segment embarked on initiatives that provide financial inclusion and stability to Filipino entrepreneurs. CSME worked on reaching the unbanked and underserved market whose growth has been stymied by weak capital base and limited access to the financial market. It shifted paradigms by focusing on the provincial sector where growth opportunities abound but remained relatively untapped.

To reach these entrepreneurs, CSME provided access points strategically located in various regions of the country through its lending centers and respective satellite offices totaling 26 by year-end.

Through the combined efforts of CSME and the constant support of other YGC member companies, the Bank's SME loan book comprised 12% of total loan portfolio, grew from Php30.25 Billion in 2015 to Php33.09 Billion in 2016, and remained on track to increase further to 20% of total loan portfolio over the medium term. Further recognizing that borrowers are not just clients but partners as well, the Bank continued to hold Client Appreciation Events attended by the Bank's Senior Management.

In 2016, RCBC was recognized as Best SME Bank in the Philippines by the London based CFI.co for its commitment to the Small and Medium-sized enterprises.

CORPORATE BANKING

The unique and specific market sub-segments of large corporations is attended to by two groups: the Conglomerates and Global Corporate Banking Group and the National Corporate Banking Group.

The Conglomerates and Global Corporate Banking Group (C&GCBG) handles the banking requisites of conglomerates, multinationals and Ecozone-based companies. Continuing its delivery of excellent service, C&GCBG partners with the Bank's internal product specialists in creating and delivering products and services well-matched with clients' needs.

The Group continues its initiative of becoming the lead arranger of syndicated deals that has helped sustain its growth in 2016. The Group grew its risk assets by 3.2x over the last 6 years. In 2016, total risk assets of Php71.85 Billion surpassed prior year's level of Php65.96 Billion. The asset build-up was largely sustained due to syndicated loans and long-term project financing which led the portfolio to yield a better Return-on-Risk Asset.

These efforts resulted to the Group being awarded the "Best Project Finance Deal of the Year 2016 in Southeast Asia" by institutional investment magazine, Alpha Southeast Asia, for Light Rail Manila Corp.'s USD480 Million Facility, and the "Infra Deal of the Year" during Thomson Reuter's 2016 Project Finance International Annual Awards.

The Global and Ecozone Segment consistently held its market share of over 70% in the Export Processing Zones all over the country, with primary focus on Japanese and Korean firms. To protect and capture new businesses, the segment continued its strong tie-ups with foreign banks namely Resona Bank, Cathay United Bank, Kookmin Bank, Shinhan Bank and Industrial Bank of Korea.

Meanwhile, the National Corporate Banking Group (NCBG) focused on strengthening client relationships and improving existing credit process that is more responsive to its customers' needs. The Group's aggregate loan bookings amounted to Php144.10 Billion.

The Large Local Corporates Segment participated in syndicated loans such as the FDC Misamis Power Corporation project in Misamis Oriental and the San Buenaventura Power Limited project in Quezon Province. New relationships were likewise created with the establishment of an omnibus credit facility with Enchanted Kingdom, Inc., among others.

Our presence in the Chinese-Filipino market remains strong through the effective reach and efficient service of our Chinese Banking Segment. With long established presence in Binondo and Kalookan areas, the segment continues to provide quality service and effective banking solutions not only to loyal clients but to new clients as well. Notwithstanding the year's difficulties, the Segment was able to register a portfolio growth of 12%.

The Emerging Corporates Segment, continues to expand its reach in the dynamic middle market. Its loan portfolio exhibited steady growth rate for the past 3 years. In 2016, it posted a 24% increase in loan availments as it continues to strengthen its business relationship with clients such as Bountry Fresh, Palawan Pawnshop, and JAC Liner. It was also able to bring in additional business from Philippine Spring Water Resources, Fil-Oil, Aseana Holdings and the Ignacio Group.

GLOBAL TRANSACTION BANKING

The Global Transaction Banking Group (GTB) once again hurdled its business targets, sustaining corporate customer engagement with its cash management arrangements, and expanding its ability to reach and serve Filipinos earning their living overseas and their families back home.

Corporate Cash Management

The Corporate Cash Management (CCM) business once again delivered in 2016, making its target for deposit balance growth while overachieving to 150% of its revenue budget. Compared to 2015, peso deposit balances grew 11% and foreign currency deposits by 6%.

Among its Payments Services, check cutting carried its business momentum from the previous year forward, generating a total payments value of Php18.4 Billion from Php15.4 Billion in 2015. Other notable increases were realized in Payroll Services, which now has in excess of 429,000 active payroll accounts compared to 412,000 in the previous year, and in government payment services, which saw 792,000 transactions coursed vs. 663,000 in 2015.

Collections services on the other hand posted a healthy 17% increase in transaction throughout, with a total volume of Php43.3 Billion compared to Php36.1 Billion the year before. Post-dated Check Warehousing Management continued to take the lead among the collections products with Php21.7 Billion in check value stored vs. Php17.1 Billion in 2015.

Finally, Corporate Cash Management laid the foundation for future growth with a comprehensively upgraded Corporate Internet Banking Platform launching early 2017 featuring new technology, better reliability, significantly improved speed, a more intuitive interface, and an extensively expanded set of cash management tools.

Global Filipino Banking

Keeping step with the growth in remittances from overseas Filipinos in 2016, the Global Filipino Banking Segment (GFB) further expanded its worldwide remittance partnerships. Strategic tie-ins established earlier in the year reached more Filipinos working abroad and their beneficiaries in the Philippines, fulfilling the Bank's mission of serving the remittance needs of Filipino migrant worker families.

Amidst the challenging backdrop of 2016, the Global Filipino Banking Segment managed to generate total gross revenues of Php246 Million by year-end. Business resilience was achieved largely due to steadiness in payroll services for seafarers, which accounted for an 18% year-on-year increase in transactions.

In 2017, GFB will focus on regaining ground in the Middle East, USA and Europe, while establishing a foothold in the Asia Pacific market. In addition, efforts will be made to expand its Shipping and Manning relationships by providing comprehensive customized payroll solutions and off-site ATM installations. With these and other initiatives coming on stream, the Global Filipino Banking Segment is aiming to grow volume and transaction fee revenues by 18% at yearend 2017.

DIGITAL BANKING

RCBC's Digital Banking Group was created to lead the Bank's initiatives on digital innovations, to be where our consumers are. Despite a very challenging 2016, the bank has come out stronger, a testament to its rock-solid foundation and its resiliency as evidenced by its strategies – qualities that the Digital Banking Group takes to heart and are echoed in its core framework. The lessons learned the past year has made the group, together with the rest of the Bank, more committed to providing innovative products and quality services that are relevant and useful to the people we serve.

The primordial focus of the group is to provide highly secure, easy to use, relevant services in an easily accessible platform allowing for integrated services that deliver great customer experience. RCBC's Digital Banking Group (DBG) puts customer experience management at the center of its executions echoing the bank's strategic thrust of managing these experiences for sustainable longer term relationships with RCBC. DBG's primary functions include the business development, overall / end to end performance management and customer experience management of target retail consumers of electronic banking products, channels and platforms such as the Automated Teller Machines (ATM), Retail Internet and Mobile Banking Channels, Card Payment Solutions, Mobile Point-of-Sale (POS) systems and social network sites/ messaging apps. DBG also manages the digital assets of the entire bank. Apart from digitalizing offerings, it manages its digital portfolio (products, channels and platforms) for the bank with the end view of enabling other lines of businesses to design and create relevant offers to their respective target markets demonstrating holistic customer value propositions.

In line with the Bank's strategic thrust to expand its reach, DBG expanded RCBC and RSB's ATM network to over 1,450 ATMs contributing in part to the Bank's fee-based income. For better recognition of the Bank's online banking facility, as it positions this channel for more services, AccessOne was rebranded and is now known as the RCBC Online Banking Retail (ROR). Currently, more than 230,000 clients are enrolled and actively use the ROR. The Cards Division launched the Cavitex eTap Visa Card, a cash card and eTap card in one that gives fast, convenient cashless driving thru CAVITEX and the only card that has automatic reloading for hassle free commuting. Lastly, DBG also started to pilot a new banking solution that will take the bank's services to the underserved, far flung areas in the country. This new innovation is called RCBC Cash Express and is the first and only mobile POS that provides the functionalities of an ATM. This mobile POS will be deployed through partner merchants to provide more banking convenience to the people far from the cities and enable them to move closer towards their own financial aspirations.

RCBC likewise strengthened its presence in the digital space. 2016 saw RCBC strongly gaining ground in the digital category as its different online assets (Facebook & Twitter) were revamped to be able to reach out and provide better service to potential and existing clients. This resulted to an increase not just in fans but more importantly in customer engagement. Community Management and other social media guidelines were installed to ensure focus on providing better customer experience for our consumers using Facebook and Twitter, resulting to a significant improvement in our response time to our valued customers.

DBG, in collaboration with the different business units of the Bank, intends to transform complex product features to holistic solutions by bundling relevant products and services to address different consumer needs. The unwavering support and the collective trust of our clients continue to be the inspiration of DBG, prodding the group to move ahead, rise above the challenge and lead the way.

TREASURY

2016 was a difficult year for trading and markets. Despite this significant headwind, the Bank generated Php1.7 Billion in trading gains which was a 36% increase from 2015.

On the important goal of managing the Bank's cost of funding, the Treasury Group is constantly looking at ways to effectively manage the Bank's balance sheet and to have a stable and low cost source of funding. In line with this the Bank paid-off the 5.25% USD275 Million bond which matured in January 31, 2017. Treasury will continue to opportunistically look at ways to lower cost of funding and explore low cost funding alternatives.

The Group also embarked on a number of training and development initiatives in 2016. A Mentorship Program was launched in August, where junior officers were paired with seasoned officers within Treasury. In September, we launched the Treasury Academy. Here we have external and internal experts present on relevant topics with the goal of enhancing the skill sets of Treasury associates.

2016 saw RCBC recognized with a number of awards. The Bank was voted as the best Philippine bank in Fixed Income and Rates Sales and Trading in 10 categories including credit, rates, credit derivatives and interest rate derivatives, Best Bank in the Philippines for Forex Trading, Sales, Services and Research by AsiaMoney. In terms of overall trading activity or volume for peso denominated fixed income securities, it achieved the number two ranking among a roster of 45 banks as surveyed by PDEX.

TRUST AND INVESTMENTS

RCBC continues to be one of the leading retirement fund managers in the country. The Bank opened several retirement fund accounts in 2016 including a London-based Business Process Outsourcing (BPO) company engaged in data analytics for financial service businesses and obtained the mandate to manage the retirement fund of the industry's enabling organization, the IT and Business Process Association of the Philippines (ITBPAP). It also added several Ecozone locators and local companies as clients in this biggest segment of their assets under management.

The Bank also fortified its presence in the corporate trust arena as it notched trust roles in several public listed securities. RCBC was appointed by DoubleDragon Properties as receiving bank, escrow bank and stock transfer agent for its preferred shares issuance as well as trustee for its bond issuance. Pilipinas Shell likewise appointed RCBC as receiving bank and lock up escrow agent for its highly successful IPO in 2016.

The Chartered Financial Analysis (CFA) Society Philippines had its maiden search for the 2016 Best Managed Fund of the Year and one of the Bank's Unit Investment Trust Funds (UITF), the Rizal Dollar Bond Fund placed Third in the Best Managed Fund for Bond Fund - Long-term Dollar Category. Another prestigious award-giving firm, The Asset Benchmark Research lauded one of the Bank's senior fixed income trader among the Top Ten Most Astute Investors in Asian Local Currency Bonds Category.

With major technology initiatives on the roll since last year, RCBC implemented the Trade Order Monitoring System (TOMS) in May 2016. It is a home-grown real-time risk management system that ensures the compliance of Trust Portfolio Managers and Trust Traders with regulatory limits and the investment parameters prescribed by the clients. The system also serves as management's tool for compliance monitoring.

RCBC actively participated in the banking industry's effort to jumpstart the roll-out of Personal Equity and Retirement Account (PERA) products in the market. Being one of the few banks with BSP-approved and BIR-accredited PERA products, the bank participated in the ceremonial launch of the PERA hosted by the BSP in December 2016.

PRIVATE BANKING

RCBC Wealth Management (WMG), the private banking arm of the Bank, remained strong and steadfast, with the loyal clients of WMG confidently by its side with unwavering support. Year-on-year, WMG expanded its Assets under Management (AuM) by 12.22% to Php94.60 Billion. Fee based revenues, on the other hand, grew by 7.72%.

And with the steadfast support and approval of its clients, RCBC Wealth Management was adjudged by AsiaMoney as the Overall Best Private Bank in the Philippines and the Best Domestic Private Bank in the Philippines for the fifth consecutive year.

This overwhelming encouragement of the clients motivates WMG to be always mindful in providing its clients with needs-appropriate products and efficient, personal services. Complementing its open-architecture strategy, WMG will work closely with all the units and business lines of the Bank and with the YGC companies to provide its clients with a comprehensive array of products and services and seamless execution to meet their requirements.

At the same time, cognizant of the fact that its Relationship Managers and support staff play important roles in its growth, WMG will continuously provide a strong learning and development platform for its team members, focusing not only on technical knowledge but also on soft skills and personal wellness.

HUMAN RESOURCES

OUR MOST IMPORTANT ASSET: OUR PEOPLE!

In support of the Bank's growth strategy and plans, the Human Resources Group is committed to organizational capability building and continues to lead programs and initiatives on talent management and development, leadership continuity, retention programs, employee well-being as well as corporate social responsibility.

MANPOWER STATISTICS

TOTAL WORKFORCE AS OF DECEMBER 31, 2016 = 4,239

By Employment Type:	
Regular Employees	3,976
Probationary	263
By Gender:	
Male	1,578 or 37%
Female	2,661 or 63%
By Age Group:	
< 30	1,807
31 - 40	1,009
41 - 50	1,092
> 50	331
By Job Level:	
Staff	1,740
Junior Supervisory	1,698
Middle Management	494
Senior Management	307

INVESTMENT IN PEOPLE

Learning and Development

RCBC is committed to provide a strong learning and development platform for all employees across all job levels. HRG continued to strengthen the talent pipeline and brought further competencies on the job by facilitating various training programs and seminars benefiting 10,488 attendees addressing the competencies of Leadership, Customer Service, Sales Planning and Management, Product Knowledge, Risk Management and Technical Skills while, a total of 53 employees were enrolled in a number of specialized/IT external training programs. 337 employees were also sent to various external training programs. HRG also conducted Coaching and Mentoring workshops as we promote a coaching and mentoring culture across the organization.

The Bank's effort to provide careers to new graduates and to ensure an effective talent development resulted to deployment of thirteen (13) Officers Development Program (ODP) graduates to junior officer positions across the Bank. In August 2016, the 8th batch of ODP commenced with 15 selected trainees. HRG in partnership with Operations Group graduated the fifth batch of the General Operations Learning and Development (GOLD) Program with four (4) graduates who were deployed to Operations group. The 7-month program aims to develop a pool of junior officers with strong operations background and risk orientation.

HRG in collaboration with management continues to subscribe to the Bank's Succession Planning Program. This is to ascertain that the organization has a deep bench of internal candidates ready to assume higher leadership responsibilities. The Bank conducted the 3rd batch of the Leadership Development Program (LDP), and produced 23 graduates in 2016. This is an internal training program which aims to develop highly competent, effective and performance-driven leaders for the Bank. The LDP was designed in partnership with John Clements Consultants, Inc. and Harvard Business Publishing. To date, this program has produced 6 graduates who are now occupying group head positions.

To further deepen the leadership bench, the 5th batch of the Middle Management Development Program (MMDP) was conducted. This is a 6-month internal training program which aims to accelerate the development of our next generation of leaders. The MMDP was designed in partnership with the De La Salle University, Center for Professional Development in Business.

The Retail Bank Learning Academy on its 7th run aims to develop highly competent, credible and productive Retail bankers and leaders. This will allow a sustainable supply of branch personnel, equipped and trained to provide quality service. There were 21 Branch Managers from VisMin Region who graduated from the academy.

The Bank has likewise offered the 2nd run of the Corporate Banking Learning Academy, a 10-week training program which aims to develop highly capable, credible and productive Relationship Managers. There were 17 relationship managers who graduated from the program in 2016.

The Treasury Academy was launched on September 5, 2016. The focus of the Treasury Academy is the continuous training and development of the team by enhancing skills sets, broadening the understanding of Treasury in general, and reinforcing knowledge of relevant regulations and policies. Three (3) main areas were identified for 2016: Treasury Overview, Technical and Regulatory, with 11 course offerings.

INVESTMENT IN EMPLOYEE TRAINING

Total No. of Training Attendees per Job Level	
Staff	4,195
Junior Supervisory	3,146
Middle Management	2,622
Senior Management	524
Total No of Attendees	10,488

Total No. of Training Hours for 2016	1,745,824

Average No. of Training Hours Per Attendee	166

Average No. of Training Hours Per Attendee Per Job Level	
Staff	191 hours
Junior Supervisory	147 hours
Middle Management	163 hours
Senior Management	145 hours

PERFORMANCE MANAGEMENT

In its thrust to provide its employees with continuing opportunities to achieve and excel in one's field, profession, and to grow professionally and personally to their fullest potentials, the Bank has an existing Performance Management System that aims to:

1. Align individual and organizational goals
2. Provide feedback on employees' work progress and accomplishments based on clearly defined goals and objectives, job description and performance.
3. Provide information for planning, training and career development programs
4. Provide a structured basis for decisions on personnel movements
5. Encourage open communication and a supportive relationship between employees and their unit heads and within work teams

The organization's performance management process begins with preparation of the Key Result Areas (KRAs) in line with over-all Bank objectives and targets. The performance is monitored on a regular basis (monthly and quarterly) and variances vs. the targets are discussed and appropriately addressed. The full year performance and accomplishments are assessed vis-à-vis the Key Results Areas (KRAs). The process culminated with the annual rewards program and the promotion of associates recognized for their top performance.

COMPENSATION AND REWARDS PROGRAM

RCBC commits to pay its employees, salaries/compensation consistent with job performance and the requirements of the law and one that is competitive with the banking industry. The Bank gives importance to equitable pay differentials for different types of work and hence pays within an established salary structure for the different job levels. The Bank likewise provides officers with incentives and rewards for contribution to the business objectives of the Bank.

1. The Bank implements and maintains a sound Compensation and Incentive Program with the following objectives:

   a. To establish a basis for determination and management of compensation, salary increase and performance incentives.

   b. To provide financial incentives through the proper administration of salaries and other means of compensation for each individual to motivate them to do their best on their job.

   c. To maintain competitive salary levels/ structures consistent with those in the banking industry

   d. To ensure retention and attraction of performing and key talents in the organization.

2. To guide the Bank in managing the compensation levels of its employees, a salary structure was designed and developed using the following parameters:

   a. Job Evaluation. Job Evaluation is a systematic procedure for analyzing, measuring and classifying positions in terms of common job elements or factors found in every position. The current salary structure is based on the existing job grading system for Officer levels ranging from First Officer up to Senior Executive Vice President. The Human Resources Group (HRG) has the responsibility of ensuring that jobs are rated properly and continuously as they change over time due to reconfiguration of functions or reorganizations.

   b. Target Market Group. The salary structure was based on market data of banks deemed as peers by RCBC. Data on these peer banks are obtained from industry and national surveys conducted by private consultancy companies and trade and employee associations.

   c. Target Positioning Objective. In terms of target positioning objectives, the Bank receives instruction from management on the desired positioning in relation with the Target Market Group or the banking industry in general. This positioning is targeted at both the market's guaranteed pay and total annual cash compensation.

3. The salary structure is reviewed regularly by HRG to maintain its relevance and competitiveness internally and externally.

4. In case surveys and studies reveal that the salary structure is grossly sliding off as compared to the industry or its Target Market Group, it is incumbent upon HRG to come up with recommendations to correct the disparity and to discuss said recommendations with management.

5. Final approval of recommendations with regard to changes in the compensation structure and policies will need to be secured from the Corporate Governance Committee.

6. Administration, implementation and maintenance of the Bank's Compensation and Incentive Program shall be the direct responsibility of HRG, particularly by its Group Head, Department Head for Compensation and Benefits and Department Head for Career Management.

7. The Compensation and Incentive Program shall be composed of:

    a. Basic Pay. This refers to the employee's monthly take-home pay, exclusive of overtime pay.

    b. Guaranteed Pay. Is part of the annual compensation supplementary to the Basic Pay such as the 13th month pay.

    c. Variable Pay. This refers to additional incentives, Merit Increase (for Officers) and Promotional Increase (for Non-Officers and Officers), given to eligible employees based on their contributions to the Bank's overall objectives.

EMPLOYEE RETENTION

Recognizing the continuing competition for talent, HRG's retention programs have helped keep the Bank's attrition rate at 10.8% which is below industry level.

ADHERENCE TO THE CODE OF CONDUCT

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

STAFF TURNOVER STATISTICS

By Gender:	
Male	171 or 10.9%
Female	277 or 10.7%
By Age Group:	
< 30	263 or 14.9%
31 - 40	84 or 8.5%
41 - 50	53 or 4.9%
> 50	48 or 14.9%
By Job Level:	
Staff	175 or 10.2%
Junior Supervisory	140 or 13.4%
Middle Management	96 or 8.6%
Senior Management	37 or 12.6%

in dealing with clients and customers and co-associates. Violation of the Code of Conduct may be reported to the Human Resources Group, the Internal Audit Group or the Security Department. The provisions of the Bank's Code of Conduct are available electronically to all employees through the RCBC Information Zone (RIZ). In addition, HR Policies and Procedures can be viewed in the RIZ for everyone's perusal.

HEALTH, SAFETY, AND WELFARE

RCBC is committed to maintain a safe and healthy working environment. Procedures are in place to protect all associates from generally recognized workplace hazards such as fire, earthquake, robberies and other natural and man-made calamities. The Bank likewise has various substance abuse and health & safety policies, as well as inspection and search procedures.

1. Substance Abuse and Health & Safety Policies

   Employees who work while under the influence of drugs or alcohol present a safety and operational hazard to themselves and their colleagues as well as pose a risk to the trustworthy and professional image of the Bank. The Bank also promotes the health and safety of its employees and their families, thus, the enactment of the following policies:

   1.1 RCBC's Drug-Free Workplace Policy & Programs

   1.2 Policy Against Alcohol Abuse

   1.3 Policy on Off-Duty Substance Abuse

   1.4 Family Welfare Policy

   1.5 TB Workplace Program

   1.6 HIV/AIDS Workplace Program

2. Inspection & Search Procedures

   Employees are mandated to notify security personnel if they see anything suspicious, including the presence of strangers and unattended bags or packages on the premises.

   Employees are likewise mandated to subject themselves, their personal belongings and the Bank assets under Bank custody to intensive inspection and search procedures by security personnel, upon entering, while within and upon leaving Bank premises.

   Bank premises include parking lots, whether owned or leased by the Bank. Personal belongings shall mean pockets, bags, storage media, cars and any other personal property that may be used as repository of cash, jewelry, documents, keys, data and other valuable items.

3. Employee Welfare and Well-Being

   In 2016, the Human Resources Group conducted the following activities to sustain the promotion of health, safety and welfare of RCBC employees.

   3.1 Maintained its partnership with Maxicare, the Bank's HMO provider, in giving health and medical services in accordance to the benefits being enjoyed by employees. Services provided include:

   - Hospitalization, emergency care and other medical services with 1,590 availments for employees and 2,747 availments for dependents in 2016;
   - Executive Check-Up for employees with total cost of Php27,154,922 in 2016;

- Outpatient consultation services for employees with 6,377 availments in 2016;

3.2 The Bank also partnered with Sunlife Grepa Financial Inc. in utilizing the clinic located at the RCBC Plaza and serviced more than 600 availments in 2016. Moreover, a clinic, with regular visiting doctors, was set-up at the RSB Corporate Center in BGC to give free check-up and consultation services to more than 500 employees at said location.

3.3 The Bank also provided the following benefits to employees:

- First aid, safety and life support trainings, fire and earthquake seminars and drills for employees;
- Purified water, refrigerator and microwave oven in all floors of the Head Office and RSB Corporate Center, as well as the business centers;
- Pre-employment physical and medical examination for new hires;
- Random drug testing for employees;
- Vaccination – Requisitioned 770 flu vaccines for employees' consumption;
- Operationalizing a new breastfeeding station for nursing associates;
- Sports and wellness – To promote physical fitness, the Bank sponsored various sports activities participated by employees from Head Office and Metro Manila business centers.
- Precautionary measures – Since Management recognizes the precarious situation of employees in areas affected by natural calamities and manmade adversities, it has always been keen on immediately issuing work suspension orders in such perilous areas during fortuitous events.
- All associates are covered with a life insurance policy inclusive of accidental death, total and permanent disability and burial assistance benefits.

Lastly, Management has always recognized that people are its most important asset. Hence, the Bank spent more than Php106 Million in 2016 for health benefits of employees and their dependents, a clear indication of its paramount commitment in maintaining employee welfare and well-being.

INFORMATION TECHNOLOGY SHARED SERVICES

Adhering to the Bank's vision to provide for and, adapt to the customer's changing needs through innovative products and excellent service, RCBC Online Corporate (ROC) was launched. This is a comprehensive Cash Management Solution which provides NEW products and services to corporate clients, considering "time to market", current and prospective competition, and, provides a single platform for corporate clients to do business online.

AccessOne was re-branded to RCBC Online Banking with an improved online banking platform to enhance the customer's online experience and provided additional security for transactions.

Continuing the Bank's "Branch of the Future" thrust, additional TouchQ kiosks, a system which facilitates the pre-staging and prioritization of transactions, were rolled out to branches – 100 for RCBC and, 20 for RSB, bringing the total of

TouchQ-enabled branches to 113 for RCBC and 28 for RSB.

EMV (Europay, Mastercard and VISA) was implemented, a global standard for credit and debit payment cards based on chip card technology. This protects against duplicate card fraud, and, has advanced security measures and cryptography which reduces exposure to fraudulent transactions.

RCBC continued to strengthen its cyber-security posture and AML-related compliance by augmenting its technology infrastructure to reduce IT risk, increase business resilience, and, leveraging on industry trends and best practices from other related institutions. A suite of security products were implemented which would protect our users, systems, end-points, and, data from being infected by malware, or, compromised by cyber-threats.

The Bank successfully executed a Disaster Recovery (DR) exercise for all critical applications, including running the production Core Banking System at the DR site for one (1) week.

OPERATIONS

Building relationships that lasts and creates value.

For the year-ended 2016, Operations Group anchored its focus on customer experience management which aims to create longer-lasting and more value-creating relationships and partnerships with the Bank's customers. The Group continuously seeks ways to improve its service performance that will further increase customers' satisfaction and help the Bank achieve its strategies.

To fully equip teams in delivering exceptional service, Operations Group conducted trainings not just on fundamental service basics but also on total customer experience management principles and its applications. These enabled the Group to impart to its service teams the significance of having a strong service mindset with the customer's experience as its primordial concern in revisiting and redesigning processes. The trainings also allowed the Group to appreciate the effect of its services from the customer's point of view, thus, identifying opportunities for further improvements.

The Group, being true to its commitment to create more value for the Bank's customers and stakeholders, jumpstarted last year 68 initiatives focused on customer centricity. These initiatives do not only intend to provide what the customers want but also to deliver effective and efficient services to them.

Of equal importance for the Operations Group is the focus on providing our customers safer banking experience by strengthening its risk management and controls at all customer touch points. Operations Group implemented last September 2016 its Branch Transformation Project. The project converted the branches into a fully servicing channel with emphasis on enhancing customer experience while ensuring control and compliance for the customers' protection and benefit. Effective November 2016, all 304 branches of the parent bank have been successfully transformed, with all new branches, henceforth, adopting this new operating model that would enable RCBC to demonstrate customer care and consistent service delivery across all touch points.

SUBSIDIARIES

RCBC SAVINGS

RCBC Savings Bank (RSB) continued to deliver to its commitment, as a life-changing agent for the Filipinos.

RSB's loan portfolio grew by 19% to Php 72.6 Billion as of end of 2016, driven by its core loans: auto loans accounting for 43% of the portfolio and 51% for real estate. The growth in loan portfolio resulted to an increase in loan interest income of 17%. The recent tie-up with Lendr© has helped the Bank gain presence in the digital space and have a fair share of the market.

Deposits, on the other hand, managed to grow at 18%. Initiatives that led to this improvement were the launch of the Save Up Move Up promo where depositors could win 1 condominium unit as a grand prize, and the branch referral program. The drive to increase CASA level ended the year with Php 24.9 Billion.

This backdrop has made RSB's liquidity position strong (Loans to Deposit Ratio of 82.1%) likewise the capital, ending 2016 with a Capital Adequacy Ratio (CAR) of 13.4%.

RSB continues to be a strong and major player in the industry, being the 3rd largest thrift bank in the country with total assets of Php108.8 Billion. As one of the dominant players in consumer financing, RSB will continue to expand its presence in the provinces to cater to a wider market. As of end of 2016, the Bank has a total of 152 branches, extension offices and lending centers, and 443 ATMs nationwide.

RSB continues to pursue its mandate as the consumer finance arm of the RCBC Group with a firm commitment to being a partner of Filipinos in realizing their dream of owning their own home, driving their own car and growing their own business.

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 consultancy services which include (i) underwriting of equity, quasi-equity, and debt via public offering or private placement, (ii) syndication of foreign currency and peso loans, (iii) financial advisory with respect to mergers and acquisitions, restructuring, company valuations and spin-offs, and (iv) dealership of commercial papers and other securities. With its over 40 years' presence in Philippine investment banking, RCBC Capital has become a recognized name among the top-tier investment banks in the country.

For the year 2016, RCBC Capital continued to focus on helping to finance key infrastructure- and power/energy-related projects aimed at addressing the country's principal requirements. RCBC Capital was involved in various projects which raised a total of approximately Php189 Billion, most of which were focused on infrastructure, power, and energy.

Among its notable deals, RCBC Capital was Mandated Lead Arranger for a Php39 Billion light rail transit project which was awarded Infrastructure Deal for 2016 for Asia-Pacific by Project Finance International, a Thomson Reuters publication. It was also awarded Best Project Finance Deal for 2016 by Alpha Southeast Asia, an institutional investment magazine focused on Southeast Asia. The project aims to refurbish an existing 20.7 kilometer light rail line and extend the same for another 11.7 kilometers. RCBC Capital helped to arrange approximately Php24 Billion in debt financing, for which RCBC, the Unibank, also participated.

As of yearend 2016, RCBC Capital remained solidly capitalized with Total Equity of approximately Php3.7 Billion, making it one of the strongest Philippine investment banks in terms of capitalization.

RCBC SECURITIES

RCBC Securities generated Php74.87 Million in commission income in 2016, 17.49% lower yoy, and accounting for 79.51% of the company's total revenues. Without the Php11.43 Million in commissions earned in 2015 due to a one-time block sale, commission income was only 5.60% down yoy. Total revenues slid 11.93% to Php94.16 Million. Without the one-time commission income in 2015, the decline was significantly more modest at 1.38%. Revenues were supported by a 47.25% jump in realized gain on sale of investment securities to Php6.00 Million. Meanwhile, expenses climbed by 8.36%, lifted by higher rental expense and additional manpower to beef up the company's sales team and internal audit staff.

Against a 10.31% drop in turnover at the Philippine Stock Exchange to Php1.93 Trillion, this indicated the company's improved market position. Weaker market activity due to combined effect of concerns on local situation and the effect of the Fed rate hike wherein investors began unloading from the emerging markets and started moving back to US. Despite this, and in addition to bank-wide internal challenges, including stricter operational controls, the company managed to open a number of institutional and retail accounts that immediately landed among our top 20 clients in terms of commission income contribution.

RCBC BANKARD SERVICES

RCBC Bankard Services Corporation (RBSC), the servicing entity of RCBC's credit card business, was steadfast in achieving financial gains for the company and relentless in servicing RCBC as it continues to provide growth in its credit card volumes and transactions. The total credit card customer transactions processed by RBSC

increased by 10.66% from 9.54 million to 10.57 million resulting in an increase in issuing payments volume and merchant volumes acquired by 22.57% and 16.39%, respectively. On back-end support, collection contacts made increased by 7.83% which translated to a credit card delinquency rate of 4.66% by end of December 2016, the lowest in RBSC's history.

In 2016, RBSC also accomplished a number of projects for RCBC; namely, the launch and issuance of EMV-enabled credit cards in compliance with Bangko Sentral ng Pilipinas directive and the establishment of an alternate site for the company's Business Continuity Plan. It also launched projects geared towards facilitating merchant payments in line with efforts to expand its merchant acquiring business and a new card service feature – the FastBillsPay Auto-Charge – whereby cardholders who enroll their utility bills can automatically charge these bills to their card. This allows cardholders to enjoy the convenience of paying bills without having to queue in busy payment centers.

RBSC registered a net income of Php 66.23 million in 2016 which translates to a return on average equity of 41.53% and a return on average assets of Php 26.55%. This year's net income posted a 4.98% increase over prior year. The company's assets grew by 30.72% from Php 216.25 million in 2015 to Php 282.68 million in 2016 as a result of its profitable operations. RBSC is a wholly owned company of RCBC Capital Corporation (RCAP). In 2016, the company paid cash dividends of Php 0.58 per share.

RCBC LEASING AND FINANCE

Year 2016 was a banner year for RCBC Leasing as the company registered substantial business growth despite the challenges posed by the growing number of competitors. The company effectively implemented strategies to activate an inventory of approved accounts while capturing new business deals. As a result, RCBC Leasing booked Php4.28 Billion in new loans and leases exceeding its volume production of Php2.21 Billion last year or an increase of 94%. This improved RCBC Leasing's consolidated portfolio to Php 5.82Billion or a year-on-year growth of 50% compared to the Php 3.88 Billion the previous year.

The increase in portfolio translated to higher income as we posted Php 774.5Million in gross revenues or 71% better than the Php 452.3Million recorded last year.

The consistent business growth in the last four years boosted the company's credit worthiness enabling it to obtain additional low-cost funds with longer tenors to support lending activities.

As a result, Consolidated Net Income grew by 107% to Php 71.22Million from Php33.98Million the previous year.

RIZAL MICROBANK

Rizal MicroBank (RMB) made huge strides in 2016 as it sustained a lot of improvements in its operation. Loan disbursement reached Php 1.05 Billion, an amount representing about one-third of the Php3.39 Billion total loan disbursement made since the subsidiary's start of operation in mid-2010. The 2016 loan disbursement resulted in a year-end portfolio of Php704.50 Million or an increase of 81% over the previous year's loan portfolio of Php389.64 Million. Active borrowers belonging to micro and small enterprise sectors which is the subsidiary's mandated market also grew 31%, from 1,687 end of 2015 to 2,211 end of 2016. While Rizal MicroBank was making headway in growing its lending business in 2016, portfolio quality was kept in check with Portfolio-At-Risk Ratio (PARR) more than 7 days at 4.65% by year-end, well-within the international best practice standard of 5% and below.

With the surge in loan bookings and increase in its loan portfolio, Rizal MicroBank was able to improve its revenue-generating capacity, thus positively impacting its bottomline in 2016. Interest income as well as other operating income grew by 72% and 78% respectively YOY. From a net loss of Php64.84 million in 2015, RMB ended 2016 with a net loss of Php 3.37 million after tax expense of Php3.16 million or a drastic reduction by 95%. Including the subsidiary's other comprehensive income however, Rizal MicroBank ended 2016 with a total comprehensive income of Php2.02 Million.

Buoyed by the positive developments in the subsidiary's lending operations which clearly affirm RCBC's strategy to diversify into the micro and small enterprise market segments, RMB's board of directors and management team sat down for a strategic planning activity in the last part of 2016. The activity which was facilitated by the Institute of Corporate Directors (ICD), a well-known and respected group not only in the Philippines but in the whole ASEAN region, resulted in the formulation of RMB's charter statement as well as strategic road map in the next 5 years. With the Vision-Mission-Values and strategic road map in placed, Rizal MicroBank is poised in 2017 and in the years to come to pursue and deliver further improvements and better performance in its operation as well as become a major player in the financial inclusion landscape of the country.

CORPORATE GOVERNANCE

Reinforced Transparency and Accountability

It is a continuous commitment to work towards a more stable and controlled corporate environment. With the new Corporate Governance Manual in place, the bank's policies and ways of working are benchmarked against the industry's best practices.

The bank's governance structure and processs are firmly in place with an empowered Board leading the way.

CORPORATE GOVERNANCE

CORE PRINCIPLES

RCBC believes that corporate governance is a necessary component of what constitutes sound strategic business management. RCBC affirms its commitment to good corporate governance as it continues to work towards a solid control environment, high level transparency, and well-defined shareholders' rights, with an empowered Board leading the way.

RCBC adheres to the core principles of transparency, accountability and fairness which are embodied in the Board-approved Corporate Governance Manual. The Manual is reviewed annually to ensure that governance policies are consistent with the pertinent regulations issued by the Bangko Sentral ng Pilipinas ("BSP") and the Securities and Exchange Commission ("SEC"). The Bank's governance structure and processes are benchmarked against local and international leading practices. Thus, the best practices set by the (i) Basel Committee on Banking Supervision's Principles for Enhancing Corporate Governance and the (ii) Maharlika Board of the PSE are incorporated in the Bank's Corporate Governance Manual. The Bank's efforts at the continuous enhancement of Corporate Governance within the organization ensures that the interests of stockholders and other stakeholders are well-regarded, the directors, officers, and associates/employees are cognizant of their responsibilities, and the affairs of the Bank are conducted in a safe and sound manner.The Bank's Corporate Governance Manual fully complies with the SEC's Revised Code of Corporate Governance, as amended.[1] It also conforms to the guidelines and respective best practices under the PSE Corporate Governance Guidelines Disclosure Template and the ASEAN Corporate Governance Scorecard that has promoted greater transparency through more disclosures. This, in turn, enhanced the confidence of the clients/investors that the Bank truly

[1]Superseded by SEC Memorandum Circular No. 19, series of 2016 "Code of Corporate Governance for Publicly Listed Companies" effective 01 January 2017.

commits to the highest standards of good corporate governance. The Bank shall continue to strengthen its corporate governance policies and procedures in accordance with the BSP and SEC guidelines.

THE BOARD OF DIRECTORS

RCBC is headed by a competent and working Board that is primarily responsible for overseeing the implementation of the Bank's strategic objectives, governance framework and corporate values.

In accordance with the Bank's By-Laws and Corporate Governance Manual, the Board is comprised of 15 members, all of whom are known for their integrity, experience, education, training and competence.

The Board is composed of both executive and non-executive directors, with a sufficient number of qualified non-executive members elected to promote the independence of the board from the views of senior management. Of the 15-member board, 14 are non-executive, 7 of whom are independent. The only executive director in the Board is the President and CEO. The representation of women in the Board has increased from 14% in 2015 to 20% in 2016.

NOMINATIONS AND ELECTION

Nominations

All nominations for election of directors by stockholders are required to be submitted in writing to the President and the Corporate Secretary at least 30 working days before the regular or special stockholders' meeting. The Corporate Governance Committee reviews and evaluates the qualifications of a person nominated to the Board. The Committee considers the nominee's educational background, professional experience, nature and business of the corporations of which he/she is a director, age, number of directorships/active memberships and officerships in other corporations/organizations, and possible conflict of interest in determining his/her suitability to be nominated to the Board. The Committee ensures that each nominee possesses all the minimum qualifications and none of the disqualifications as prescribed under existing laws and regulations. Under the Bank's By-Laws, a person is disqualified to be nominated and subsequently elected as a member of the Bank's Board if said person is engaged in any business that competes with or is antagonistic to the Bank, among others.

Fit and Proper Standards

The Bank has adopted fit and proper standards on directors and key personnel, taking into consideration their integrity/probity, technical expertise, physical/mental fitness, competence, relevant education/financial literacy, diligence, and knowledge/ experience/ training. The qualifications of those nominated to the Board, as well as those nominated for positions requiring appointment by the Board, are reviewed and evaluated by the Corporate Governance Committee.

As a policy, directors shall maintain their professional integrity and shall continuously seek to enhance their skills, knowledge and understanding of the Bank's present activities and those that it intends to pursue. The directors shall keep abreast of the developments in the banking industry including regulatory changes through continuing education or training.

Maximum Board Seats

The Corporate Governance Committee also reviews the number of directorships of a nominee for the Board. The optimum number of directorships shall be related to the capacity of the director to perform his/her duties diligently in general. Under the Bank's Corporate Governance Manual, directors should limit their outside board seats to five unless there is good justification for a greater number of outside board seats, and such number would not interfere with the amount and quality of time and attention of the director to the Bank as such.

Election

The directors are elected in the annual stockholders' meeting and hold office for one (1) year and until their successors are elected and qualified.

INDEPENDENT DIRECTORS

In 2016, the Board of Directors reinforced its independence by increasing the number of independent directors from 3 to 7. The independent directors are active in various committees of the Bank, and participate extensively in Board discussions. The Bank's control committees, i.e., Risk Oversight Committee, Audit Committee, Corporate Governance Committee and Related Party Transactions Committee, are all headed by independent directors.

On an annual basis, the Corporate Governance Committee reviews and evaluates the qualifications of persons nominated to the Board as independent directors to determine whether they meet all the qualifications, and possess none of the disqualifications of an independent director under relevant laws and regulations. The attributes of an independent director include independence from management or from any business or relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment, and the lack of a relationship to the corporation, its related companies or substantial shareholder as a regular director or officer or relative of the same, as an executive or professional adviser within the last 5 years, or business relations other than arms' length, immaterial or insignificant transactions.

Prior to the issuance of SEC Memorandum Circular No. 19 on November 22, 2016, or the Code of Corporate Governance for Publicly-

WHO ARE IN OUR BOARD?

Non-Executive Non-Independent	Non-Executive Independent	Executive
Ms. Helen Y. Dee	Mr. Armando M. Medina	Mr. Gil A. Buenaventura
Mr. Cesar E.A. Virata	Mr. Juan B. Santos	
Mr. Tze Ching Chan	Atty. Adelita A. Vergel De Dios	
Mr. Richard G.A. Westlake	Amb. Lilia R. Bautista	
Mr. John Law	Mr. Gabriel S. Claudio	
Mr. Yuh-Shing (Francis) Peng	Mr. Melito S. Salazar, Jr.	
Atty. Florentino M. Herrera III	Mr. Vaughn F. Montes, Ph.D.	

Listed Companies, independent directors serve as such for a period of 5 consecutive years. After which, he is required to undergo a "cooling off period" of 2 years. During the said cooling off period, an independent director should not engage in any activity that, under existing rules, disqualifies a person from being elected as an independent director in a bank. At the end of the cooling off period, the independent director may again serve as such in the Bank for another 5 consecutive years. Thereafter, he is perpetually barred from being elected as an independent director in the same bank.

Under the recently issued Code of Corporate Governance for Publicly Listed Companies, an independent director need not undergo a "cooling off period." However, it is recommended that an independent director should only serve for a maximum period of 9 cumulative years. At the end of such term, he shall be perpetually barred from re-election as an independent director in the same company. Nevertheless, he is still qualified for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for 9 years, the Board is required to provide meritorious justifications and seek shareholders' approval during the annual stockholders' meeting.

The incumbent independent directors are Amb. Lilia R. Bautista, Mr. Gabriel S. Claudio, Mr. Armando M. Medina, Mr. Vaughn F. Montes, Ph.D., Mr. Melito S. Salazar, Jr., Mr. Juan B. Santos, and Atty. Adelita A. Vergel De Dios.

BOARD OVERSIGHT AND TONE AT THE TOP

The Board has overall responsibility for the Bank and provides oversight to senior management. Thus, it approves and oversees the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values.

The Board defines the appropriate corporate governance framework and practices, not only for the Bank, but for the entire Group. It ensures that there are governance policies and mechanisms appropriate to the structure, business and risks of the Group and the entities comprising it. Moreover, the Board sets the "tone at the top," the professional standards and the corporate values that promote integrity for self, senior management, and other employees.

ADVISORY BOARD

The Bank has an Advisory Board that provides informed guidance to the Board of Directors. Members of the Advisory Board are appointed by the Board of Directors. They do not have any voting rights but contribute by way of providing non-binding but relevant advice during board meetings. While the By-Laws allow for up to 10 members in the Advisory Board, the Bank has 3 appointed Advisory Board members. Each of these members is considered as business leaders and is of known probity and integrity. The members of the Advisory Board are Ms. Maria Clara Acuna Camacho, Mr. Francis C. Laurel and Ms. Yvonne S. Yuchengco.

SEPARATE ROLES OF THE CHAIRPERSON AND CHIEF EXECUTIVE OFFICER (CEO)

One of the key features of the Bank's Board is the separation of the roles of the Chairperson and the CEO. The respective roles of the Bank's Chairperson, Mrs. Helen Y. Dee and its CEO, Mr. Gil A. Buenaventura are clearly delineated which ensures an appropriate balance of power, increased accountability and better capacity for decision making by the Board.

Through her leadership of the Board, the Chairperson ensures proper governance of the Bank. She is responsible for the efficient functioning of the Board, and this includes maintaining a relationship of trust with the other directors. Apart from presiding over meetings, the Chairperson's many roles include ensuring that the Board makes informed decisions on matters addressed to its discretion, that quality and timely lines of communication and flow of information between the Board and Management are maintained, and that the Board has free access to people who can answer their questions, preventing the need for back channels.

The CEO is in charge of and exercises general management responsibilities over management development, public relations and advertising relations with the BSP and other offices, agencies and instrumentalities on the Philippine government, relations with the Bankers' Association of the Philippines and other industry associations, and relations with other ASEAN countries.

He ensures that the business and affairs of the Bank are managed in a sound and prudent manner and operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.

The CEO leads Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He then provides the Board with a balanced and understandable account of the Bank's performance, financial condition, results of operations prospects on a regular basis.

In 2016, there was a time when the Chairperson exercised the functions of the CEO in an interim capacity as a result of the leave of absence and eventual resignation of former President and CEO, Mr. Lorenzo V. Tan. During such time, she was assisted by a management team composed of the Bank's group of senior managers together with Vice Chairman Cesar E.A. Virata and Independent Director Armando M. Medina. The Chairperson exercised the functions of CEO from March 23, 2016 up to May 16, 2016 when the Board appointed Mr. Gil A. Buenaventura as the new President and CEO.

ACCESS TO INFORMATION

To enable the members of the Board to properly fulfill their duties and responsibilities, it is the responsibility of Management to provide them with complete, adequate and timely information about the matters to be taken in their meetings. Moreover, members of the Board are given independent access to Management and the Corporate Secretary for information such as background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

THE CORPORATE SECRETARY

Under the Bank's Corporate Governance Manual, the Corporate Secretary is an officer of the Bank who may or may not be a director. The Corporate Secretary is required to possess significant knowledge of the laws, rules and regulations, financial and accounting skills, and a working knowledge of the Bank's operations to enable him to discharge the functions of his office.

The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board as well as the other official documents, records and other information essential to the conduct of his duties and responsibilities to the Bank. He is also responsible for informing the members of the Board of the schedule and agenda of their meetings and ensure that the members have before them complete and accurate information that will enable them to arrive at intelligent or informed decisions on matters that require their approval. In view of the nature of the functions of his office, the Corporate Secretary is required to attend all board meetings.

On November 30, 2016, the Board of Directors appointed Atty. George G. Dela Cuesta as the Bank's Corporate Secretary following the resignation of Atty. Maria Celia H. Fernandez-Estavillo effective December 31, 2016.

MEETINGS AND QUORUM REQUIREMENT

The Board schedules and holds regular meetings monthly in accordance with the Bank's By-Laws, and convenes for special meetings when required by business exigencies. Prior to the regular or special meeting, each director is furnished with a copy of the notice, agenda and other relevant meeting materials. Every Board meeting, whether regular or special, is duly minuted.

Board meetings for the coming year are scheduled in December of the preceding year. The By-Laws provide that board meetings shall be held on the last Monday of each month.

Directors attend regular and special meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC and in a manner allowing the director to actively take part in the deliberations on matters taken up. The Bank ensures availability of teleconferencing facilities when justifiable causes prevent the director's attendance. A director may also attend the meetings by submitting written comments on the agenda to the Corporate Secretary and the Chairperson prior to the meeting, as provided in Subsection X141.1 of the Manual of Regulations for Banks.

Independent directors must always attend Board meetings, and his absence will only be excused in exceptional cases. It is required that at least a majority of independent directors must be present in order to constitute a quorum. To promote transparency, there must always be at least one independent director in all board meetings. A majority of directors present is required to pass any item on the agenda, unless a higher voting requirement is provided under law, regulation or the Bank's by-laws for the specific matter at hand.

The Bank submits annually a sworn certification about the directors' record of attendance in Board meetings through SEC Form 17-C to the SEC and PSE.

For the period January to December 2016, the members' attendance at Board and Board Committee meetings are as follows:

DIRECTORS	BOARD		EXCOM[1]		AUDIT[2]		ROC[3]		CG[4]		RPT[5]		TECH[6]		TC[7]		PERC[8]	
	M*	A**	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A
ALFONSO T. YUCHENGCO[9]	19	11																
HELEN Y. DEE	23	23	49	45			6	4	8	6			11	10			5	5
GIL A. BUENAVENTURA[10]	8	8	24	21			6	5					5	5	6	6		
LORENZO V. TAN[11]	8	4	17	8			4	2					4	2	4	2		
CESAR E.A. VIRATA	23	23	49	45			12	11					11	9	12	12		
TEODORO D. REGALA[12]	17	17	27	26							8	5			7	7		
WILFRIDO E. SANCHEZ[13]	17	15							8	5	7	7			7	6		
MARIA CELIA H. FERNANDEZ-ESTAVILLO[14]	13	13							7	7							4	4
MEDEL T. NERA[15]	17	17			9	9	7	7					7	7				
TZE CHING I. CHAN	23	22																
RICHARD G.A. WESTLAKE	23	21					12	10										
YUH-SHING (FRANCIS) PENG	23	22							5	4	13	11						
JOHN LAW	23	16					6	2										
FLORENTINO M. HERRERA III[16]	4	3																
FRANCISCO C. EIZMENDI, JR.[17]	13	12			8	6			7	7	8	7						
ARMANDO M. MEDINA	23	23	25	23	8	8	6	6			5	5	11	11	5	5		
ANTONINO M. ALINDOGAN, JR.[18]	13	10	24	19							8	8						
JUAN B. SANTOS[19]	3	3					3	3			2	2			3	3		
MELITO S. SALAZAR, JR.[20]	10	9			8	8			6	4								
ADELITA A. VERGEL DE DIOS[21]	10	9			8	7			6	6	5	4						
LILIA R. BAUTISTA[22]	6	6	22	19														
GABRIEL S. CLAUDIO[23]	6	5							5	5	4	4						
VAUGHN F. MONTES	4	4			4	3	3	3	5	3			2	2				

*Number of meetings held during the Year, including special Board, stockholders and organizational meetings of the Board **Number of meetings attended [1]Executive Committee [2]Audit Committee [3]Risk Oversight Committee [4]Corporate Governance Committee [5]Related Party Transactions Committee [6]Technology Committee [7]Trust Committee [8]Personnel Evaluation [9]Resigned effective August 30, 2016 [10]Appointed by the Board on May 16, 2016 as President and CEO and elected during the Stockholders' Meeting on June 27, 2016, effective July 1, 2016 [11]Resigned effective May 6, 2016 [12]Resigned effective close of business hours of July 25, 2016 [13]Resigned effective close of business hours of July 25, 2016 [14]End of Term on June 27, 2016 Stockholders' Meeting [15]Resigned effective close of business hours of July 25, 2016 [16]Appointed by the Board on August 30, 2016 [17]End of Term on June 27, 2016 Stockholders' Meeting [18]End of Term on June 27, 2016 Stockholders' Meeting [19]Elected during the Stockholders' Meeting on June 27, 2016 [20]Elected during the Stockholders' Meeting on June 27, 2016 [21]Elected during the Stockholders' Meeting on June 27, 2016 [22]Appointed by the Board on July 25, 2016 [23]Appointed by the Board on July 25, 2016 [24]Appointed by the Board on July 25, 2016

BOARD COMMITTEES

The Board has delegated certain functions to the following Board Committees:

1. The Executive Committee

Composition:
Chairman, Vice-Chairman and four (4) members to be elected by the Board of Directors from among themselves.

Members:
Ms. Helen Y. Dee – chairperson
Mr. Gil A. Buenaventura – co-chairman
Mr. Cesar E.A. Virata
Mr. Armando M. Media *(ind.)*
Amb. Lilia R. Bautista *(ind.)*

Activities in 2016:

- Discussed various policies issued by regulatory agencies;
- Approved non-DOSRI loans over P100 million up to below 15% of the Bank's unimpaired capital;
- Evaluated and approved various operations/ product manuals;
- Reviewed and endorsed for Board approval various management matters;
- Deliberated upon and approved various management matters within its approving authority.

2. The Audit Committee

Composition:
At least three (3) members of the Board, at least two (2) of whom shall be independent directors, including the Chairman, and another one with audit experience.

Members:
Mr. Melito S. Salazar, Jr. *(ind.)* – chairperson
Atty. Adelita A. Vergel de Dios *(ind.)*
Mr. Vaughn F. Montes, Ph.D. *(ind.)*

Responsibilities:
The Audit Committee assists the Board in fulfilling its oversight responsibilities for: (i) the integrity of the bank's accounting and financial reporting, principles, policies and system of internal controls, including the integrity of the Bank's financial statements and the independent audit thereof; (ii) the Bank's compliance with legal and regulatory requirements; (iii) the Bank's assessment and management of enterprise risks including credit, market, liquidity, operational and legal risks; and (iv) the Bank's audit process and the performance of the Bank's internal audit and external auditors, including the external auditors' qualifications and independence.

In 2016, the Audit Committee fulfilled its duties and responsibilities as embodied in the Audit Committee Charter, particularly on areas of Internal Control, Risk Management, Financial Reporting, Internal and External Audit, Compliance with Laws and Regulations, Ethics and Business Conduct and other functions as requested by the Board. Work done include, but not limited to, the following:

- Performance of oversight functions over the internal and external auditors and ensuring that they acted independently from each other and both auditors were given unrestricted access to records, properties and personnel in the discharge of their functions.

- Review of audit reports of both internal and external auditors and engaging in discussions of the results of audits during Audit Committee meetings to evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting and information technology security. This also included the

review of the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters:
- Any changes in accounting policies and practices;
- Significant adjustments arising from audit;
- Compliance with accounting standards;
- Compliance with tax, legal and regulatory requirements;
- Going concern assumptions;
- Major judgmental areas; and
- Completeness of disclosures of material information including subsequent events and related party transactions.

- Review of the extent and scope, activities, staffing, resources and organizational structure of the Internal Audit function and approved the annual audit plan to ensure its conformity with the objectives of the Bank. This also included quarterly review of audit plan accomplishment / status including capacity and manpower complement.

- Review of the compliance reports of the Compliance Officer during Audit Committee meetings to assess compliance with laws, rules and regulations. This also included the review of findings of any examinations by regulatory agencies (e.g., BSP).

- Review of the Audit Committee and Internal Audit Charters.

3. The Risk Oversight Committee

Composition:
At least three (3) members of the Board of Directors including at least one (1) independent director and a chairman who is a non-executive member

Members:
Mr. Vaughn F. Montes, Ph. D *(ind.)* – chairman
Mr. Melito S. Salazar, Jr. *(ind.)* – vice-chairman
Mr. Cesar E.A. Virata
Mr. Richard G.A. Westlake
Mr. John Law;
Mr. Juan B. Santos *(ind.)*
Mr. Gil A. Buenaventura *(observer)*

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

The highlights of the Risk Oversight Committee's actions in 2016 are as follows:

Organizational Matters:

- Conduct of Self-Assessment of 2015 performance;
- Oversight on preparation of the Annual Report's Risk & Capital Management, and Corp. Governance sections;
- Notation and confirmation of accomplishments and plans for various CRISMS divisions;
- Approval of job descriptions for the Infosec Governance function;

- Approval of the creation of a Fraud Management function;

General Risk Management Policies, Procedures:

- Approval of 2016 Portfolio & Risk Limits
- Approval of Bank replies to BSP ROE findings on risk management
- Approval of Fraud Management Framework
- Approval of reporting of Trust discrepancy items
- Notation and disposition of limits compliance reports
- Notation of Manuals reviewd by CRISMS for 2016
- Initiation of ROC Charter review
- Discussion, notation, and approval of Bank AML initiatives

Internal Capital Adequacy Assessment Process (ICAAP) & Basel III:

- Approval of March 2016 ICAAP Document & Roadmap;
- Approval of 2016 Consolidated Risk Appetite Statement;
- Approval of the 2016 – 2018 ICAAP Financial Projections;
- Approval of material risks to be covered for 2016;
- Approval of Capital options addressing a breach on internal CAP limits;
- Approval to amend the Enterprise Risk Appetite matrix to include AML-specific thresholds;
- Approval of growth limits for the Group's RE exposures relative to capital adequacy floors;
- Approval of the Bank's Recovery Plan (RP) Document submitted to the BSP in June 2016;
- Approval of the Bank's RP framework including Recovery triggers, stress, and options;
- Discussion and Notation of regular ICAAP Basel III runs;
- Discussion and Notation of various RAPM runs;
- Discussion and notation of REST runs;
- Discussion and Notation of various regulatory issuances impacting Capital Adequacy;

Credit Risk:

- Notation and disposition of Credit Stress Testing results;
- Notation and disposition of regular credit risk portfolio reports on ratings migration, concentration, asset quality, and risk-based pricing compliance;
- Notation of reports on subsidiary credit risk oversight;
- Oversight on BSP Circular No. 855 (Credit Risk Management) implementation;
- Notation and discussion of Loan Portfolio RAROC analysis;
- Approval of amendments to policy on risk rating coverage;
- Approval of policy on the review process for 1:1 loans;

- Approval of the revised rating scale for performing borrowers;
- Approval of the Facility Risk Rating Framework;
- Approval of the Expected Credit Loss Framework and methodology;
- Approval of the revised policy on Treasury credit exposures;
- Approval of financial & credit metrics for use in review of Treasury credit exposures;
- Approval of the creation of a SEMS Coordinator function;
- Approval to purchase S&P Scorecards updates;

Market & Liquidity Risk:

- Confirmation of ALCO actions on disposition of various limit breaches;
- Approval of amendments to the Model Risk Framework;
- Approval of amendments to the Core Deposit model and B/S rollover ratios;
- Approval of 3rd party validation of market risk models;
- Notation and discussion of progress of liquidity scenario in relation to the BB incident;
- Notation and disposition of regular market & liquidity risk reports;
- Notation of BSP/s LCR implementation timeline and internal LCR simulations;

Operational Risk:

- Approval of amendments to the ORMD Framework and various Guidelines on KRI, RCSA, and Loss Events reporting;
- Approval of the creation of a Senior Management Operational Risk Committee;
- Approval of amendments to the ORM manual;
- Approval of the conduct of AML-specific RCSA for bank products;
- Approval of KRIs for AML;
- Approval of the consolidation of existing framework into a single AML Risk Management Framework;
- Notation of other matters covered by ORM oversight;

Information Security Governance:

- Approval of various Information Security ("InforSec") policies
- Notation of the SGV report on RCBC's cyber security landscape
- Notation of regular InforSec and technology reports

Contingency Management / Business Continuity:

- Noted and concurred with the results of the study on the construction of a second Disaster Recovery site
- Approval of the amended Crisis Management Team
- Approval of the amended Crisis Communication Team
- Approval of the deployment of manpack repeaters & radio communication process ownership

- Notation of Disaster Recovery Test reports
- Notation of various contingency initiatives and disaster preparedness activities

Risk Management Systems:

- FATCA Implementation oversight
- Notation of regular updates on the implementation of risk management projects

Trust Risk Management:

- Notation of regular Trust risk management reports

Consumer Protection:

- Approval of the Financial Consumer Protection Framework

4. The Corporate Governance Committee

Composition:
At least three (3) members of the Board, two (2) of whom shall be independent directors, including the chairman.

Members:
Atty. Adelita A. Vergel de Dios *(ind.)* – chairman
Mr. Melito S. Salazar, Jr. *(ind.)*
Mr. Vaughn F. Montes, Ph.D. *(ind.)*
Mr. Gabriel S. Claudio *(ind.)*
Mr. Yuh-Shing (Francis) Peng

Responsibilities:

- Oversee the development and implementation of corporate governance principles and policies;
- Review and evaluate the qualifications of the persons nominated to the Board as well as those nominated for election to other positions requiring appointment by the Board;
- Identify persons believed to be qualified to become members of the Board and/or the Board Committees;
- Assist the Board in making an assessment of the Board's effectiveness in the process of replacing or appointing new members of the Board and/or Board Committees;
- Assist the Board in developing and implementing the Board's performance evaluation process and rating system that constitute a powerful and valuable feedback mechanism to improve Board effectiveness, maximize strengths and highlight areas for further development;
- Provide guidance to assist the Board in developing a compensation philosophy or policy consistent with the culture, strategy and control environment of the Company;
- Oversee the development and administration of the Company's executive compensation programs, including long-term incentive plans and equity-based plans for Officers and Executives;
- Assist the Board in the performance evaluation of and succession planning for Officers including the CEO and in overseeing the development and implementation of professional development programs for Officers.

In 2016, the Corporate Governance Committee performed the following major actions which include, among others:

- Review and evaluation of the qualifications of persons nominated to the Board as well as new officers with rank of Assistant Vice President and up requiring appointment by the Board;
- Review the interlocking directorships of members of the Board;
- Recommended to the Board the adoption of the recommendations of the International Finance Corporation ("IFC") in its reports

on the Corporate Governance Excellence Program for RCBC;

- Oversaw and monitored the implementation of the recommendations of IFC;
- Review and evaluation of the results of the annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees;
- Review of the annual performance evaluation of senior management and those recommended for promotion; and
- Review/evaluation of certain findings of the BSP in the recent examination.

5. The Trust Committee

Composition:
At least five (5) members including (i) the president or any senior officer of the bank and (ii) the trust officer. The remaining committee members, including the chairman, may be any of the following: (i) non-executive directors or independent directors who are not part of the Audit Committee or (ii) those considered as qualified independent professionals, provided that in case there are more than five (5) Trust Committee members, the majority shall be composed of qualified non-executive members

Members:
Mr. Juan B. Santos *(ind.)* – chairman
Mr. Gil A. Buenaventura
Mr. Cesar E.A. Virata
Mr. Armando M. Medina *(ind.)*
Ms. Lourdes M. Ferrer

Responsibilities:
Oversees the trust and fiduciary business of the Bank.

As mandated in its charter, the Trust Committee accomplished various activities in 2016 which include, but is not limited to, the following:

- Formulation of policies and guidelines:
  - Approval of Revised Trust Policy Manual (November 2016)
  - Approval of Revised Trust Risk Manual (November 2016)
  - Approval of new policies and guidelines to further streamline controls:

  a) Guidelines on access to the BSP Overnight and Term Deposit Facility

  b) Policies and guidelines on transactions monitoring, suspicious transactions and alert dispositions

  c) Policies and guidelines on records management and retention

  d) Required due diligence check on certified UITF marketing personnel

  e) Guidelines related to consumer protection in Trust

  f) Revised rating system for stockholders

  g) Implementation of thank you letter

  h) Revised trust trading limits

  i) Mark-to-market valuation of financial assets of Trust

  j) Revised Trust and Stock Transfer Operations Manuals

  k) Policy on related party transactions covering UITFs

  l) Revised benchmarks for Rizal UITFs

  m) Escalation and triage policy for Trust

- Conducted oversight of trust business
  - Review of Trust performance for 2015
  - Approval of Trust business plans for 2016
  - Review of monthly financial performance of Trust for 2016
  - Discussions of impact of new regulations issues on the Trust business
  - Review of industry landscape and trends (quarterly)
  - Monthly review of status of trust loan portfolio and past due loans
  - Annual status report on ROPAs held by Trust
  - Performance review of accounts (February 2016)
  - Administrative review of accounts (Year-round as presented by management)
  - Report on compliance with client prescribed limits (quarterly)
  - Discussions on the monthly market updates and investment strategies of Trust
  - Product development efforts for 2016
    - a) Soft-launch of UITF Online Investing Facility for RCBC employees only (August 2016)
    - b) Distribution of FAQ for UITFs to update marketing personnel
    - c) Continued accreditation of UITF marketing personnel (3 sessions in 2016)
    - d) Launched Race to Billion incentive campaign for UITFs
    - e) Release of various UITF teasers to promote product awareness
    - f) Updates on Rizal UITF product manual (November 2016)
    - g) Approval of Revised Risk Disclosure Statement to comply with BSP requirements (August 2016)
    - h) Creation of Personnel Management Trust to replace Living Trust Accounts
    - i) Implementation of the Key Information and Investment Disclosure for UITFs
  - Participation in BSP PERA Ceremonial Launch as Product Provider
  - Discussions on account opened and closed on a monthly basis together with new mandates obtained
  - Review of succession plan for Trust (November 2016)
  - Implementation of the trade and Order Monitoring System (real time risk management system)
- Evaluation and approval of management recommendations on the investment and disposition of funds or
  - Approval of lines for local financial institutions (November 2016)
  - Approval of lines of foreign financial institutions (July 2016)
  - Accreditation of stockbrokers (Sept 2016)
  - Approval of credit lines for corporate borrowers and bond issuers (as necessary)

- Approval of the list of investment outlets for various accounts (as necessary)
- Approval of various issues (bonds, IPOs and preferred shares) offered in the market
- Approval of list of equity issues (August 2016)

• Management of risks in the conduct of the trust business
  - Monthly discussion and review of various risk management reports (market risk, credit risk, operational risk, reputation risk, strategic risk, legal risk)
  - Discussions on incident reports and issues affecting Trust
  - Monitoring of the proper implementation of approved policies and guidelines
  - Review of compliance with applicable laws and regulations
  - Development of systems to enhance productivity and customer service
    a) Implementation of additional enhancements to the Administrative Review Monitoring System
    b) Implementation of the Trade and Order Monitoring System (real time risk management system)
    c) New Trust core system – Completed vendor selection, contract execution and gap analysis (Miles Moneyware)
    d) Development of STARs3 system for stock transfer business – under UAT phase as of December 2016
  - Service level agreement for regulatory disclosures reporting
  - Updates on regulatory developments and impacts to Trust business.

• Audit and Compliance
  - All trust units obtained a satisfactory 4 star rating from Internal Audit for 2016
  - Addressed various audit and compliance issues in BSP examination, internal audit and semi-annual compliance reviews

6. The Technology Committee

Composition:
At least 5 members of the Board.

Members:
Ms. Helen Y. Dee – chairman
Mr. Gil A. Buenaventura
Mr. Cesar E.A. Virata
Mr. Armando M. Medina *(ind.)*
Mr. Vaughn F. Montes, Ph.D *(ind.)*

Responsibilities:

The committee exercises authority over all IT Project Steering Committees of the various RCBC Business groups and subsidiaries, with the principal purpose of assisting the Board in fulfilling the following oversight functions:

- Approves major IT investments
- Manages and aligns IT initiatives across the Group
- Reviews status of major projects
- Prioritizes IT initiatives, when warranted
- Evaluates emerging IT solutions for use of the Group
- Reviews and resolves IT risks and other IT related issues raised by the Tech Com
- Ensures compliance to BSP rules and regulations relating to Information Technology

7. The Personnel Evaluation and Review Committee

Composition:
A Chairperson, who shall be a member of the Board of Directors, and other members who may either be directors or senior management officers of RCBC. The Head of the Internal Audit Group shall sit during meetings as a resource person.

Members:
Ms. Helen Y. Dee – chairperson
Ms. Lizette Margaret Mary J. Racela – Head, Retail Banking *(until November 30, 2017, replaced by Mr. Jonathan C. Diokno effective January 16, 2017)*
Mr. Florentino M. Madonza – Head, Controllership
Mr. Regino V. Magno – Corporate Risk Management Services
Ms. Rowena F. Subido – Head, Human Resources
Atty. Maria Celia Fernandez-Estavillo – Head, Legal and Regulatory Affairs *(until December 31, 2016)*

Responsibilities:
- To act as an independent body in the evaluation and review of cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.
- To ensure that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.

8. The Related Party Transactions Committee

Composition:
The committee shall be composed of at least three (3) members of the Board of Directors, entirely consisting of independent and non-executive directors, with independent directors comprising the majority.

Members:
Mr. Armando M. Medina *(ind.)* – chairman
Atty. Adelita A. Vergel de Dios *(ind.)*
Mr. Gabriel S. Claudio *(ind.)*
Mr. Juan B. Santos *(ind.)*
Mr. Yuh-Shing (Francis) Peng

Responsibilities:
- The Committee evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured;
- The Committee evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions;
- The Committee shall ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflict of interest or potential conflict of interest.

In 2016, the Related Party Transactions fulfilled its mandate under its charter particularly on the review and disclosure of material related party transactions. Work done by the Committee in 2016 include the following:

- The review and endorsement to the Board for approval of the revised Policy on Related Party Transactions in accordance with the BSP Circular No. 895 or "Guidelines on Related Party Transactions;"
- Review of related party transactions with a threshold amount of Php10,000,000.00 and above and those that require Board approval, i.e., DOSRI loans, to ensure that such transactions are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances;
- Oversaw the filing of required reports under BSP Circular No. 895, i.e., Report on Conglomerate Structure and Report on Material Related Party Transactions.

MATERIAL TRANSACTIONS

The Bank is committed to disclose material information to its stakeholders as part of its adherence to transparency, accountability and fairness. Following are the material transactions approved by the Board for 2016:

- Approval of the voluntary leave of absence filed by Mr. Lorenzo V. Tan effective March 23, 2016;
- Approval of the Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC-Trust and Investment Group as of year ended December 31, 2015, as audited by Punongbayan & Araullo, subject to the final approval of the stockholders;
- Appointment of Mr. Raymundo C. Roxas as President and Director of Merchants Savings and Loan Association, Inc., doing business under the name and style of Rizal Microbank effective March 21, 2016;
- Increase in the Programme Size of Bank's Medium Term Note Programme from USD 1 Billion to USD 2 Billion.
- Resignation of Mr. Raul V. Tan, Treasurer and Executive Vice President effective April 20, 2016;
- Appointment of Mr. Carlos Cesar B. Mercado as acting Treasurer effective April 20, 2016;
- Secondment to RCBC Savings Bank and Appointment of Mr. Claro A. Pineda III as Acting Head of Operations and Technology of RCBC Savings Bank effective May 2, 2016;
- Change in the secondment status of Mr. Simon Javier A. Calasanz in RCBC Bankard Services Corporation as its new Director and President and CEO after the retirement of Mr. Oscar B. Biason;
- Designation of Ms. Evelyn Nolasco as Director and Vice President of Niyog Property Holding, Inc. effective May 1, 2016;
- Designation of Mr. Claro Patricio L. Contreras as Chairman and President, Ms. Loida C. Papilla as Director and Vice President and Mr. Rolando I. Ramirez, Jr. as Director of RCBC-JPL Holdings Co., Inc.;
- Resignation of Mr. Lorenzo V. Tan effective May 6, 2016;
- Declaration and payment of cash dividend, subject to BSP approval, amounting to P0.72 per share, or a total of approximately P1.0008 Billion payable to holders of

Preferred and Common Class shares as of the close of the 10th trading day from receipt of approval of BSP (July 1, 2016) and payable within ten (10) trading days from record date (July 18, 2016);

- Hiring of Mr. Chester Y. Luy as Senior Executive Vice President and Treasurer/ Head of the Treasury Group;
- The hiring of Mr. Samuel V. Poblete as Senior Vice President and Head of Branch Audit Group;
- The appointment of Mr. Gil A. Buenaventura as Director, President and Chief Executive Officer effective July 1, 2016;
- The appointment of Ms. Margarita B. Lopez, First Senior Vice President, as Head of the Operations Group concurrent with her role as Head of Digital Banking Group Head effective June 16, 2016;
- Resignations of Mr. Medel T. Nera, Atty. Teodoro D. Regala and Atty. Wilfrido E. Sanchez as members of the Board effective close of business hours of July 25, 2016;
- Appointment of Ambassador Lilia R. Bautista as Independent Director and member of the Executive Committee effective close of business hours of July 25, 2016;
- Appointment of Mr. Gabriel S. Claudio as Independent Director and member of the Corporate Governance Committee and Related Party Transactions Committee effective close of business hour of July 25, 2016;
- Appointment of Mr. Vaughn F. Montes, Ph.D. as Independent Director and member of the Risk Oversight Committee, Audit Committee, Technology Committee and Corporate Governance Committee effective August 1, 2016;
- Appointment of Mr. Yuh-Shing (Francis) Peng as member of the Corporate Governance Committee to replace Chairperson Helen Y. Dee;
- Appointment of Independent Director Armando M. Medina as member of the Trust Committee, and the appointment of Mr. Cesar E.A. Virata as Acting Chairman of the Trust Committee;
- Retirement of Ambassador Alfonso T. Yuchengco as Honorary Chairman of the Board, and his appointment as Chairman Emeritus effective August 30, 2016;
- Appointment of Atty. Florentino M. Herrera III as a Regular Director on August 30, 2016;
- Recall of secondment to RCBC Forex Corporation of Mr. Joseph Colin B. Rodriguez, and his secondment to and appointment as Treasurer of RCBC Savings Bank effective September 1, 2016;
- The appointment of Mr. Regino V. Magno as Group Head of Business Risk effective October 1, 2016;
- The appointment of Ms. Ana Luisa S. Lim as Group Head of Operational Risk effective October 1, 2016;
- The confirmation of concurrent and interlocking appointment of RCBC's Treasurer Mr. Chester Y. Luy as President and Chief Executive Officer of RCBC Forex Brokers Corporation November 28, 2016;

- The hiring of Atty. George G. Dela Cuesta as Deputy Group Head of Legal and Regulatory Affairs Group with the rank of First Senior Vice President on November 28, 2016. He assumed the positions of Group Head of Legal Affairs Group and Corporate Secretary effective January 1, 2017;
- The hiring of Mr. Jonathan C. Diokno as Group Head of Retail Banking Group with the rank First Senior Vice President effective January 16, 2017;
- Approval of proposed 2017 Budget;
- Revisions to various policy manuals.

PERFORMANCE EVALUATION AND ASSESSMENT OF INDEPENDENCE

The members of the Board conduct an annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees. The self-assessment includes an evaluation of the independent judgment, objectivity and balanced perspectives of each member and of the Board as a whole. The Audit Committee's self-assessment complies with SEC Memorandum Circular No. 4, s. 2012 entitled "Guidelines for the Assessment of the Performance of Audit Committees Listed in the Exchange." Additionally, the independent directors conduct an annual assessment of the Chairperson of the Board and the non-executive directors conducted an assessment of the CEO. For 2016, the Board of Directors conducted a peer evaluation to gain an objective view of individual director performance. The purpose of the exercise is to provide a holistic picture of the strengths and weaknesses of each director and their respective contribution to the effectiveness of the Board.

The self-assessment forms are based on the Bank's Revised Corporate Governance Manual, SEC and BSP rules and regulations. Results of the assessment are submitted to the Corporate Governance Committee, and are considered in making recommendations on the directors to be nominated to the Board and appointed to the Board committees for the following year. Criteria used in the assessment are disclosed in the SEC Annual Corporate Governance Report (SEC ACGR) under Board, Director, Committee and CEO Appraisal. Criteria for the assessment of the Chairperson by the independent directors are based on the duties and responsibilities of the Chairperson under the Corporate Governance Manual, BSP and SEC issuances.

SEPARATE MEETING OF THE NON-EXECUTIVE DIRECTORS

Section II.A. 2.3.14 of the Bank's Corporate Governance Manual provides that non-executive Board members shall meet regularly, other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

A meeting of the non-executive directors was held in May 2017.

SHAREHOLDINGS IN THE COMPANY

The following major shareholders directly and indirectly own shares in the company:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower RCBC Plaza 6819 Ayala Avenue, Makati City Relationship with issuer: RCBC is a subsidiary of PMMIC	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Filipino	*594,248,081	42.45%
Common	**Cathay Life Insurance Corp.** Address: 296 Ren Al Road Sec4 Taipei 10633 Taiwan R.O.C. Relationship with Issuer: Stockholder		Non-Filipino	317,963,907	22.71%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address: 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with the issuer: Stockholder	International Finance Corporation (IFC) *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholder of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	107,875,642	7.70%

**Combined direct and indirect shares of PMMIC*

The following directors directly and indirectly own shares in the company:

Title of Class	Name of Beneficial Owner	Amount and Nature of Record / Beneficial Ownership		Citizenship	Percent of Class (%)
		Amount	Nature		
1 Common	Helen Y. Dee	**9,352,290**	**R/B**	Filipino	0.0067
2 Common	Gil A. Buenaventura	**50**	**R/B**	Filipino	0.0000
3 Common	Cesar E.A. Virata	**1,001,670**	**R/B**	Filipino	0.0007
4 Common	Lilia R. Bautista	**50**	**R**	Filipino	0.0000
5 Common	Vaughn F. Montes	**50**	**R**	Filipino	0.0000
6 Common	Florentino M. Herrera III	**34,670**	**R/B**	Filipino	0.0002
7 Common	Richard G.A. Westlake	**10**	**R**	New Zealander	0.0000
8 Common	Tze Ching Chan	**10**	**R**	Chinese	0.0000
9 Common	Yu-Shing Peng	**10**	**R**	R.O.C. Taiwan	0.0000
10 Common	Armando M. Medina	**1,950**	**R**	Filipino	0.0000
11 Common	John Law	**10**	**R**	French	0.0000
12 Common	Gabriel S. Claudio	**10**	**R**	Filipino	0.0000
13 Common	Melito S. Salazar, Jr.	**10**	**R**	Filipino	0.0000
14 Common	Adelita A. Vergel de Dios	**10**	**R**	Filipino	0.0000
15 Common	Juan B. Santos	**5**	**R**	Filipino	0.0000

The following officers directly and indirectly own shares in the company:

Title of Class	Name of Beneficial Owner	Amount and Nature of Record / Beneficial Ownership		Citizenship	Percent of Class (%)
		Amount	Nature		
1 Common	Gerald O. Florentino	**55,000**	**B**	Filipino	0.000
2 Common	Maria Celia H. Fernandez-Estavillo	**450,180**	**B**	Filipino	0.032
3 Common	Evelyn Nolasco	**47,000**	**B**	Filipino	0.000

ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the stockholders who are provided with a balanced and comprehensible assessment of the Bank's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

INTERNAL AUDIT FUNCTION

The Bank has in place an independent internal audit function shared by the Head Office Audit Group and the Branch Audit Group. The Internal Audit Group and the Branch Audit Group conduct independent and objective internal audit activities designed to add value to and improve the Bank's operations, and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, senior management, and stockholders gain reasonable assurance that its key organizational and procedural controls are appropriate, adequate, effective and complied with.

The minimum risk management and internal control mechanisms for Management's operational responsibility is centered on the CEO who is ultimately accountable for the Bank's organization and procedural controls.

At the very least, internal audit examinations cover the following:

- Evaluation of significant risk exposures and adequacy of risk management process;
- Evaluation of the adequacy and effectiveness of controls encompassing the organization's governance, operations, and information systems including the reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, rules, regulations and contracts.

The audit reports summarize the risk exposures, control issues, recommendations, status of committed actions, officers responsible and implementation dates.

An independent assessment of the effectiveness of the internal audit function is conducted every 3 or 5 years by an external auditor through a quality assurance review. In 2015, the internal audit function underwent full external quality assessment review by an independent assessor and the latest Quality Assurance Report was released on November 25, 2015.

THE EXTERNAL AUDITOR

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

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount billed/ to be billed, excluding out-of pocket expenses, by its independent accountant amounts/amounted to P10.73 million and P10.20 million for 2016 and 2015, respectively. Additionally, approximately P2.15 million was paid for other services rendered by the independent accountant in 2016.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2016 and 2015, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

CERTIFICATION BY CEO AND INTERNAL AUDIT

Mr. Gil A. Buenaventura, President and CEO, and Mr. Samuel V. Poblete, Branch Audit Group Head, submitted a certification to the Corporate Governance Committee that for the calendar year ended 2016, a sound internal audit, control and compliance system were in place and are continuously being improved pursuant to noted Bangko Sentral ng Pilipinas observations in order for the aforesaid systems to work more effectively. The certification complies with PSE Corporate Governance Guidelines for Listed Companies.

INTERNAL CONTROL

Effective internal control is the foundation of safe and sound banking. It reduces the possibility of significant errors and irregularities, and in the event of occurrence, said internal control assists in timely detection. A properly designed and consistently enforced system of operational and financial internal controls helps the Bank's Board of Directors and Management to safeguard the Bank's resources, produce reliable financial reports and comply with applicable laws and regulations.

The Bank has established an effective internal control system to ensure that the Bank is managed and controlled in a sound and prudent manner. It includes the following critical components:

- Control Environment

  Control environment is the framework under which internal controls are developed, implemented and monitored. It consists of the mechanisms and arrangements that ensure internal and external risks to which the company is exposed to are identified, and appropriate and effective internal controls are developed and implemented to manage said risks soundly.

  The control environment emanates from the Board of Directors and reflects Management's commitment to internal controls. In line with this, the Management has ensured the strategic implementation of internal controls that provide for an organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to prescribed policies, effective risk assessment, timely and accurate financial and regulatory reports, and adequate procedures to safeguard and manage the Bank's assets.

- Risk Assessment

  Risk assessment is the identification and analysis of relevant inherent and residual risks and the corresponding control mechanisms that can adversely affect the achievement of the Bank's objectives. The assessment helps determine the adequacy and effectiveness of control mechanisms in mitigating risks and the strengths and weaknesses of the risk environment.

  The Corporate Risk Management Services Group (CRISMS) has come up with a Risk Management Manual which provides a detailed discussion on each type of risk including the identification, measurement and management of risks.

  The assessment of control mechanisms in managing inherent and residual risks by the business units is an effective risk engine in the risk management process. By determining and assessing the risks involved in banking operations, the Bank can decide what types of controls are needed and how they should be managed.

- Control Activities

  Control activities refer to the policies and procedures designed to help ensure that all bank personnel are properly guided by the control measures established by the Bank. Control activities form an integral part of the daily activities of the Bank. An effective internal control system requires that appropriate control mechanisms are set up, with control activities defined at every business level. In this regard, the Bank has ensured that control activities, which are directed through policies and procedures, are designed and implemented to address the risks involved in banking operations.

  The control activities implemented by the Bank include, but are not limited to, the following:

  a. Establishing approvals and authorization for transactions and activities;

  b. Reconciliation;

  c. Review of operating performance and exception reports;

  d. Establishing safeguards or physical controls for use of assets and records;

  e. Segregation of duties to reduce a person's opportunity to commit and conceal fraud or errors;

  f. Requirement on mandatory leaves;

  g. Rotation of duties; and

  h. Number control

- Management Reporting System

  Another element in an effective internal control program involves accurate accounting and comprehensive information and communication systems that are relevant to decision-making. These systems not only capture information and generate necessary reports, but also enable all personnel to understand their roles in the overall control system, how their activities relate to others, and their accountability for the activities they conduct.

- Monitoring Activities and Correcting Deficiencies

Monitoring activities entails assessing the quality of performance over time and making any necessary modifications to correct any deficiencies.

The overall effectiveness of the Bank's internal controls is monitored on an ongoing basis. In view of changing internal and external conditions, Management continually monitors and evaluates the Bank's internal control system to ensure that these are adequate and continue to function properly. Periodic assessment and evaluation of control mechanisms used in managing risks are conducted by the business units in coordination with internal audit, risk management and other support units. Internal control deficiencies, whether identified by business units, internal audit or other control personnel, are reported in a timely manner to the appropriate management level so that the same can be addressed immediately.

Internal control is the responsibility of all employees of the Bank. Everyone in the organization is responsible in ensuring that the internal control measures being adopted by the organization are properly and strictly enforced and are effectively operational. The channels of communication have ensured that all employees fully understand and adhere to policies and procedures affecting their work, and that other relevant information is properly communicated to the appropriate personnel. Likewise, the Bank's internal audit, risk management unit and external audit provide an objective, independent review of bank activities, internal controls and management information systems to help the Board of Directors and the Management monitor and evaluate internal control adequacy and effectiveness.

POLICIES

THE POLICY ON RELATED PARTY TRANSACTIONS

In May 2016, the Board approved the revised Policy on Related Party Transactions following BSP's issuance of Circular No. 895 or Guidelines on Related Party Transactions on December 14, 2015. The said policy adopted the definition of "related party transactions" under the circular. Thus, "related party transactions" are transactions or dealings with related parties of the Bank, including its Trust department, regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements)
- Construction arrangements/contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

The term "related parties" under the Bank's policy is broader in scope as includes members of the Advisory Board, consultants of the Bank, and even non-related parties provided that their transactions with the Bank or its related parties may benefit other related parties or the Bank, respectively.

The Bank constituted the Related Party Transactions Committee and RPT Management Committee to review and approve, as the case may be, related party transactions.

The Related Party Transactions Committee is a Board-level committee that reviews material related party transactions to ensure that the terms are no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. A transaction is considered "material" if it involves an amount of at least P10,000,000.00, or the transaction requires Board approval such as in the case of DOSRI loans and other credit transactions. Material related party transactions are approved by the Board and subsequently presented to the stockholders at the Annual Stockholders Meeting for confirmation.

Transactions below the materiality threshold of P10,000,000.00 are reviewed and approved by the RPT Management Committee composed of Group Heads of the following units, or their respective designates:

1. Controllership Group
2. Operations Group
3. Corporate Risk Management Services ("CRISMS") Group
4. Retail Banking Group
5. Corporate Planning Group

Transactions approved by the RPT Management Committee are confirmed by the Board of Directors.

The Bank observes the following limits on exposures to related parties:

	INDIVIDUAL	AGGREGATE
LOANS / CREDIT	25% of Capital	50% of Capital
OTHER CONTRACT	None	10% of Capital

Breaches in the foregoing limits are reportable to the Board of Directors with the decision of the Board to accept the exposure or to take steps to address the breaches, as may be necessary, duly documented in the minutes of the meeting.

Under BSP Circular No. 895, Banks are required to submit a report on material exposures to related parties, which shall include the material RPTs of their non-bank financial subsidiaries and affiliates within 20 calendar days after the end of the reference quarter.

Details of the Bank's major related party transactions in 2016 are described below (Amounts in Millions of Philippine Peso):

- The total amount of DOSRI loans was at Php1,125 as of end December 2015 and was at Php553 by end of December 2016.
- RCBC and certain subsidiaries engage into trading of investment securities. These transactions are priced similar to transactions with other counterparties.

- RCBC's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the RCBC's and RSB's Trust Departments in accordance with the respective trust agreements covering the plan. The retirement fund neither provides guarantee or surety for any obligation of the Group nor its investment in its own shares of stock covered by any restriction and liens.

- RCBC and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RRC). Rental expense incurred by the Group related to this lease arrangements is included as part of Occupancy and Equipment-related account in the statements of profit or loss. RCBC's lease contract with RRC is effective until December 31, 2015. The agreement was renewed for another five years until December 31, 2020.

- In October 2013, RCBC and RSB entered into a lease agreement covering certain office and parking spaces of RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties.

- In December 2013, RBSC entered into a Special Purchase Agreement (the Purchase Agreement) with Bankard, Inc. to transfer Bankard, Inc's credit card servicing operations to RBSC. In accordance with the Purchase Agreement, the BOD of the RCBC approved the assignment of the Service Agreement (the Agreement) previously with Bankard, Inc. to RBSC. Under the Agreement, RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business.

- On August 30, 2016, RCBC's BOD approved the engagement of Philippine Integrated Advertising Agency ("PIAA") for advertising and PR services in the amount of P45 million. The contract covers product advertising, corporate/institutional advertising, brand advertising, media planning and buying, consumer promotion, printing of collaterals and production of other merchandising materials, public relations, event management and web design.

- On May 25, 2015, RCBC's BOD approved the equity infusion into Rizal Microbank of P250 million by purchasing additional 2,500,000 common shares of stock with par value of P100 each. The additional capital infusion into Rizal Microbank was approved by BSP on September 30, 2015.

- On February 23, 2015, RCBC's BOD approved the subscription to P500 million worth of share of stock of RCBC LFC. As of December 31, 2015, RCBC LFC is yet to file with the SEC the application for increase in its authorized capital stock since the certificate of authority to amend the articles of incorporation was only secured from the BSP on January 20, 2016. In 2016, RCBC LFC has already filed the said application with the SEC, pending approval as of December 31, 2016. Accordingly, as of December 31, 2016, the subscription to P500 worth of share of stock of RCBC LFC was reclassified to the related investment account.

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

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

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

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

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

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

CODE OF CONDUCT

All employees are governed by the Bank's Code of Conduct, which revolves around the Core Values of the company. It is designed to serve as a guide to employees on how they should conduct themselves within and outside the Bank premises and in dealing with clients/ customers and co-associates.

Adherence to this Code is the responsibility of each and every associate. It is administered uniformly throughout the Bank and is independent of the practices of other banks. It is a condition for continuous employment. Any breach of this Code may result in disciplinary action ranging from reprimand to termination of employment, depending on the gravity of the offense, after the observance of due process.

The Code of Conduct is divided into five parts as follows:

A. Treatment of Clients

B. Treatment of Bank Assets

C. Treatment of Others

D. Conflict of Interests

E. Knowledge, Understanding & Compliance

ANTI-CORRUPTION POLICY

Under Part D of the Code of Conduct on Conflict of Interests to avoid conflict of interest, employees are to conduct business transactions for the Bank in accordance with Bank policy and avoid direct or indirect use of the Bank's goodwill, reputation, funds and property or other resources for personal gain. This involves, among other things, accepting gifts, entertainment or favors from customers or suppliers; outside employment; outside directorship; and receiving commissions or benefits from customers or suppliers.

Gifts and Entertainment. The Bank does not allow solicitation of gifts, directly or indirectly, from customers or suppliers. Under no circumstance do employees accept, directly or indirectly, payments, loans, kickbacks, special privileges or services in exchange for favors.

Favors. The Bank does not buy business. This is obtained on the merits of the Bank's products, services and people. It does not bend rules nor offer money, illegal or inappropriate favors of unusual value to obtain or retain business. In this regard, any and all significant donations or contributions to or through a customer for whatever purpose using Bank property or funds should be with the prior authorization of the concerned Group Head. Should said donation or contribution be through the purchase of a raffle or lottery ticket, any prize or winnings therefrom, regardless of whether the ticket is in the employee's possession or in the employee's name, must be turned over to the Bank.

Receiving Commissions or Benefits. Employees must avoid situations which may unduly influence the relationships with customers or suppliers in a position to transact business with the Bank. Employees must make sure that the procedures laid down in providing customer services or in purchasing goods and services are strictly followed. Employees who have a direct hand in choosing companies from which purchases of the Bank's business requirements are to be made, are discouraged to use said authority to obtain commissions or leverage to purchase the same item/s for personal interests at terms not otherwise available to his/her colleagues or the public. Suppliers and customers are chosen based on merit and not on what can be gained from them.

The Code of Conduct is a main topic included in the Bank's Employee Orientation Program which is held on a regular basis.

The Code of Discipline provides for penalties for violations of the Code of Conduct. Administrative cases are handled in accordance with the Bank's Administrative Cases Procedure and existing laws. The Personnel Evaluation and Review Committee, as mentioned, acts as an independent body in the evaluation and review of cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee and ensures that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.

USE OF INSIDE INFORMATION

There are laws that prohibit the use of inside information when buying, selling or trading publicly traded securities, including RCBC securities. Inside information can take many forms, but always includes information which is not available to the public and which might influence an investor's decision to buy, sell or hold securities in a company.

Under the Code of Conduct, employees are prohibited from buying, selling or trading RCBC securities or the securities of other companies about which employees have inside information, until that information becomes public. In addition, this information should not be shared with anyone else, including family members or friends or anyone about trading in any securities based on this information.

OPEN COMMUNICATION POLICY

To give all employees the confidence to raise concerns about behavior and practice and to mitigate risks and losses through the early discovery of irregular activities, the Bank commits itself to break down communication barriers and provide a safe internal communication channel for all employees to express their concerns through the enactment of the Open Communication Policy, which allows for anonymous disclosures and the protection of informants from sanctions under specific conditions.

The policy covers all reports or information in relation to actual or suspected criminal activities, unlawful acts or omissions, fraud, violations of the Code of Conduct and other bank policies, danger to health and safety, improprieties or malpractice in the workplace, including those related to matters of financial reporting, internal control and/or auditing.

All employees, regardless of position or rank, who are witnesses to anomalies in the workplace are obliged to speak up and report the same personally or in writing to his/her unit head or any of the following officers, verbally or in writing:

- The Internal Audit Division Head
- The Human Resources Group Head
- The Legal & Regulatory Affairs Group Head
- The Compliance Officer,
- The Bank Security Officer

The above officers are duty-bound to:

(a) Acknowledge receipt of the report and to communicate to the reporting employee the status of the complaint and manner by which the concern is being handled;

(b) Oversee the implementation of this policy; and

(c) Utilize the resources of the Internal Audit Division, the Human Resources Group and the Legal & Regulatory Affairs Group in investigating the veracity of the reports, conducting administrative investigations and filing and prosecuting the necessary criminal and/or civil cases in relation thereto.

All disclosures received by any of the above authorized persons shall be treated with confidentiality. In any case, the identity of the informant will not be revealed without his/her prior conforme. All informants shall be protected by the Bank from harassment, reprisal and/or retaliation.

If the informant is somehow involved in the anomaly, s(he) will be exempt from administrative sanctions and/or criminal prosecution, if and when all of the following conditions concur:

(a) The report was made voluntarily and in good faith;

(b) There is absolute necessity for the testimony of the informant in order for the Bank to build an administrative/criminal case;

(c) There is no other direct evidence available for the proper prosecution of the anomaly committed;

(d) The testimony or information can be substantially corroborated in its material points;

(e) The informant does not appear to be the most guilty; and

(f) The informant actively cooperates and assists in the prosecution of the accused or perpetrator of the anomaly/irregularity.

Exemption from administrative sanction and/or criminal prosecution shall be upon the recommendation of the Investigative

The Bank ensures compliance with pre-requisites set by the BSP for the declaration of dividends.

The net amount available for dividends is also in accordance with the formula provided under § X136.3 of the BSP's Manual of Regulations for Banks, as follows:

Amount of unrestricted or free earned surplus and undivided profits less:

a. Bad debts against which valuation reserves are not required by the BSP to be set up;

b. Unbooked valuation reserves, and other unbooked capital adjustments required by the BSP, whether or not allowed to be set up on a staggered basis;

c. Deferred income tax;

d. Accumulated profits not yet received but already recorded by a bank representing its share in profits of its subsidiaries under the equity method of accounting;

e. Accrued interest as required to be excluded pursuant to Item "d" of Subsec. X305.4, net of booked valuation reserves on accrued interest receivable or allowance for uncollectible interest on loans; and

f. Foreign exchange profit arising from revaluation of foreign exchange denominated accounts.

For purposes of the subsection, any balance of Paid-in Surplus account may be included in the amount available for stock dividends.

On September 17, 2015, the BSP issued Circular No. 888 series of 2015 or the Amendments to Regulations on Dividend Declaration and Interest Payment on Tier 1 Capital Instruments. The said circular dispensed with the requirement of prior BSP approval as a condition for payment of dividend provided that the requirements stated in the circular are complied with. Furthermore, "net amount available for dividends" now refers to the amount of unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar/fiscal year-end immediately preceding the date of the dividend declaration.

Details of the 2016 cash dividend distribution are as follows:

Nature of Securities	Dividend		Record Date	Date Approved		Date Paid/Payable
	Per Share	Total Amount (in Thousand Php)		By BOD	By BSP	
Preferred	Php0.6495	Php0.02	March 21, 2016	January 25, 2016	**	March 23, 2016
Preferred	Php0.0660	Php0.02	June 21, 2016	April 25, 2016	June 16, 2016	June 21, 2016
Common	Php0.7200	Php1,007.94	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
Preferred	Php0.7200	Php0.21	June 30, 2016	April 25, 2016	June 16, 2015	July 18, 2016
Preferred	Php0.0676	Php0.02	September 21, 2016	July 25, 2016	September 16, 2016	October 11, 2016
Preferred	Php0.0724	Php0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017

***Not applicable, BSP approval not required anymore.*

STAKEHOLDERS

CREDITORS' RIGHTS

It is the policy of the Bank to conduct its business in an efficient and fair manner in order for it to meet its contractual obligations to its depositors, subordinated debt noteholders, and service providers. In the event of any liquidation or bankruptcy proceeding, such creditors have preference over the assets of the Bank in accordance with Philippine laws on preference of credits.

As a listed company, the Bank discloses, either through its website or the required stock exchanges, the relevant terms and conditions of their investment and fund-raising activities.

SUPPLIER/CONTRACTOR SELECTION AND CRITERIA

The Bank has a Board-approved Policy on Outsourcing in accordance with BSP Circular No. 765 re: "Revised Outsourcing Framework for Banks." The Bank's policy provides for guidelines, processes, and controls in managing outsourcing risks. The Bank is required under the policy and in accordance with the BSP Circular to conduct due diligence on service providers to ensure their integrity, technical expertise, operational capability, financial capacity, and suitability to perform the outsourced activity.

In certain cases as permitted by law and regulations, the supplier/contractor selection process is being handled by House of Investments, Inc., an affiliate of the Bank.

There are Procurement Shared Polices (PSS), Supplier Management, Choosing a Supplier and Code of Ethics for Suppliers policies.

Suppliers are evaluated based on compliance with user requirements, quality, performance record in the industry, technical competence, customer service, design, delivery, dependability. Accreditation of new suppliers is based on recommendations of procurement heads or officers and is evaluated and approved by the PSS Manager and General Manager. Accredited suppliers are likewise subject to performance evaluation.

ENVIRONMENTALLY-FRIENDLY VALUE CHAIN

The Bank has a Policy on Social and Environmental Management System. The Policy applies to borrowers of the Bank whose business operations/projects have environmental impacts and risks that should be managed in an on-going basis in relation to the environmental and social concerns of the Bank. In addition to the regular credit evaluation process, review/evaluation of all credit application/proposal for project/s for financing shall also consider social & environmental requirements such as the International Finance Corporation (IFC) Exclusion List, applicable national laws on environment, health, safety and social issues and any standards established therein; and IFC Performance Standards. Environmental risk categories are assigned and credit approval obtained in accordance with requirements depending on the risk category. Environmental covenants are incorporated in the Loan/Credit Agreement, and periodically evaluated and monitored.

REMUNERATION POLICY AND STRUCTURE

The primary objective of the Bank's remuneration policy is the development of a remuneration structure that is consistent with the culture, strategy and control environment of the Bank.

BOARD OF DIRECTORS

Remuneration of directors is commensurate with their contributions and scope of their responsibilities.

Executive directors do not receive any per diem for attendance in board and board committee meetings. They are entitled to remuneration and benefits by virtue of their being officers of the Bank.

Non-executive directors are entitled to reasonable per diem for attendance in board and board committee meetings. Non-executive directors receive a per diem of Php35,000.00 for attendance in board meetings. The Audit and Risk Oversight Committee Chairmen receive Php20,000.00 while members of the said committees receive Php15,000.00 per diem for attendance in meetings. Per diem in other board committees is at no greater than Php15,000.00 for the chairman and Php10,000.00 for members.

The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus in accordance with the By-Laws of the Bank.

Aggregate remuneration of executive, non-executive, and independent directors, accrued for 2016 is as follows:

Remuneration Item	2016
(a) Per diem Allowance Non-Executive Directors, Independent Directors and members of the Advisory Board are entitled to per diem	**Php10,667,000.00 (aggregate amount for NED's, ID's, for the Board and Committees for the year 2016)**
(b) Directors' Bonuses Directors' bonuses are given to executive, non-executive and independent directors based on the formula provided for in the Bank's By-Laws.	N/A
TOTAL	**Php10,667,000.00**

LONG-TERM BONUS PLAN FOR KEY EMPLOYEES AND MATERIAL RISK TAKERS

The Bank has set a performance period of 5 years in establishing a long-term bonus plan for key employees and material risk takers as this is seen as necessary to ensure that they do not take a short-sighted view and will be driven to work for the long-term financial success of the organization. The performance-driven approach aligns the interests of key employees with the shareholders' interests and links the long-term bonus plan to the achievement of business and performance objectives for key employees deemed to have a major influence on the long-term performance of the Bank and to the market value of the shares of the Bank. In determining the bonus pool, consideration is given to the Bank's financial performance, market benchmarks and market conditions, as well as to individual performance of the employees. Consideration is given to audit findings and a general evaluation of the risks taken.

The right long-term bonus plan for an organization is one that meets the following objectives:

1. Alignment with shareholder interests. The long-term bonus plan must be one that drives high performance and contributes to overall business goals, including sustainable long-term growth, thereby increasing shareholder value.

2. Key employees' retention. It must attract, retain and reward the key employees that are able to successfully execute the organization's strategic objectives.

3. Alignment of the bonus plan with prudent risk-taking. The bonus plan must be one that is designed to provide incentives to build sustainable sources of income and enterprise value. Long term bonuses awarded are earned over a 5 year period and are directly correlated to changes in profitability and enterprise value.

The aggregate compensation paid or accrued to the Bank's Chief Executive Officer and four other most highly compensated executive officers follows (in thousand pesos). This is likewise disclosed in the SEC 17-A report.

Names	Principal Position	Year	Aggregate Compensation (net of bonuses) In Millions of Philippine Peso	Bonuses In Millions of Philippine Peso
Gil A. Buenaventura	President & Chief Executive Officer	2016		
Redentor C. Bancod	Senior Executive Vice President			
John Thomas G. Deveras	Senior Executive Vice President			
Michelangelo R. Aguilar	Executive Vice President			
Emmanuel T. Narciso	First Senior Vice President			
			45.728	14.582

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 as amended by Circular No. 747 dated February 6, 2012, is tasked with overseeing the effective implementation of the Bank's 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. Pursuant to BSP Circular No. 747, Section X180 of the BSP's MORB as amended and the SEC's Revised Code of Corporate Governance, the Board approved the revisions/updates to the Bank's Manual of Compliance in January 2015.

THE COMPLIANCE OFFICER

The Compliance Officer is the lead senior officer for the purpose of administering the compliance program and interacting with the BSP on compliance related issues. The principal function of the CO is to oversee the design of an appropriate compliance system, promote its effective implementation and address the breaches that may arise. The CO is also responsible in ensuring the integrity and accuracy of all documentary submission to the BSP.

STRUCTURE

In order to strengthen and improve the Bank's Compliance Program, the Compliance Office was reorganized in May 2011 and expanded into three departments, namely: the Anti-Money Laundering Department, the

Testing and Monitoring Department and the Corporate Governance Department under the direct control and supervision of the Compliance Officer. In December 2013, the Foreign Account Tax Compliance Act (FATCA) Compliance Department was created, also under the direct control and supervision of the Compliance Officer. Under these departments are a CG Lawyer, an AML Lawyer, AML Specialists, Compliance Specialists and FATCA Specialists. Likewise, the designated Deputy Compliance Officer (DCO) from each unit/department/division is responsible for the actual implementation of applicable regulatory issuances and the submission of compliance certifications to the Compliance Office. The Compliance Officer reports directly to the Audit Committee.

The compliance function also covers oversight of the activities of Bank's domestic subsidiaries which are under BSP supervision, such as RCBC Savings Bank, RCBC Capital Corporation, RCBC Securities, Inc., RCBC Forex Brokers Corporation, Merchants Savings and Loan Association/Rizal Microbank, and RCBC Leasing and Finance Corporation, as well as its foreign subsidiaries, such as RCBC International Finance Ltd., RCBC Investments Ltd., and RCBC Telemoney Europe SpA. 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.

TRAINING

The Compliance Office promotes compliance awareness and proactive regulatory compliance among officers and staff through dissemination of regulatory issuances, regular monitoring, compliance-testing, monthly DCO meetings and conducting seminars. It maintains a clear and open communication process within the Bank to provide Bank personnel with a well-defined understanding of banking laws, rules & regulations, as well as the risks and effects of non-compliance.

The Compliance Office conducts a Comprehensive Compliance Training for various units of the Bank. The lecture provides each participant with information on regulatory and compliance awareness as well as operational guidance on the use of the new AMLA monitoring system. The lecture sessions covers topics on Compliance Program, Corporate Governance, Legal Aspects of Banking Transactions, AMLA and FATCA conducted by speaker-facilitators from the Testing and Monitoring Department, Corporate Governance Department, Legal Operations Department, FATCA Compliance Department and AML Department, respectively. The seminar series also provides an opportunity for Bank associates to raise questions and/or clarifications on the topics discussed. For the year 2013, Comprehensive Compliance Training was conducted for associates of the Retail Banking Group. For 2014, the training program was incorporated into the Branch Re-orientation Program of the Retail Banking Group. Separate training was given to associates of the corporate banking groups and Wealth Management Segment. The Comprehensive Compliance Training is on-going with the intention of reaching associates across different units in Luzon, Visayas, and Mindanao.

AMLA

The Bank has existing and updated policies in compliance with the Anti-Money Laundering Act (AMLA) or Republic Act (RA)

No. 9160 enacted in September 2001 and amended by RA Nos. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively.

In accordance with the mandate of BSP Circular No. 706 dated January 5, 2011 entitled "Updated Anti-Money Laundering (AML) Rules and Regulations," the Compliance Office, annually updates its AML policies and procedures embodied in the Money Laundering and Terrorist Financing Prevention Program (MLPP). The current MLPP was approved by the Board of Directors on February 27, 2017 and implemented bankwide. The approved MLPP is likewise disseminated to all offices and subsidiaries within and outside the Philippines for their guidance and/or adoption of applicable provisions.

The Bank launched the Base60 AML Monitoring System (Base60) in July 2014 to replace its previously homegrown AML Integrated Monitoring System (AMLIMS). The Base60 monitors all financial transactions in the Bank to facilitate the detection of money laundering and terrorist financing schemes. It is capable of aggregating all customer accounts as well as generating various reports for the use of the AML Division (AMLD) in monitoring and ensuring compliance of the units with the reportorial requirements of the Anti-Money Laundering Council (AMLC).

In 2016, the Bank launched numerous initiatives to reinforce its AML framework. One of the significant initiatives pursued by the Bank is the branch transformation project, aimed at separating the sales and service function of its Busines Centers (BCs). The branch transformation resulted to the creation of a centralized unit to act as an additional layer to ensure the proper implementation of the Know Your Customer (KYC) policies and monitor proper adherence of the BCs on the standard operating procedures of the Bank. Likewise, the Bank centralized the review and disposition of Base60 alerts with the AMLD, Compliance Office compared to its previous role as just approvers. In addition thereto, the Bank heavily invested in additional systems such as the Predator, a real-time fraud and ML/TF transaction monitoring system; and Accuity, a global watchlist screening online solution that can assist the current system applications in preventing the onboarding of prohibited customers. Furthermore, the Bank revamped its training modules and introduced the AML Certification Program to ensure that all bank personnel are aware of their roles and responsibilities in the ML/TF framework. The implementation of the aforementioned initiatives among others is programmed to run through 2017 and is geared towards minimizing the Bank's exposure to ML/TF risk and strengthening the Bank's commitment to combat ML/TF.

FATCA COMPLIANCE

RCBC has taken great strides to become globally compliant with the Foreign Account Tax Compliance Act (FATCA) and remains steadfast in this direction. In 2012, the Bank created the FATCA Project Implementation Team that would spearhead the Bank's implementation of FATCA, while the FATCA Compliance Division (FCOMD) under the Compliance Office, was created in 2014 to support the FATCA Project Integration Team (FATCA PIT) and ensure continuity in FATCA compliance. The FATCA PIT coordinates and assists the Bank's subsidiaries in their respective FATCA compliance requirements.

In early 2014, the Bank appointed its FATCA Responsible Officer, who registered the Bank as a participating foreign financial institution with the US Internal Revenue Service. Thereafter, the Bank commenced phases 1 and 2 of the due diligence of its pre-existing clients, which due diligence includes the sending of letters and forms to the pre-existing clients in order to obtain their FATCA status and waiver of bank secrecy laws, if applicable. Simultaneously, the Bank's forms and procedures for onboarding of new clients were rolled out for FATCA compliance. This required an enhancement in the Bank's IT system enabling the Bank to capture the required FATCA information and documents from new clients beginning 01 July 2014.

In the same year, the Bank commenced with the FATCA enhanced due diligence for high value accounts that included: electronic record search of financial accounts for US indicia; paper record search of financial accounts for US indicia; and inquiries with relationship managers. The Bank also began to develop a more permanent IT solution for an automated FATCA data management, extraction and reporting, the development of which is still continuing.

To ensure compliance and to maintain high level standards in project implementation, the Bank engaged an independent and internationally renowned consulting firm in 2014 to conduct a study which includes a high level legal entity analysis, product assessment, and due diligence review of the Bank's and its subsidiaries for FATCA.

The execution of the Intergovernmental Agreement (IGA) in July 13, 2015 between the US and Philippine governments postponed the submission of the FATCA Reports to an indefinite date. It is worthy to mention, however, that the Bank is ready to submit its corresponding reports for reporting periods 2014 to 2016 and is merely awaiting the senate ratification of the IGA.

At present, all due diligence requirements of the IGA are complied with, including but not limited to the required Enhanced Due Diligence for High Value Accounts, as defined by the IGA. Compliance Certifications are submitted by Business Centers and Relationship Managers in relation with U.S. Persons and the Enhanced Due Diligence requirements of the IGA.

A number of improvements in the system is in the pipeline to align with the requirements of the IGA. In 2016 and 2017, the Bank successfully transmitted its dummy report to the IDES Testing environment through the FCOMD. It is one of the first who had successfully submitted its XML Reports during the Testing Periods.

To equip the Bank with knowledge on FATCA-related requirements, the Bank prepared and released FATCA e-learning modules 1 & 2 in 2013. These modules are required to be undertaken online by all of the Bank's associates. In 2014, the Bank released FATCA e-learning module 3 specifically created for front line bank personnel who conduct client onboarding. FATCA is a mandatory subject matter in the Employee Orientation Program for new hires; the branch induction Program for new tellers, customer relationship associates and operations assistants; and the Retail Banking Group Learning Academy for the managers of Business Centers. The Bank continues to conduct lectures and trainings for its various units including but not limited to the branches, Treasury, Trust, Wealth Management, Tele-money, Compliance Office and capitalized on the participation of its Deputy Compliance Officers for FATCA monitoring and assistance. Also part of its Training and Awareness program are focused and custom-made lectures and trainings for various sales districts of the Retail Banking Group in Luzon, Visayas and Mindanao. In 2017, the Bank will release new modules for FATCA E-Learning to update its existing FATCA modules on recent FATCA-related developments. The Bank has in its online library other instructional materials and issued the corresponding internal circulars to help Bank Associates in ensuring FATCA implementation.

The FCOMD renders various opinions, answers and give frequent assistance to the various Bank units regarding client concerns and FATCA implementation.

For ease in FATCA compliance for clients, the Bank rolled out a new self-certification form for non-U.S. entity clients. This form will replace the U.S. IRS Form (W-8BEN-E). The FATCA status tags are likewise updated to comply with the reporting requirements of the IGA.

Reporting of compliance risk is primarily done at the Audit Committee level, as the latter is the designated Board oversight committee for the Compliance unit of the Bank. During Audit Committee meetings, status of actions relating to ROEs is taken-up, along with the regular reports on compliance risk.

Notwithstanding the primacy of the Audit Committee reporting, however, compliance risk is likewise regularly reported to the Risk Oversight Committee (ROC) via Key Risk Indicators (KRI) monitoring under Operational Risk (see Chapter on Operational Risk).

Common Reporting Standards

The Common Reporting Standard (CRS) was first introduced by the Organization for Economic Cooperation and Development (OECD) in February 2014.

When the Standard for Automatic Exchange of Financial Account Information in Tax Matters was published, it introduced the CRS framework, a FATCA-like reporting system, which aims to provide for the annual automatic exchange of financial account information between Governments on July 21, 2014. This information refers to the financial data reported by local Financial Institutions relating to account holders who are tax residents in other participating countries. The CRS describes the due diligence requirements for identifying and reporting on specific types of accounts under the agreement to be executed between jurisdictions and provides for additional definitions.

At present, a number of correspondent banks from outside of the Philippines but within CRS-participating jurisdictions are already complying with the mandate of the CRS, including but not limited to requiring their correspondent banks in the Philippines to submit CRS certification forms and to answer CRS-related queries in relation with compliance. The Bank's FCOMD has taken over the task of answering these queries and reviewing CRS certifications.

SHAREHOLDERS' RIGHTS

The Bank respects the rights of the stockholders as provided for in the Corporation Code; namely:

1. Right to vote on all matters that require their consent or approval;
2. Right to inspect the books and records of the Bank;
3. Right to information;
4. Right to dividends; and
5. Appraisal right.

RIGHT TO NOMINATE CANDIDATES FOR BOARD OF DIRECTORS

The By-Laws of the Bank allows to all shareholders, including minority stockholders, the right to nominate candidates for the Board of Directors.

CONDUCT OF SHAREHOLDERS' MEETING

Stockholders are encouraged to personally attend shareholders' meetings. In case the stockholders cannot attend the annual and special stockholders' meetings, they are apprised ahead of time of their right to appoint a proxy. Accurate and timely information is made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Stockholders are allowed to pose questions and/or raise matters in person during the meeting and are addressed by the Chairperson, members of the Board and/or management.

Details of attendance of shareholders, results of voting by poll, and the questions and answers during the 2015 shareholders' meeting are disclosed in the Annual Corporate Governance Report.

In the interest of further ensuring effective shareholder participation, for the 2016 Annual Stockholders' Meeting, the Bank will appoint an independent party to count and/or validate the votes at the meeting. The proper and timely disclosures will be made in relation to the forthcoming 2016 ASM.

TRANSPARENCY/COMMITMENT TO DISCLOSE MATERIAL INFORMATION

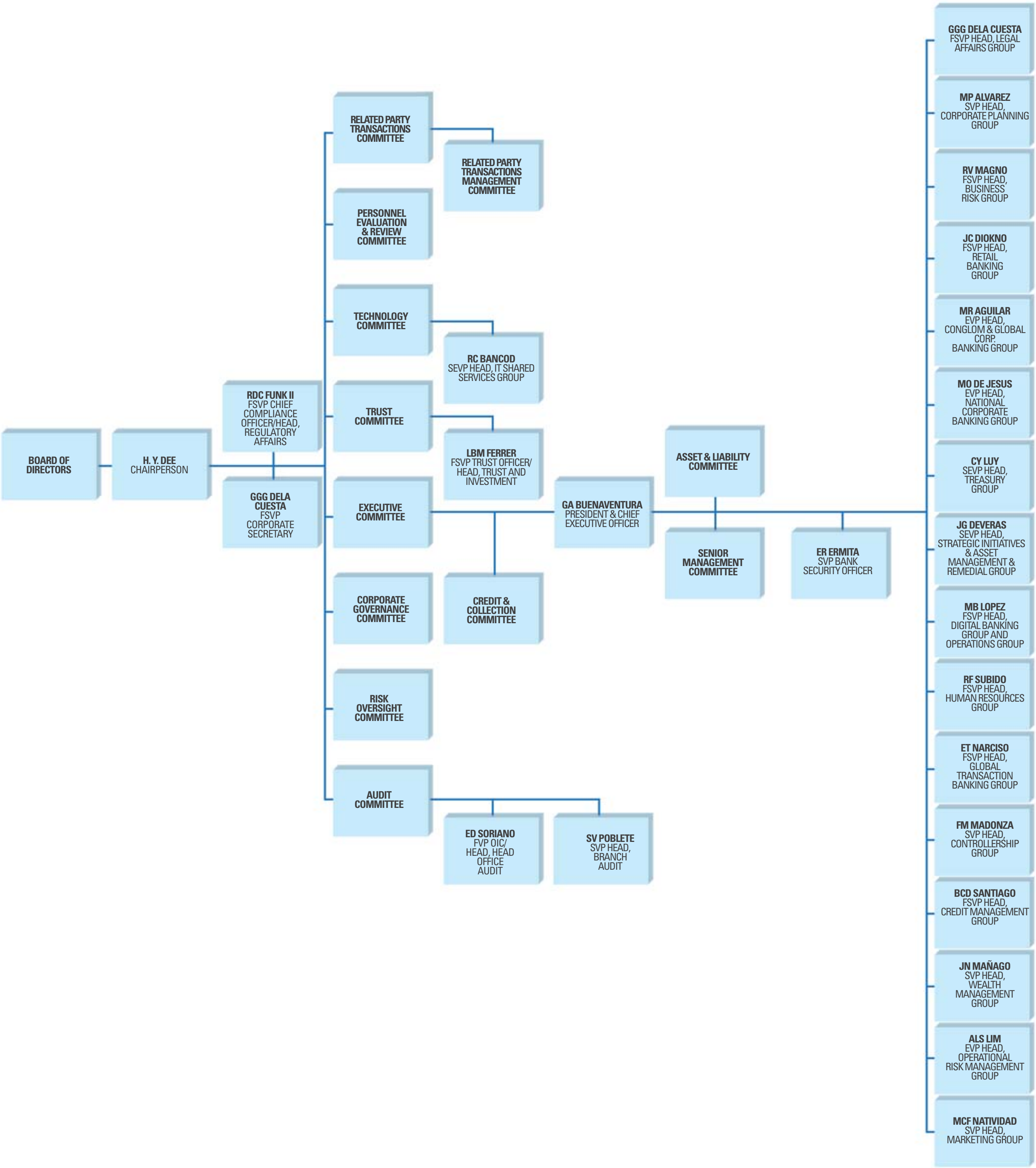
The Board commits at all times to fully disclose material information dealings and ensures the timely filing of all required information for the interest of the stakeholders. Reports or disclosures are submitted to its regulators as well as posted in the Bank's website. Moreover, Investor Relations and Corporate Governance pages are found in the Bank's website in furtherance of the Board's commitment to transparency, accountability and fairness.

Financial information and all other material information about the Bank, i.e., any matter that could adversely affect share price, are publicly disclosed. Such information and/or transactions include, among others, earnings results, acquisition or disposal of significant assets, related party transactions, board membership changes, shareholdings of directors and officers and any changes thereto, and such material events or information which are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations.

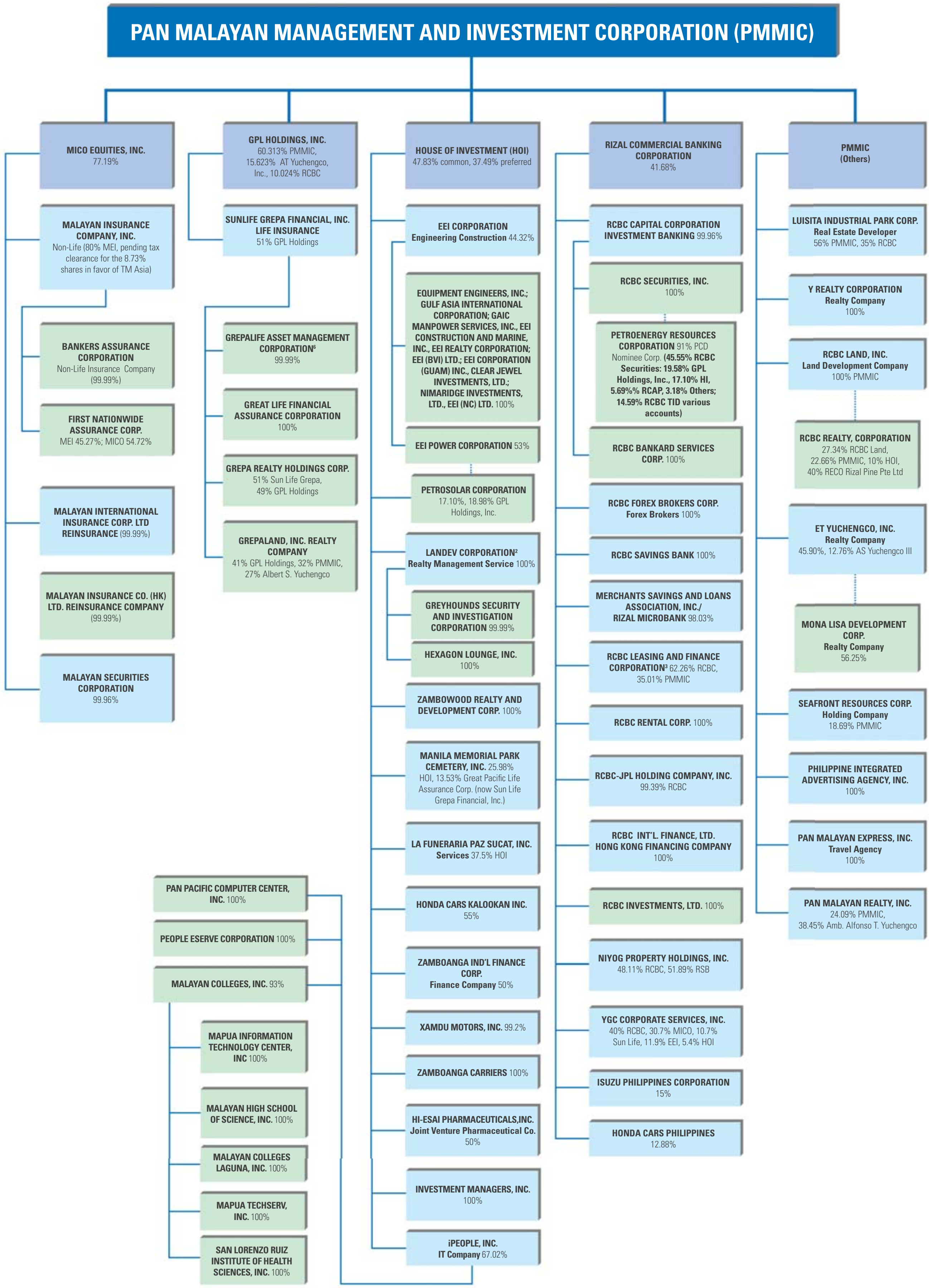
Other information that is always disclosed includes remuneration (stock options) of all directors and senior management, corporate strategy and off balance sheet transactions.

RCBC TABLE OF ORGANIZATION

At the helm of the Corporate Governance Framework of the Bank are the Board of Directors, the Board Committees and Senior Management, shown in the table below:



The Bank is a member of the Pan Malayan Management and Investment Corporation (PMMIC)/Yuchengco Group of Companies (YGC) conglomerate, and the parent company of the RCBC Group. The Board of Directors of the Bank ensures the Group's compliance with corporate governance policies, practices and requirements under existing regulations.


PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION (PMMIC)
MICO EQUITIES, INC. 77.19%
MALAYAN INSURANCE COMPANY, INC. Non-Life (80% MEI, pending tax clearance for the 8.73% shares in favor of TM Asia)
BANKERS ASSURANCE CORPORATION Non-Life Insurance Company (99.99%)
FIRST NATIONWIDE ASSURANCE CORP. MEI 45.27%; MICO 54.72%
MALAYAN INTERNATIONAL INSURANCE CORP. LTD REINSURANCE (99.99%)
MALAYAN INSURANCE CO. (HK) LTD. REINSURANCE COMPANY (99.99%)
MALAYAN SECURITIES CORPORATION 99.96%
GPL HOLDINGS, INC. 60.313% PMMIC, 15.623% AT Yuchengco, Inc., 10.024% RCBC
SUNLIFE GREPA FINANCIAL, INC. LIFE INSURANCE 51% GPL Holdings
GREPALIFE ASSET MANAGEMENT CORPORATION[6] 99.99%
GREAT LIFE FINANCIAL ASSURANCE CORPORATION 100%
GREPA REALTY HOLDINGS CORP. 51% Sun Life Grepa, 49% GPL Holdings
GREPALAND, INC. REALTY COMPANY 41% GPL Holdings, 32% PMMIC, 27% Albert S. Yuchengco
PAN PACIFIC COMPUTER CENTER, INC. 100%
PEOPLE ESERVE CORPORATION 100%
MALAYAN COLLEGES, INC. 93%
MAPUA INFORMATION TECHNOLOGY CENTER, INC 100%
MALAYAN HIGH SCHOOL OF SCIENCE, INC. 100%
MALAYAN COLLEGES LAGUNA, INC. 100%
MAPUA TECHSERV, INC. 100%
SAN LORENZO RUIZ INSTITUTE OF HEALTH SCIENCES, INC. 100%
HOUSE OF INVESTMENT (HOI) 47.83% common, 37.49% preferred
EEI CORPORATION Engineering Construction 44.32%
EQUIPMENT ENGINEERS, INC.; GULF ASIA INTERNATIONAL CORPORATION; GAIC MANPOWER SERVICES, INC., EEI CONSTRUCTION AND MARINE, INC., EEI REALTY CORPORATION; EEI (BVI) LTD.; EEI CORPORATION (GUAM) INC., CLEAR JEWEL INVESTMENTS, LTD.; NIMARIDGE INVESTMENTS, LTD., EEI (NC) LTD. 100%
EEI POWER CORPORATION 53%
PETROSOLAR CORPORATION 17.10%, 18.98% GPL Holdings, Inc.
LANDEV CORPORATION[2] Realty Management Service 100%
GREYHOUNDS SECURITY AND INVESTIGATION CORPORATION 99.99%
HEXAGON LOUNGE, INC. 100%
ZAMBOWOOD REALTY AND DEVELOPMENT CORP. 100%
MANILA MEMORIAL PARK CEMETERY, INC. 25.98% HOI, 13.53% Great Pacific Life Assurance Corp. (now Sun Life Grepa Financial, Inc.)
LA FUNERARIA PAZ SUCAT, INC. Services 37.5% HOI
HONDA CARS KALOOKAN INC. 55%
ZAMBOANGA IND'L FINANCE CORP. Finance Company 50%
XAMDU MOTORS, INC. 99.2%
ZAMBOANGA CARRIERS 100%
HI-ESAI PHARMACEUTICALS,INC. Joint Venture Pharmaceutical Co. 50%
INVESTMENT MANAGERS, INC. 100%
iPEOPLE, INC. IT Company 67.02%
RIZAL COMMERCIAL BANKING CORPORATION 41.68%
RCBC CAPITAL CORPORATION INVESTMENT BANKING 99.96%
RCBC SECURITIES, INC. 100%
PETROENERGY RESOURCES CORPORATION 91% PCD Nominee Corp. (45.55% RCBC Securities: 19.58% GPL Holdings, Inc., 17.10% HI, 5.69%% RCAP, 3.18% Others; 14.59% RCBC TID various accounts)
RCBC BANKARD SERVICES CORP. 100%
RCBC FOREX BROKERS CORP. Forex Brokers 100%
RCBC SAVINGS BANK 100%
MERCHANTS SAVINGS AND LOANS ASSOCIATION, INC./ RIZAL MICROBANK 98.03%
RCBC LEASING AND FINANCE CORPORATION[3] 62.26% RCBC, 35.01% PMMIC
RCBC RENTAL CORP. 100%
RCBC-JPL HOLDING COMPANY, INC. 99.39% RCBC
RCBC INT'L FINANCE, LTD. HONG KONG FINANCING COMPANY 100%
RCBC INVESTMENTS, LTD. 100%
NIYOG PROPERTY HOLDINGS, INC. 48.11% RCBC, 51.89% RSB
YGC CORPORATE SERVICES, INC. 40% RCBC, 30.7% MICO, 10.7% Sun Life, 11.9% EEI, 5.4% HOI
ISUZU PHILIPPINES CORPORATION 15%
HONDA CARS PHILIPPINES 12.88%
PMMIC (Others)
LUISITA INDUSTRIAL PARK CORP. Real Estate Developer 56% PMMIC, 35% RCBC
Y REALTY CORPORATION Realty Company 100%
RCBC LAND, INC. Land Development Company 100% PMMIC
RCBC REALTY, CORPORATION 27.34% RCBC Land, 22.66% PMMIC, 10% HOI, 40% RECO Rizal Pine Pte Ltd
ET YUCHENGCO, INC. Realty Company 45.90%, 12.76% AS Yuchengco III
MONA LISA DEVELOPMENT CORP. Realty Company 56.25%
SEAFRONT RESOURCES CORP. Holding Company 18.69% PMMIC
PHILIPPINE INTEGRATED ADVERTISING AGENCY, INC. 100%
PAN MALAYAN EXPRESS, INC. Travel Agency 100%
PAN MALAYAN REALTY, INC. 24.09% PMMIC, 38.45% Amb. Alfonso T. Yuchengco

RISK AND CAPITAL MANAGEMENT

Establishing a Responsive Infrastructure

While risk is an inherent part of the business, RCBC takes on the challenge of creating an optimum balance between risk and return.

Managing risks is guided by the clear objective of achieving sustainable growth in profitability and shareholder value.

RISK AND CAPITAL MANAGEMENT

RISK AND CAPITAL MANAGEMENT FRAMEWORK

The Group's Risk and Capital Management Framework rests on five pillars: a) effective Board oversight, b) sound risk management strategy, c) dynamic capital management process, d) risk and capital monitoring & escalation, and e) review and validation. The Framework is illustrated in Figure 1.

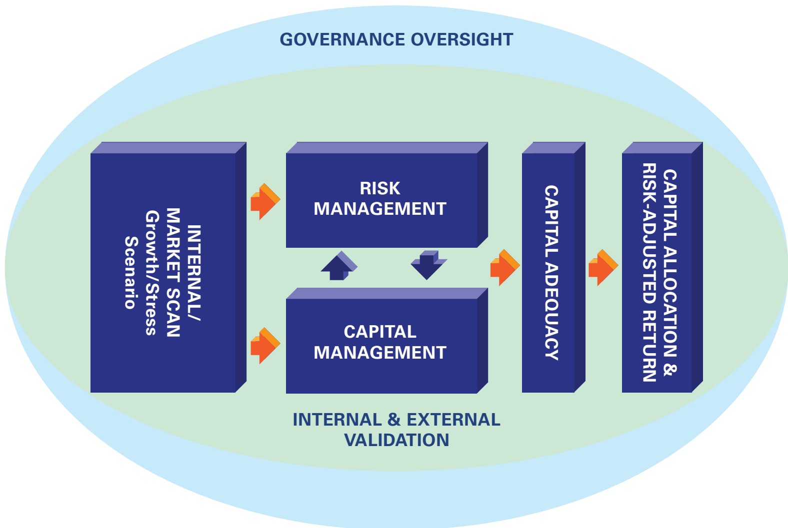


FIG. 1: RISK AND CAPITAL MANAGEMENT FRAMEWORK

The Group's risk management strategy and capital management systems respond to internal and external signals manifested in its corporate vision & mission, which animate a set of strategies that aim to fulfill such vision while taking into account external indicators 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 Group is committed to working towards this goal.

The Framework and its sub-processes are all subject to review and validation, a role largely driven by the Internal Audit Group.

Finally, each facet of the Framework is monitored and reported to the designated oversight bodies.

Risk and Capital Management Infrastructure and Oversight

The Framework is primarily driven by the Group's Board of Directors (Board). It sets the Group's Mission, Vision, and general strategic direction. It likewise approves the Group's risk appetite levels and the capital plan.

In the interest of promoting efficiency, however, the Board constitutes committees to perform oversight responsibilities. Central to the Risk and Capital Management Framework are the specific oversight functions performed by the Executive Committee, the Risk Oversight Committee (ROC), the Audit Committee, and the Related Party Committee. General oversight with respect to the Framework's implementation however rests with the ROC.

Comprising the next organizational layer are the implementing arms of the various Board Committees. The Business Risk Group (BRG), Operational Risk Management Group (ORMG), and the Credit Management Group (CMG) are tasked with the implementation and execution of the Group'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. Figure 2 summarizes this infrastructure.

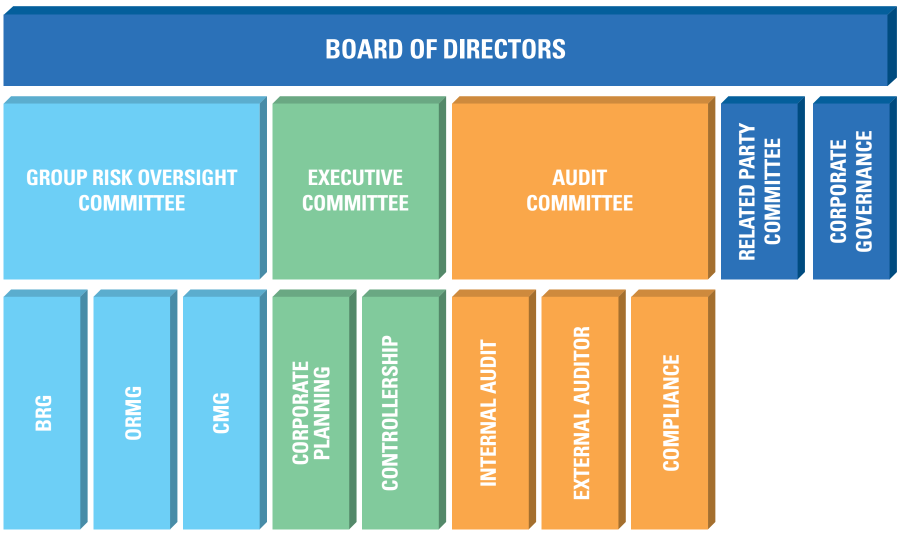


FIG. 2: RISK AND CAPITAL MANAGEMENT INFRASTRUCTURE

The Risk Oversight Committee

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

- Evaluation and setting of the Group's risk appetite;
- Review and oversight of the Group's risk profile;
- Implementation and continuous improvement of a sound framework for the identification, measurement, control, monitoring, and reporting of the principal risks faced by the Bank; and
- Capital planning and oversight

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

- Identify the Group'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 Oversight 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.

The Risk Management Groups

Supporting the ROC in carrying out its mandate are: the Business Risk Group (BRG), the Operational Risk Management Group (ORMG), and the Credit Management Group (CMG). Combined, all three groups are responsible for all activities of identifying, assessing and/or measuring, controlling and monitoring the risks the Group is exposed to. The same risk management groups additionally consolidate risk information from the various subsidiary risk units for a unified risk profile and eventual disposition.

The Business Risk Group (BRG) and the Operational Risk Management Group (ORMG)

In 2016, the larger Corporate Risk Management Group (CRISMS) was re-organized with the creation of a Business Risk Group (BRG) and an Operational Risk Management Group (ORMG) to allow for a more focused management of risks. Figures 3 & 4 illustrate the organizational structures of BRG and ORMG.

The following are the major risk management divisions under both BRG and ORMG.

Credit Portfolio and Group Risk Division

The Credit Portfolio and Group Risk Division (CGRD) is responsible for the Internal Capital Adequacy Assessment Process (ICAAP), Basel compliance, and credit risk analytics. Said division also includes the credit portfolio risk function. A quantitative risk unit also exists to address the quantitative nature of risk management, backtesting and validation of risk models, and the building of other risk metrics. Figure 5 illustrates the structure of CGRD.

FIG 3: BUSINESS RISK GROUP

FIG 4: OPERATIONAL RISK MANAGEMENT GROUP

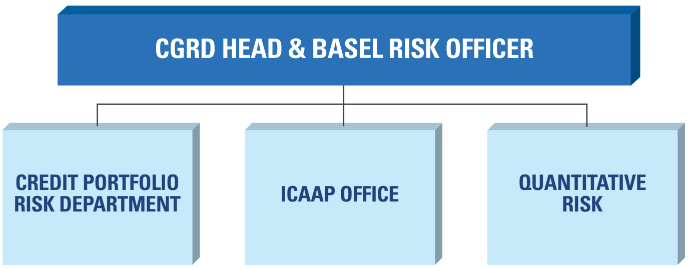


FIG 5: CREDIT PORTFOLIO AND GROUP RISK DIVISION

Market and Liquidity Risk Division

The Market and Liquidity Risk Division (MRLD) is primarily tasked with the development and implementation of market and liquidity risk policies and measurement methodologies, recommending and monitoring compliance to risk limits, and reporting the same to the appropriate bodies. It is also the primary unit in the Group responsible for the formal management of interest rate risk (IRRBB). It regularly reports to the ROC and the Asset & Liability Committee (ALCO) activities relevant to market, liquidity, and interest rate risk management of the Group. Figure 6 illustrates the structure of MRLD.

Operational Risks and Consumer Protection Division

The Operational Risks and Consumer Protection Division (ORCPD) was created to ensure that operational and consumer protection risks are manage at an enterprise level, the systems and processes used to managed these risks are effectively implemented, and that management of these risks is embedded in the Group's processes.

The Operational Risk Management Department (ORMD) is tasked to ensure implementation of the Operational Risk Management (ORM) Framework across the Group; and to develop an appropriate operational risk management environment where operational risks are identified, assessed, reported, monitored and controlled/ mitigated. It is also expected to identify and recommend mitigants for emerging risk types, and to promote and maintain quality operational risk programs and infrastructure.

To facilitate implementation of ORM tools in the various business lines of both the Parent Bank

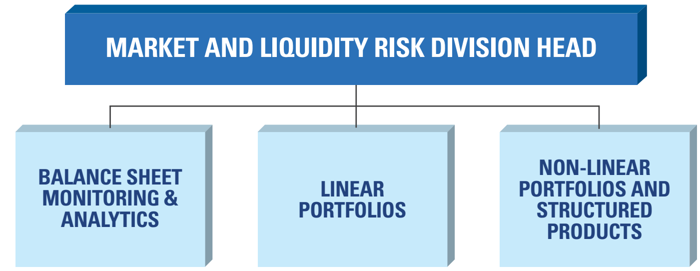


FIG 6: MARKET AND LIQUIDITY RISK DIVISION

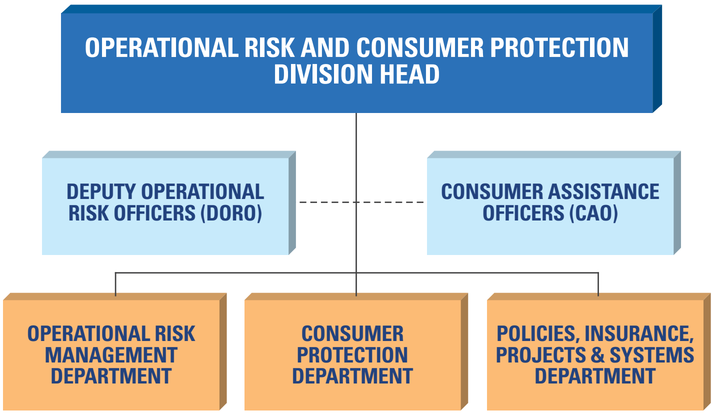


FIG 7: OPERATIONAL RISK AND CONSUMER PROTECTION DIVISION

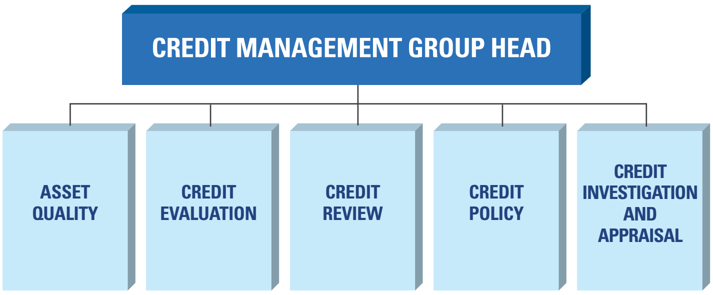


FIG 8: CREDIT MANAGEMENT GROUP (CMG)

and its subsidiaries, various officers are deputized and serve as embedded Deputy Operational Risk Officers (DORO). A DORO therefore functions as ORMD's liaison to and implementation arm in the various business units. As of this report's preparation, 28 DOROs have been designed for the Parent, and 8 for the subsidiaries. Figure 7 illustrates the structure of ORCPD.

The Consumer Protection Department (CPD) is tasked to ensure the Group's compliance with consumer protection's standards of conduct and to develop and maintain strong consumer protection policies pursuant to BSP Circular No. 857.

Information Security Governance Division

The Information Security Governance Division (ISGD) is responsible for establishing an enterprise-wide strategy and program to ensure information assets of the Group are adequately protected, and that the Group is always in step with the evolving threat landscape and has the capabilities to prevent, detect and respond to an information security incident.

Enterprise Fraud Management Division

The Enterprise Fraud Management Division (EFMD) was established in 2016 to implement a high-level enterprise-wide Fraud Risk Management Framework; and to develop, adopt, maintain and enforce fraud related policies, procedures and standards that are well-defined and frequently communicated to all RCBC associates. EFMD is also tasked to detect, monitor, investigate and provide disposition on all fraud related alerts generated by the Group's Enterprise Fraud Management System.

The Credit Management Group (CMG)

The Credit Management Group (CMG) in 2014 was spun-off from CRISMS, a decision that allows more risk focus on the operational and front end aspect of the credit cycle. CMG reports administratively to the President / CEO; but remains functionally reporting to the ROC as a vital part of the Group's risk function. Figure 8 illustrates the organizational structure of CMG.

Risk Management Function in RCBC

Notwithstanding its defined specific risk management functions, the Group recognizes that the core banking activity of managing risks is not the sole province of BRG, ORMG, and CMG. It is rather a function that cuts across the entire organization.

The management of credit risk for instance encompasses the Group's various units involved in the credit or lending cycle spanning origination, evaluation, approval, implementation / account management, and collection / remedial management. Each stage of the cycle is governed by a specific set of policies and procedures.

The same is true with the management of market, liquidity, and interest rate risks. As a general principle, risk-taking units (e.g. Trading, Investment, and Liquidity desks) are themselves risk managers, and are therefore expected to recognize and identify the risks attributed to various traded instruments, investment outlets, and counterparties. Moreover, they are expected to exercise risk control via observance of trading and/or investment rules, and compliance to risk limits set by regulation and those internally approved and set by the Board. Risk control units (e.g. Treasury back office, Settlements) on the other hand are reposed with the responsibility of being the second line of defense.

The management of operational risk too is the responsibility of all Group personnel, with all units of the Group effectively becoming stakeholders in the ORM framework. In addition to the ORM tools employed by the Group, operating manuals and policies relating to people, process, and systems management are in place and are supplemented by the Group's risk-based internal audit process.

Risk Management System and Philosophy

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

This corporate risk philosophy further translates to the following policy precepts:

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

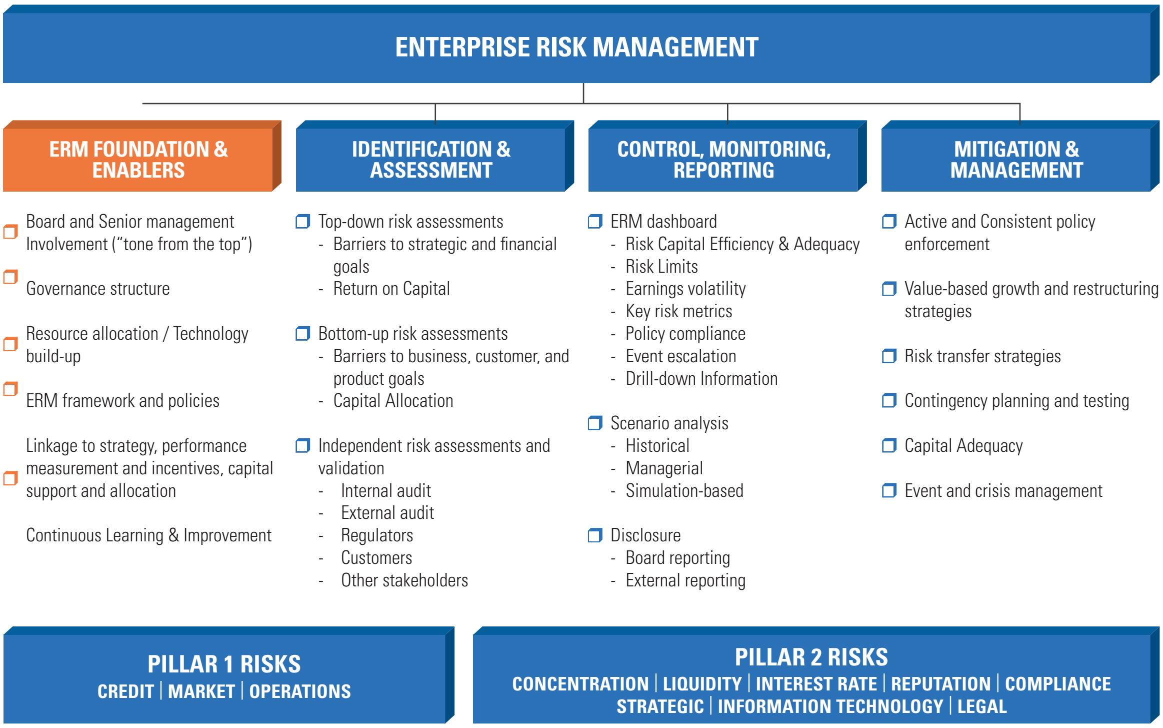


FIG 9: RISK MANAGEMENT FRAMEWORK

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

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

THE RISK MANAGEMENT FRAMEWORK

The Group's Risk Management Framework, as a vital component of Risk and Capital Management, provides the engine for the determination of the Group's material risks, its appetite for said risks, and the overall execution of the risk management cycle of identifying, assessing or measuring, controlling and monitoring risk exposures. Risks are identified using various tools and techniques. Metrics, both adopted from regulation and best practice and internal to the Group are then used to measure these risks. Limits are then set to control them; and later monitored regularly to ascertain whether the same risks are still within the prescribed limits. The Framework is illustrated by Figure 9.

Risk Identification and Materiality

The risk identification & assessment process in the Group is carried out mainly via three means. "Top-down" risk assessment is from a macro perspective, and generally occurs during the risk appetite setting exercise of the Board and Senior Management. "Bottom-up" risk assessment on the other hand is the micro perspective. It involves identification and assessment of existing risks or those that may arise from new business initiatives and products, including material risks that originate from the Group's Trust business, subsidiaries and affiliates. The foregoing are generally the steps undertaken by the Group in the conduct of its Internal Capital Adequacy Assessment Process (ICAAP), whereby current and prospective material risks are assessed, and thereafter evaluate the amount of capital needed to support such risks.

The final means by which risk identification is carried out is via independent assessments. These include assessments and validations made by the Group's internal audit group, by the BSP, other regulators, the customers themselves, and other stakeholders.

On top of these risk identification methodologies, the Group likewise performs a perception check of the material vulnerabilities it faces. On an annual basis, the Board and the members of the Senior Management Committee undergo a Risk Materiality Survey to assess risk perception.

Outlined below are some of the risks that the Group assesses to be relevant, and the various strategies it employs to manage them.

Credit Risk

It is the risk that a borrower, issuer or counterparty in a transaction may default and cause a potential loss to the Group. It arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. As a matter of general strategy, the Group manages this risk through a system of policies, metrics, and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units, as well as other units involved in the credit cycle.

Credit Concentration Risk

It is the current and prospective negative impact to earnings and capital arising from over-exposure to specific industries or borrowers / counterparties. The Group manages this risk via adherence to processes relating to industry and counterparty assessments, observance of regulatory ceilings, and setting of internal limits.

Liquidity Risk

It is the risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without incurring unacceptable losses. The Group's strategy for managing this risk is generally via limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

Market Risk

It is the risk resulting from adverse movements in the general level of or volatility of market rates or commodity/equity prices possibly affecting the Group's financial condition. 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.

Interest Rate Risk in the Banking Book

It is the current and prospective negative impact to earnings and capital arising from movements or shifts in interest rates. The risk becomes inherent in the current and prospective interest gapping of the Group's balance sheet. The Group follows a set of policies on managing its assets and liabilities so as to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

Operational Risk

It is the risk arising from the potential that inadequate information systems, operations or transactional problems (related to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result to unexpected loss. The Group manages this risk via a framework involving various tools that promote a strong control environment, escalation, monitoring and reporting of risk events, and adequate mitigation of assessed risks.

Reputation Risk

It is the current and prospective adverse impact to earnings and capital arising from negative public opinion. The Group manages this risk primarily via processes observed and activities performed by a designated body tasked with ensuring a healthy public image of the Group.

Compliance and Regulatory Risk

It is the current and prospective negative impact to earnings and capital arising from violation of laws, regulations, ethical standards, and the like. The Group has a Compliance office and a designated Compliance Officer charged with overseeing the implementation of an approved Compliance Program, including anti-money laundering processes and controls.

Legal Risk

Consistent with Basel II, the Group understands this risk as a sub-set of Operational Risk. It is the current and prospective negative impact to earnings and capital arising from uncertainty of legal proceedings that the Group is, or may be, involved in. The Group periodically assesses the probability of cases being won or lost, and accordingly sets up provisions when necessary. Potential legal liabilities are reported as potential losses under Operational Risk.

Strategic Business Risk

It is the downside potential arising from adverse business decisions, improper implementation of decisions, and lack of responsiveness to industry changes. The Group's strategy in managing this risk is to embed the same in the various business functions as espoused in its strategic and business planning processes.

IT Risk & Information Security Risk

It is the current and prospective negative impact to earnings arising from failure of IT systems, including information security. The Group's strategy in managing this risk is embodied in a comprehensive information technology security policy that encompasses IT risk assessment, vulnerability testing, monitoring, controls, and mitigation.

The foregoing risks notwithstanding, the Group maintains that the assessment of materiality is an evolving process. Any significant change in either the actual risk profile, or the perception of threats, therefore triggers a corresponding action in terms of the management of such threats, and the assessment as to whether the Group is in a position to continue to be exposed to the same.

Risk Appetite

The Group has an established Enterprise Risk Appetite statement in the form of a matrix that articulates the level of risk that it is willing to accept in pursuit of a certain level of return.

Risk Appetite Parameter	Risk Appetite Thresholds
Earnings Volatility	Maximum deviation of annualized net income vs. target
Regulatory and Credit Standing	Minimum CAMELS and external rating
Capital Adequacy	CET1 and Total Capital Adequacy Trigger and Floor Ratios
Trading Risk	Acceptable Trading Book VaR
Balance Sheet Risk	Maximum percentage of Net Interest Income-at-risk
Liquidity Risk	Maximum tolerable outflows; Liquidity Coverage and Net Stable Funding ratios
Asset Quality	Maximum NPL & NPA ratios
Zero-tolerance risks	Zero incidences of specific risk events

In 2016, the ROC resolved to amend the Group's enterprise-level risk appetite statement to refine the threshold for Compliance risk and to elevate Money Laundering & Terrorist Financing (ML/TF) to the level of enterprise risk as follows:

Risk Appetite Parameter	Risk Appetite Thresholds
ML/TF Risk	Minimum prescribed AML Risk Rating (BSP)
	AML reports submitted within prescribed timeframe

The ROC regularly monitors the Group's adherence to the thresholds set for each of the abovementioned parameters, with results likewise communicated to the Board.

Risk Assessment

The assessment of Pillar 1 (Credit, Market, Operational) risks is through proper risk measurement tools and methodology aligned with best practices and acceptable per regulatory standards. Minimum approaches are as prescribed under relevant BSP Circulars, with the objective of building on these regulatory prescriptions towards better internal models. The tools used to measure most of Pillar 2 risks on the other hand are, in general, evolve, and undergo regular refinement.

Figure 10 provides a summary of the Group's risk assessment methodologies.

CREDIT & CONCENTRATION	MARKET	INTEREST RATE	LIQUIDITY	OPERATIONAL	COMPLIANCE
❐ Credit Risk – Standardized Approach ❐ Assessment Tools include: - Industry Rating - Credit Risk Rating - Impairment Assessment - Stress Testing ❐ Concentration Risk - HH Index - CC Index - Econ Capital	❐ Standardized Approach ❐ Tools include - VaR - DVO1 - Back-testing - Stress Testing ❐ Derivatives: - VaR - DVO1 - Vega	❐ Generally follows BSP Circ 544 ❐ Interest Rate Gap as basic tool ❐ Stress Test ❐ Earnings Perspective - Net Interest Income-at-Risk ❐ Economic Value Perspective - Capital-at-Risk	❐ Generally follows BSP Circ 545 ❐ Liquidity Gap as basic tool ❐ Stress Test - General market stress - RCBC-specific stress	❐ Basic Indicator Approach ❐ Tools include: - Loss Events Reporting - Risk Control Self Assessment - Key Risk Indicators - Ops Risk Grading Matrix	❐ Assessment done via compliance grading matrix and the probable regulatory penalties for identified compliance risk areas ❐ Assesment specific to ML/TF risk: via separate set of Key Risk Indicators (2016)

FIG 10: RISK ASSESSMENT METHODOLOGIES

Risk Control

The Board establishes the Group's strategic directions and risk tolerances. In carrying out these responsibilities, the Board approves policies, sets risk standards, and institutes risk limits. These limits are established, approved, and communicated through policies, standards, and procedures that define responsibility and authority. The same are evaluated at least annually for relevance, and to ensure compatibility with decided business strategy. Figure 11 summarizes the key risk controls and limits employed by the Group.

PROCESS	ENTERPRISE	CREDIT	MARKET	OPERATION	PILLAR 2
Risk Control	Risk and Performance Limits	Industry Exposure Limits (group-wide and CBG-bank proper) Country Exposure Limits Regulatory SBL Internal group and individual SBL (lower than regulatory) Individual Exposure limits based on financial/credit evaluation	Position Limits VaR Limits DV01 Limits Loss Limits Mgt Action Triggers Counterparty Limits Off-market rate limits	Embedded in processes Other means to control ops risk: - Insurance - Outsourcing	**Credit Concentration:** Industry and borrower limits **IRRBB:** IR gap limits Net Interest Income-at-Risk Limit Capital-at-risk Limit **Liquidity:** MCO Limit **Compliance:** "zero penalties" per general policy **Reputation:** Indirectly via the control of other risks

FIG 11: RISK CONTROL AND LIMITS

Risk Monitoring and Reporting

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

Figure 12 illustrates the monitoring and reporting framework employed by the Group.

FIG 12: RISK MONITORING AND REPORTING FRAMEWORK

Risk Mitigation

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

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually. Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral usually is not held against trading securities. The Group also 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.

The standards of acceptability, valuation, enforceability, and monitoring/reporting of sufficiency of risk mitigation techniques are covered by Board approved policies and procedures. Note 4.4.2 of the Audited Financial Statements (AFS) presents an estimate of the fair values of collaterals held against loans and receivables.

RCBC also employs dynamic economic hedging mechanisms to mitigate its market and interest rate risk exposures, operated and managed within the context of its trading and investment functions. The expanded derivatives license granted to the Bank affords it a selection of instruments to manage P&L movements attributed to foreign exchange and interest rate fluctuations. The Group, as of December 2016, carried credit derivatives exposures as trading positions, and had no exposure to structured products (Note 7 of AFS).

To guard against unforeseen losses, the Group takes out insurance policies and ensures that an effective Business Continuity Plan is in place.

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

Risk Foundation and 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 Group 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 Group 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 Group to keep up, its risk process must proactively keep up as well.

CREDIT RISK

Risk Assessment Process

The assessment of this risk, in relation to its impact on capital adequacy, is governed by the Standardized Approach, as prescribed under Basel II and by BSP Circular 855.

Following the Group's efforts to align with international best practice, the Bank migrated to using an internal credit risk rating system to one that permits more credit analytics, while at the same time retaining qualitative features that still accommodate some expert judgment when assessing credit worthiness. The Bank, since 2013, has been using the following Standard and Poor's (S&P) Scorecards:

√ Generic Corporate Scorecard: General framework for corporate borrowers regardless of industry

√ Utilities Suite: Scorecards covering power (electricity, gas, power), generation, transmission, distribution

√ Real Estate Developer: Scorecards covering real estate entities engaged in diversified development & sale, and buying & selling of a portfolio of real estate assets

√ Small & Medium Enterprise: Scorecard for borrowers classified as small or medium

√ Overlays: Parent-Subsidiary and Multi-Activity & Holding Company

√ Financial Institutions: Scorecard for banks

The S&P scorecards are a formalization of the S&P rating methodology. By applying the same principles of assessing credit-worthiness, the scorecards leverage on S&P's extensive rating experience and over 30 years of available default data, thus serving a need specific to low default portfolios and institutions that may have issues with the existence (or non-existence) of clean historical credit and default data.

The Scorecards are designed to be used for: 1) the whole of corporate lending by RCBC, RSB, and Malayan Leasing, 2) relevant portfolio assessed by Treasury and Trust for investment purposes, and 3) the SME portfolio of both RCBC and RSB. The resulting ratings shadow the international S&P rating scale, and therefore map to S&P probabilities of default (PD).

The distribution of rated S&P rated borrowers is illustrated in Figure 13. The general description of each rating grade is as follows (Figure 14).

As of December 2016, the reviewed portfolio of the parent bank totaled Php228.8 billion, representing 99.3% of the total loan portfolio. A total of 601 accounts have yet to be covered by the rating process, although this total only amounts to 0.4% of TLP by balance. Of this number, only 390 have outstanding balances as of year-end. Following BSP Circular 855, the Group has set out to subject all accounts to risk rating either on an individual or collective basis.

Investment securities likewise undergo credit evaluation. The latter is initiated by the Treasury group, and later validated by the Credit Management Group (CMG). International ratings play a major role in the determination of a security's acceptability.

For the Group's consumer loans portfolio, risk assessment is performed on an individual borrower through the use of credit application scorecards, developed alongside Fair Isaac Corp

S&P RATED ACCOUNTS (PARENT) 4Q 2016

RATING	NUMBER	PD (%)
AAA	0	0.00
AA+	0	0.00
AA	0	0.01
AA-	0	0.02
A+	0	0.05
A	0	0.05
A-	0	0.08
BBB+	0	0.14
BBB	590	0.23
BBB-	23	0.27
BB+	65	0.54
BB	86	0.77
BB-	219	1.29
B+	678	2.24
B	682	6.37
B-	535	9.12
CCC+ Down	40	23.71
TOTAL	2,918	

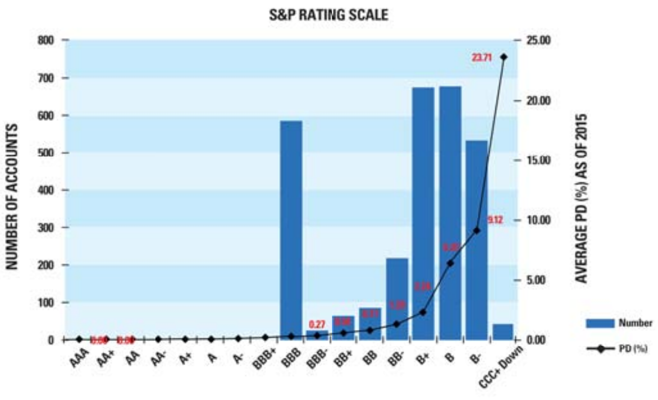


FIG 13

S&P LETTER GRADE	DESCRIPTION OF LETTER GRADE
AAA	Extremely strong capacity to meet financial commitments.
AA+	Very strong capacity to meet financial commitments.
AA	Very strong capacity to meet financial commitments.
AA-	Very strong capacity to meet financial commitments.
A+	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
A	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
A-	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
BBB+	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
BBB	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
BBB-	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
BB+	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
BB	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
BB-	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
B+	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
B	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
B-	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
CCC+	Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments.
CCC	Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments.
Lower than CCC	Currently highly vulnerable

FIG 14

(FICO), for Housing, Auto and Personal Loans. For Corporate Salary Loans, however, a rule-based set of credit criteria on company accreditation and borrower evaluation is used.

The credit application scorecard developed with FICO makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance.

The Group likewise utilizes FICO-developed credit scoring and behavioral scorecards for its cards portfolio. The main objective of credit scoring is to decrease the risk of accepting potentially bad applicants, thus, lowering credit provisions, while balancing the approval rate to a satisfactory level. The system awards points for each factor that helps predict who is most likely to repay a debt. A total number of points – a credit score, helps predict how credit-worthy an applicant is, how likely he is to pay a loan, and make payments when due. The behavioral scorecard on the other hand is a rating tool based on several existing customer's characteristics which are used to evaluate the continuing credit risk primarily of the existing portfolio. It is expected that the behavioral scorecard developed would be effective in discriminating between good and bad accounts across different time periods.

The assessment of the Group's exposure to credit risk is also manifested in its loan loss / impairment provisioning process which normally considers the worst provisioning level resulting from the following approaches: a) required reserves based on the BSP's latest Report of Examination, b) required provisions following the application of internal credit risk assessment tools, and c) impairment testing following PAS39. The total credit risk exposure of the Group, net of provisioning, is detailed in Note 4.4.1 of the accompanying Notes to Financial Statements (NFS). The details of the Group's impairment testing exercise are found in Note 16 of the NFS.

Expected Credit Loss

In 2016, the ROC approved the Group's Expected Credit Loss (ECL) framework following the requirements of BSP Circular 855, and in preparation for the implementation of IFRS9 come January 2018. The ECL framework is approached on a group-wide basis, with peculiarities depending on the portfolio and asset classes being assessed.

The ECL is computed in line with the standard Basel formulation of ECL = PD*LGD*EAD. Both the PD and LGD parameters are based on the Group's credit experience, while EAD is the outstanding loan balance at any given cut-off. At least for the parent bank, the PDs are validated default probabilities arising from its use of the S&P Scorecards. LGD on the other hand is based on an analysis of 5-yrs worth of recovery experience, taking into account both the facility and collateral position at time of default, and the recovery method employed.

In addition to the standard ECL formulation, an overlay methodology is likewise employed. An overlay represents a forward-looking view of credit that may be based on macroeconomic studies or other bottom-up approaches that serve to modify any or all of the variables used in ECL calculation.

To further its assessment of credit risk, the Group performs credit risk stress testing using break-even sales and cash flow debt service to determine a borrower's vulnerability. In addition, both the Parent Company and its major subsidiary RSB participate in the semi-annual run of the uniform stress testing exercise for banks initiated by the BSP.

Risk Control Set-up

Other than the operational controls set forth in the policies governing the various stages of the credit cycle, the Group likewise sets up limits to effectively cap credit risk exposures. These limits are set both on a portfolio and individual level.

Portfolio Limits

One of the key decisions made by the Group when it comes to portfolio risk appetite is determining which industries to be exposed to. A key tool in this stage of the credit process is the industry risk rating performed by the Economic Research Department of the Group's Corporate Planning Group (Corplan). Such system endeavors to assign ratings to industries on the basis of: a) cyclicality, b) capital intensity, and c) industry attractiveness. Scores ranging from 1 – 4 are then assigned based on the following parameters:

	CYCLICALITY	CAPITAL INTENSITY	INDUSTRY ATTRACTIVENESS
4	Stable - Not sensitive to economic downturn	Costs predominantly variable	Most Attractive
3	Slightly Stable - Slightly sensitive to economic downturn	Variable costs higher than fixed costs	Attractive
2	Slightly Cyclical - Moderately sensitive to economic downturn	Fixed costs higher than variable costs	Less Attractive
1	Cyclical - Highly sensitive to economic downturn	Costs predominantly fixed	Least Attractive
		Basis for Rating	- Entry Barriers / Industry Protection - Threat of Product Substitutes - Market Growth / Demand

Final ratings range from "A" to "D", with industries rated "A" representing the least risky. The breakdown of 2016 ratings is as follows:

	NUMERICAL EQUIVALENT		2016 RATING
Least Risk	**3.26-4**	A	7
Intermediate Low Risk	**2.51-3.25**	B	87
Intermediate High Risk	**1.76-2.5**	C	67
Most Risk	**1-1.75**	D	9

Exposures to these industries are in turn capped by limits which serve as representation of the Group's appetite to take on such portfolio risk. These industry exposure limits are recommended by BRG in consultation with the lending units, and are in turn approved by the ROC. Where particular industries are deemed large, sub-limits are likewise set for more specific risk control. The Group's exposures to these various industries are detailed in Note 11 of the NFS.

With the International Finance Corp's (IFC) investment in the Group in 2011, an exclusion list was drawn up to either limit or prohibit exposures to select industries. Along with the adoption of the same exclusion list, the Group in 2011 instituted sub-limits to its exposures to tobacco and alcohol.

On the regulatory front, the Group abides by BSP Circular 600 which limits exposures to Real Estate Loans to 20% of Total Loan Portfolio. And with the issuance in 2014 of BSP Circular 839 on the Real Estate Stress Test (REST), appetite for exposure to the Real Estate industry is further capped.

Country Risk Limits

Other than setting industry limits to address domestic portfolio risk, the Group also sets country limits to address exposures to foreign entities. The process for setting these limits relies heavily on published country ratings by reputable rating agencies, and on the published GDP figures of these countries.

Specific Risk Limits

In setting individual risk limits and performing individual credit assessments, the Group is guided firstly by the rule on Single Borrower's Limit (SBL) and various credit extension ceilings. These ceilings apply to both individual borrowers and to groups of related borrowers. Breaches of these internal limits are addressed by established approval limits that extend up to the Board.

Individual credit risk appetite is further set based on an individual evaluation of prospective credit exposures via customized financial analysis and credit evaluation. Other than a standard client suitability assessment, initial borrower assessment is performed by the lending officers or relationship managers of the Group. These initial assessments are then validated and further deepened by the credit evaluation section of CMG.

Credit Approval Controls

In addition to setting portfolio and individual credit risk limits, the Group likewise manifests its willingness to take on risk via the credit approval levels it grants.

The highest rung is the approval authority ascribed solely for the Board. Such authority includes approval of exposures covered by the DOSRI rules, and exposure levels exceeding an internally set maximum. As a matter of policy, all exposures reaching an aggregate of 15% of the Parent bank's unimpaired capital shall be approved by the Board.

Authorities below Board level are also established, such that board-level committees and functional designations in the Group have allocated credit approval limits based on proposed risk exposure, risk mitigation, and risk product type.

Risk Monitoring and Reporting

The following table summarizes some of the various monitoring reports produced by the Group to monitor its credit risk exposures.

MONTHLY REPORTS	DESCRIPTION
Aging of Past Due Accounts (APDA)	Consolidated Status Reporting of Past Due Accounts as updated by RMs
Industry Exposure Report (IER)	Review of the Concentration Risk per Industry of Total Loan Portfolio
Credit Exposure Report (CREDEX)	Required valuation for accounts classified by BSP
Computation of Valuation Reserves	Computation of the required valuation reserves and monitoring adequacy of booked reserves
Non-Performing Loans (NPL)	Consolidated report of Past due, NPL and NPL net of accounts classified as loss
Top 50 Borrowers Top 50 Past Due Loans Top 50 Non-Performing Loans Top 50 Exposures (Group/Individual)	Monitoring of Concentration Risks
Flagged Accounts	Monitoring movements in outstanding balances of flagged accounts
List of Expiring Facilities	Monitoring of Lines for Renewal
New Real Past Due Loans	Monitoring of new problem loans based on lending unit’s status/remarks in APDA
Consolidated Industry Exposure Report	Review of the Concentration Risk per Industry of consolidated RCBC and RSB Portfolios
Consolidated top Borrowers Report	Monitoring of Concentration Risks

QUARTERLY REPORTS	DESCRIPTION
Bad Debts	Monitoring of Loan portfolio according to security/collateral risks
Portfolio Stress Testing	Uniform Stress Testing Program for Banks - BSP
NPL Sectoral Analysis	NPL by industry
Tiered Pricing	Monitoring of compliance with tiered pricing

SEMI-ANNUAL REPORTS	DESCRIPTION
Internal Valuation Exercise	Determining valuation reserves based on latest BSP ROE, impairment and internal risk rating
Collective Impairment Computation	Computation of Default Rate, Loss Given Default and the Collective Impairment
Individual Impairment Summary	Validation and consolidation of specific impairment computations

These reports in turn are disseminated to both the Group’s risk-taking units for guidance; and more importantly to Senior Management and the ROC.

CREDIT CONCENTRATION RISK

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

Risk Assessment Methodology

Other than the various measures of risk concentration, the Group measures credit concentration risk using a simplified application of the Herfindahl-Hirschman Index (HHI) approach.

Mathematically, the HHI is the sum of the squares of the relative portfolio shares, divided by the squared portfolio shares sum. If percentages were to represent the relative portfolio shares, the HHI formula is simply the sum of the squares of these percentages, as the square of 100% (the percentage sum) is one (1). For 2016, credit concentration risk for both the parent and the consolidated entity has been assessed as "moderate".

While the HHI find usefulness in indicating industry concentration, the same may not be said for borrower concentration, as the index does not take into account a possible skewed lending behavior towards individual borrowers, which itself is an indication of credit concentration. The parent bank therefore supplements the HHI by adopting a Comprehensive Concentration Index (CCI). Mathematically, the CCI is the sum of the proportional share of the leading borrower (or borrowers) and the summation of the squares of the proportional sizes of each borrower, weighted by a multiplier reflecting the proportional size of the rest of the portfolio. The CCI therefore provides a view of the dispersion of the portfolio.

Credit concentration risk, as it relates to capital, is measured by deriving the attributed Economic Capital. This is done by primarily measuring the effect on expected credit loss given changes in probabilities of default, and using industry causality factors as weights.

Risk Control Set-up

The manner by which the Group sets its risk appetite for credit risk invariably leads its setting an appetite for credit concentration. As discussed in previous sections, credit risk appetite is set at the portfolio level via decisions as to which industries to be exposed to, and to which countries. On the individual level, credit risk appetite is set via an internal SBL, on the level of exposure to account groups, and on exposures to individual credits as they relate to a certain percentage of capital. These credit risk appetite parameters also lay out the Group's tolerance for concentration.

Risk Monitoring and Reporting

BRG monitors portfolio credit concentration on a regular basis, with information relayed to frontline and support units. It is likewise reported monthly to the ROC, and eventually to the Board. BRG likewise includes in its monitoring and reporting activity the information on compliance to set individual credit risk limits, particularly SBL. The daily monitoring of availments vs. limits approved per borrower (including SBL) however rests with the implementing / operations units.

MARKET RISK

The Group assumes market risk in trading activities by taking positions in various financial instruments, such as foreign exchange, fixed income, and derivative contracts. It's understanding of what constitutes market risk is guided by relevant local regulatory issuances, notably BSP Circular 544, as well as by the BIS Basel Committee on Bank Supervision, notably the "Principles for the Management and Supervision of Interest Rate Risk".

As of end December 2016, the following tables reflect the balances of the Group's portfolios exposed to market risk.

FIXED INCOME PORTFOLIO - HELD FOR TRADING (Php millions)

FVTPL	FACE VALUE	COUPON	WEIGHTED AVERAGE YEARS	WEIGHTED AVERAGE BOOK YEARS	MODIFIED DURATION	BOOK VALUE	MARKET VALUE	MARKET YIELD
Peso Denominated Holdings								
Tbills	312.57	0.00	0.45	0.02	0.44	310.39	309.50	2.16
FXTN	283.89	4.19	7.34	3.18	6.03	271.16	283.89	4.30
Other Corporate Bonds	12.82	5.51	4.24	3.92	3.63	13.59	12.82	4.23
Foreign Currency Denominated Holdings								
ROP Sovereign Bonds	206.04	5.98	11.99	3.88	8.15	262.57	246.53	3.39
ROP Guaranteed Bonds	26.40	7.31	4.14	4.94	3.44	31.95	30.61	2.81
Other FXCY Bonds	79.90	4.08	4.97	3.35	4.33	84.88	81.29	3.46
Total FVTPL	921.62	3.27	5.70	2.34	4.35	974.54	964.63	3.25

FOREIGN EXCHANGE PORTFOLIO (Php millions)

FOREIGN EXCHANGE RISK EXPOSURES (Phpmio)	
A. General Market Risk	
USD	494.53
JPY	37.03
CHF	5.13
GBP	(267.23)
EUR	(179.29)
CAD	(5.45)
AUD	(90.79)
SGD	(27.60)
Other	(309.61)
Sum of net long	536.69
Sum of net short	(879.97)
Overall net open position	879.97
Incremental MRWA Arising from NDF	-
Total Risk Weighted FX Exposures	879.97

DERIVATIVES PORTFOLIO YEAR-END PROFILE

	Notional Amount (USD millions)	Notional Amount (PHP millions)
Trading		
Sell/Buy USD (Borrow PHP)	240.21	11,943.34
Buy/Sell USD (Lend PHP)	237.81	11.824.01
GROSS POSITION	478.02	23,767.35
NET POSITION	2.40	-119.33

	Peso IRS (PHP Millions)	USD IRS (PHP Millions)	USD-PHP Cross Currency/Asset Swaps (USD Millions)
Trading			
Received Fixed - Pay Float	3,450.00	43.07	104.89
Pay Fixed - Receive Float	8,800.00	137.14	27.01

The Group's exposures are generally sensitive to market factors such as yield curves, foreign exchange rates, security prices, as well as the implied volatilities of the corresponding options instruments of these factors. Market risk generally emanates from the Bank's proprietary trading portfolios. Non-traded market risk may also arise from the distribution activities covering traditional treasury products as well as selected derivatives instruments.

Risk Assessment Process

The assessment of Market risk, as it relates to capital adequacy, likewise follows the Standardized Approach.

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 Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book 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 that results remain consistent with the expectations based on the chosen statistical confidence level. While the Parent Company and RSB use VaR as an important tool for measuring market risk, it is cognizant of its limitations, notably the following:

  – The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

  – VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.

  – The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.

- VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.
- In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.
- VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

A summary of the VaR position of the trading portfolio as of December 31 of both the Group and the Parent Bank are found in Note 4.3 of the accompanying NFS.

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.

The stress testing parameters, at any point in time, are subject to the approval of the ROC. The Group uses the following stress parameters for interest rate exposures in light of the stress events in recent years particularly the Global Financial Crisis and European Crisis, which resulted to more volatile global and domestic markets:

- for global interest rates, an upward and downward 300 basis point parallel rate shock;
- for local interest rates, an upward and downward 400 basis point parallel rate shock;

For foreign exchange portfolio, stress assumptions are mainly based on scenarios that triggered extreme volatility in currency trading. For financial options, the stress levels are generally based on the 2007/08 global financial crisis.

Model Back-testing

Recognizing that VaR modeling is not perfect, the Group employs appropriate back-testing methodology to perform a "reality check" on the VaR models used. To this end, the Group performs clean and dirty back-testing on the VaR models across all portfolios. Any change in portfolio value in excess of the day's VaR is treated as an exception.

Risk Control Set-up

The Risk-taking Approval Process

The setting of specific risk levels takes its cue from the general business and risk appetite set by the Board. The various Board committees and line management in turn implement these targets along the Group's functional lines.

Market risk-specific undertakings are, in general, the domain of Treasury. The setting of tolerance levels for these, in turn, is approved by the ROC. Based usually on profitability targets, Treasury proposes risk exposures to various products and markets. BRG in turn is tasked to evaluate the proposed exposures, and quantify the risk implication of the same. Guided by institutional risk-reward targets set by the Board, and aided by information provided by BRG, the ROC decides on the proposed exposure levels, and sets the risk limits accordingly.

Risk Appetite & Tolerance

The Group sets a more rationalized set of risk limits, such that products, in general, are aggregated as either trading or investment positions. Trading and investment limits are therefore set, with limits specific to products carved out when called for. These market (or price) risk tolerances are with respect to: a) position, b) factor sensitivity, c) value-at-risk (VaR), and d) loss. Where appropriate, management action triggers are likewise set.

- Trading position limits are driven initially by target trading revenue; but ultimate approval is provided in the context of the overall risk tolerance set by the Group.
- Value-at-Risk (VaR) is the estimated maximum potential loss on a position, during a given time period, at a specified statistical probability level. The given time period referred to is one that allows an orderly liquidation period, or time to unwind a position. The Group makes an assumption as to these unwind periods. The probability level at which the UniBank estimates VaR is 99%.
- The Loss Limit defines the maximum loss the Group is prepared to absorb for any given period, ordinarily a month. A Management Action Trigger (MAT) on the other hand defines a limit which, if breached, should activate a process whereby the risk-taking function is to seek senior management guidance and approval on appropriate action to take concerning the position in question.

Foreign Exchange Portfolio

Foreign Exchange (FX) positions are determined on the basis of, and subject to limitations imposed by BSP regulations (e.g., Circulars 1327 and its amendments, 445, and 561). For the Group, the FX spot position is calculated as the absolute sum of individual foreign currency positions (without considering off-setting position effects between foreign currency positions). This is in addition to and does not supersede any BSP regulatory limit that might be in effect at any point in time. The FX forward position on the other hand is capped on two fronts. One serves to limit the difference between the forward purchase and forward sale, while the second limit is applied on the net gap amount between the less than 3 months position and the more than 3 months deals.

Fixed Income Portfolio

The Group's portfolios of fixed income securities in the trading books are classified as Fair Value Through Profit and Loss (FVTPL). The procedure for fair valuation is documented in RCBC's Mark-to-Market (MTM) manual.

A Fixed income position limit, expressed as a nominal position, provides the first measure of risk tolerance. Other than a nominal amount, however, the Group likewise expresses its fixed income portfolio limits in terms of DV01.

Aggregate Risk Tolerance Level

To control overall trading risk, the Group likewise sets aggregate VaR and Loss levels, including year-to-date caps.

The responsibility for monitoring compliance to portfolio market risk limits is vested upon Market Risk Division. Monitoring is a daily activity, with reports generated in the soonest possible time.

Risk Monitoring and Reporting

Market risk MIS includes the following:

REPORT	DESCRIPTION	FREQ	USER
Limits Monitoring	Report showing the following limits vs. levels: position, P&L, MAT-Loss, DV01, MAT-VAR	Daily	CRO, Treasurer, Portfolio Managers
PVAR and Stress VAR	Report showing the maximum potential loss for each portfolio during business-as-usual and stress scenarios	Daily	CRO, Treasurer, Portfolio Managers
ALCO Market Risk Report	Report showing latest exposures vs. approved market risk limits	Weekly	ALCO

On a monthly basis, the daily and weekly information above are reported to the ROC, along with month-on-month movement, averages, noted exceptions and limit breaches.

Management Action Triggers (MATs)

As mentioned earlier, a MAT defines a limit which, if breached, should activate a process whereby the risk-taking function is to seek senior management guidance and approval on appropriate action to take concerning the position in question. MAT breaches are discussed at the next ALCO, and in the subsequent ROC meeting.

Limit Breaches

Once limits are breached, the responsible risk-taking function (Treasury Group) seeks guidance from the ALCO members in regard to the position. A decision reached at the ALCO level is thereafter reported to and presented for confirmation by the ROC.

Exception Approval & Authority Delegation

The following summarizes the current approved and documented practice with regard to exception approvals and authority delegations. These practices are an offshoot of market risk monitoring and reporting.

- ROC approval of exceptions requires the approval of at least three (3) members.
- The President and the Chief Executive Officer is given authority to temporarily relax any Stop Loss Limit. Occurrence of the breach and the use of such authority should be reported in the next ALCO and ROC Meetings.
- ALCO approval requires majority of ALCO members, provided this majority includes the Chief Executive Officer, the President, the Treasury Head and another designated director.

- The Treasury Head may re-allocate MAT or Loss Limits between the FX and fixed-income desks, and between fixed-income USD and Peso with approval of the President, provided such reallocation is done prior to any breach.

INTEREST RATE RISK IN THE BANKING BOOK

As defined in earlier sections, IRRBB is the current and prospective negative impact to earnings and capital arising from movements or shifts in interest rates. IRRBB becomes inherent in the current and prospective interest gapping of the Group's balance sheet. Whereas market (or price) risk is primarily associated with trading income, IRRBB is more concerned with balance sheet positions that have more permanence, and therefore responsible primarily for accrual income.

Sources of IRRBB

In general, IRRBB encompasses the following:

- risks related to the timing mismatch in the maturity and re-pricing of assets and liabilities and off-balance sheet short and long term positions (re-pricing risk),
- risk arising from changes in the slope and the shape of the yield curve (yield curve risk),
- risks arising from hedging exposure to one interest rate with exposure to a rate which re-prices under slightly different conditions (basis risk), and
- risks arising from options, including embedded options, e.g consumers redeeming fixed rate products when market rates change (i.e. option risk).

Risk Identification and Measurement Process

The construction of an Interest Rate (IR) gap is the starting point of an IRRBB analysis. Such IR gap 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;
- Debt securities classified under FVOCI and HTC are bucketed based on their repricing profile. Held-for-trading securities are considered non-rate sensitive; and
- For assets and liabilities with no definite repricing schedule or maturity, slotting is based on the Group's empirical assumptions.

The Group's December 31, 2016 IR Gap is as presented in Note 4.3.2 of the AFS.

The NII-at-Risk

The Group quantifies such risk by imputing estimated interest rate changes to the re-pricing profile of assets and liabilities and subsequently calculating the difference between net interest income and expense over the next 12 months. The resulting figure is called the Net Interest Income (NII)-at-Risk. This approach is commonly referred to as the "earnings" perspective of calculating IRRBB, consisting of the simulation of interest flow changes in a short-term horizon, typically less than one year, bearing in mind repricing moments in that horizon.

The following table summarizes the potential impact Group's annual net interest income, given the above December 2016 IR Gap and assumed parallel rate shifts in a business-as-usual scenario (amounts in Php millions, except for %ages).

Change in annual Net Interest Income	+100bps	+200bps	-100bps	-200bps
Consolidated Bank	667	1,335	(667)	(1,335)
Parent Bank	906	1,811	(906)	(1,811)

The above volatility assumptions do not preclude the Group from using additional rate shocks which are ordinarily considered stress levels. For consistency in the aggregation of the enterprise wide interest rate risk exposures, the Group applies the same stress level used in the investment and trading portfolios:

- for global interest rates, an upward and downward 300 basis point parallel rate shock;
- for local interest rates, an upward and downward 400 basis point parallel rate shock.

Additional scenarios may be simulated as the need arises more so during period of heightened volatility. Moreover, the same is updated should any of the stress points be breached.

Risk Control Process

While the management of IRRBB is owned by ALCO and executed by Treasury, quite similar to the liquidity risk framework, the first line of defense will always be the business and functional units, with their proper identification and assessment of risk and observance of adequate internal controls. BRG, as the risk function serving as second line of defense, has the responsibility of establishing the relevant interest rate risk limits and overseeing the effective implementation and adherence to ROC-approved policies.

Similar to the setting of market risk appetite and limits, the appetite for interest rate risk is set via the risk-taking process itself. The risk-taking process pertains to the setting of limits for positions, volatility / risk, and loss. These are generally controlled as follows:

- Fixed-income portfolios of straight debt instruments are subject to position limits, similar to trading portfolios, and approved by the ROC. Loss limits may also be established; but these do not carry the same implication as trading portfolio loss limits in the sense that short-term decisions would not be appropriate. These loss limits act more as triggers for reconsideration of the fixed-income investment strategy over the medium- to long-term.
- Portfolios of structured products are subject to specific product limits approved either by the ROC or the Excom.

Risk Monitoring and Reporting

The NII-at-Risk is regularly monitored by BRG, and reported monthly to the ROC.

LIQUIDITY RISK

A potential or probable loss to earnings and capital arising from the Group's inability to meet its obligations when they fall due may be due to either the Group's inability to liquidate assets or obtain adequate funding, or the inability to unwind large exposures without significantly lowering market prices. BSP Circular 545 is the Group's principal guide for its liquidity risk management activities.

As a general policy, the Group holds that managing liquidity risk is among the most critical components of bank management and operations. This is carried out by an ongoing analysis of the liquidity position and risk profile, and by regular examination of how funding requirements are likely to evolve under various scenarios, including adverse conditions. At all times, the Group must hold enough liquidity to survive a liquidity crisis.

The ALCO has the main responsibility for establishing a robust liquidity management framework adhered to by all business units. Treasury oversees the implementation of the relevant liquidity guidelines, including the deployment and maintenance of liquid assets, as well as business initiatives ensuring that they remain consistent with the framework. The outcome of such activities is ultimately monitored by BRG using the main tool for liquidity risk management, the Maximum Cumulative Outflow (MCO) Report. Policies relating to the management of liquidity risk are approved by the ROC.

Risk Assessment Process

Liquidity 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. The starting point an MCO analysis is liquidity (cash flow) gapping. Both the parent and the consolidated entity's gap reports are found in Note 4.2 of the accompanying NFS.

Following standard practice, the Group likewise evaluates liquidity risk based on behavioral and hypothetical assumptions under stress conditions. "Stress" is normally used in relation to a short-term crisis specific to the Group's operations. However, a stress condition covering a general market crisis is also simulated for risk management purposes.

The Group stress parameters are as follows:

- Institution-Specific Liquidity Crisis: 50% withdrawal in deposits; 20% haircut in securities; 10% loan pay-off; 50% reduction of counterparty lines
- General Market Liquidity Crisis: 50% withdrawal in deposits; 50% haircut in securities; No loan pay-off; 100% reduction of counterparty lines

In addition to the quantitative assessment of the Group's over-all liquidity profile, it has a well-established contingency funding plan (CFP). The plan strives to define the liquidity stress levels from the standpoint of both systemic and name-specific crisis including the early warning indicators and the crisis management process once the plan is activated.

Risk Control and Mitigation

The Group's appetite for liquidity risk is set via the establishment of the Maximum Cumulative Outflow (MCO) limit, which is guided by relevant factors as determined by the Treasury Group, including the availability of lines of credit that may be drawn down without creating any adverse market reaction. When a limit for a time bucket is not defined, it is assumed to be zero, which means that, as a matter of policy direction, liquidity flows are planned so that no cumulative outflow (no negative cumulative gap) is reported for that time bucket.

The Group's liquidity framework also sets out quantitative assessment of potential over-reliance to wholesale deposits and concentration to a particular funding base. Likewise regular monitoring of sufficient stock of liquid assets for use during a crisis scenario and ensuring that structural funding mismatches are within tolerance levels constitute the Group's mitigating techniques.

The tracking of approved liquidity triggers based on selected market indicators is also one of the Group's risk mitigating activities. The following spells out the market indicators monitored by BRG.

Stress Event	Warning	Parameter
Inability to sell assets (investments portfolio) or unwind positions	Increasing spreads on assets; deterioration in asset market values	CDS spread of major financial institutions
Actual or threatened watch or downgrade to an external credit rating	Rating agency credit watch for potential downgrades; widening credit spreads;	CDS spread of sovereigns
Inability to access funding lines	Elimination of committed credit lines by counterparties (country and credit name issue)	Rapid decline in stock price: Stock Exchange Indices, RCBC stock price
Inability to access funding lines	Significant increases in funding costs	Spread between short-term and long-term borrowing benchmarks (3Mo LIBOR vs. 5-yr USD Swap Rate; 3Mo PhiBOR vs. 5-yr PHP IRS Rate; Overnight Indexed Swap)

Once any of the triggers are hit, the ROC-approved policy mandates the coordination between BRG and Treasury for an assessment if indeed a liquidity event looms.

Basel III

The BSP in 2015 issued two exposure drafts on the implementation of the Liquidity Coverage Ratio (LCR). Consequently, the Group crafted policy guidelines to ensure compliance to the said ratio ahead of the regulatory timeline. It has likewise started simulating its LCR and Net Stable Funding Ratio (NSFR), the results of which are considered in both the short-term and long term strategic investment and funding initiatives of the Group.

With the BSP's issuance of BSP Circular 905 on the implementation of the Liquidity Coverage Ratio (LCR), the Group crafted policy guidelines to ensure compliance to the said ratio ahead of the regulatory timeline. Observation period is from June 2016 to end-2017, and full implementation will commence in 2018 with a minimum LCR of 90%, escalating to 100% by 2019.

OPERATIONAL RISK

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

Operational Risk Management (ORM) Tools

For purposes of identification, monitoring and reporting and analysis, Group categorizes operational risk events as follows:

1. Internal Fraud – Losses due to acts of a type intended to defraud, misappropriate funds/property or circumvent regulations, the law or company policy, excluding diversity/ discrimination events, which involves at least one internal party. Example is theft of bank property by staff.
2. External Fraud – Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party. Example includes forgery of the drawer's signature on checks drawn on the bank.
3. Employment Practices and Workplace Safety (EPWF) – Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events. This includes events arising from organized labor activity.
4. Clients, Products and Business Practices (CPBP) – Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product. Example is legal liability that may arise from the sale of products to customers deemed without proper risk disclosure.
5. Damage to Physical Assets – Losses arising from loss or damage to physical assets from natural disaster or other events such as those caused by natural calamities as well as those caused by terrorism.
6. Business Disruption and System Failures (BDSF) – Losses arising from disruption of business or system failures such as information systems or telecommunications failure which disables the bank's ability to conduct its business with customers.
7. Execution, Delivery and Process Management (EDPM) – Losses or events caused due to failure of transaction processing, process management from relations with trade counter parties and vendors / alliance partners / service providers. Example is incomplete legal documentation of credit exposures.

To aid in the management of operational risk and the analysis of the Group operational risk profile, the following tools are used:

Loss Events Reporting

Loss information is a fundamental part of the Group's operational risk management process, as losses are a clear and explicit signal that a risk event has occurred. This may be due to the failure of control, the lack of control or simply a very unusual event that was not foreseen.

Businesses are required to report their loss events. These reports include losses reported to BSP, special audit cases, and other loss incidents occurring in the business such as penalties, etc. Potential losses and near misses are likewise required to be reported.

Key Risk Indicators (KRI)

KRIs are used to monitor the operational risk profile and alert the Group to impending problems in a timely fashion. KRIs facilitate the forward looking management of operational risk and provides information on the level of exposure to a given operational risk at a particular point in time. These indicators allow the monitoring of the Group's control culture and trigger risk mitigating actions.

KRIs include measurable thresholds that reflect risk appetite. These are monitored to serve as alerts when risk levels exceed acceptable ranges and drive timely decision making and actions.

Risk and Control Self-Assessment (RCSA)

The Group identifies and assesses all risks within each business and evaluates the controls in place to mitigate those risks. Business and support units use self-assessment techniques to identify risks, evaluate the effectiveness of controls in place, and assess whether the risks are effectively managed within the business.

In this annual self-assessment process, areas with high risk potential are highlighted and risk mitigating measures to resolve them are identified. Risk assessment results are then reviewed and discussed with the heads and senior officers of business and support units. These discussions of assessment results enable ORCPD to detect changes to risk profiles, and consequently take corrective actions.

The Internal Audit Group and Compliance Office use the self-assessment results as a necessary component in aligning their activities to business priorities to determine where key risks lie within the Group. The Business Continuity Management Division utilizes the results to provide guidance where to strengthen business continuity areas.

Risk Assessment Process

The Group uses the Basic Indicator Approach in its assessment of this risk, as it relates to capital adequacy determination. It however uses an Operational Risk Management System (ORMS) to monitor operational risks, compile and analyze operational risk data and to facilitate timely reporting mechanisms for the Group's ROC, Senior Management, and business line levels that support proactive management of operational risk. The ORMS covers the parent Bank and its subsidiaries.

The following are the current methodologies used in assessing the Group's operational risk profile.

Probability and Severity Analysis

This tool is used to quantify the likelihood (or frequency) and impact (or consequence) of identified risks in order to prioritize risk response activities. The probability addresses: a) the likelihood of the risk event occurring (the uncertainty dimension) based on current status of mitigation actions, and b) the impact detailing the extent of what would happen if the risk were to materialize (the effect dimension).

Probability assessment uses a 5-scale likelihood factor matrix ranging from "least likely" to "almost certain". Impact Assessment on the other hand employs a 5-scale severity factor matrix ranging from "least severe" to "very severe".

Control Rating

Existing controls are assessed likewise using a 5-scale control adequacy matrix ranging from "substantially under control" to "no controls in place".

Risk Rating

The Probability & Severity Analysis described above, along with the control rating, result in a Risk Rating. It is a quantitative measure of the risk level of each event, and helps to focus on those determined to be high risk. For each risk event identified, a risk score is calculated and later classified as: High (Red), Medium (Yellow) and Low (Green). The scale is as follows:

Risk Description	Risk Rating
Low (Green)	Risk Score 1 – 4
Medium (Yellow)	Risk Score 5 – 10
High (Red)	Risk Score 11 – 25

Risk Monitoring and Reporting

The continuous monitoring and reporting of Operational Risk is a key component of an effective Operational Risk Management Framework. It is imperative therefore that reports on operational risks are submitted on a timely basis, and information generated both for external and internal parties are reported internally to Senior Management and the Board where appropriate.

In accordance with its monitoring and reporting functions, ORCPD prepares reports on operational risks as follows:

The Deputy Operational Risk Officers (DOROs)

Each major business line has an embedded operational risk management officer, headed by the designated Deputy Operational Risk Officer (DORO). The DOROs serve as a point-person on the implementation of various operational risk management tools on a per business unit level. Among others, the DOROs are responsible for assisting the respective business units in the timely, correct and complete submission of operational risk reports. The DOROs report to the ORCPD for all its operational risk-related activities initiated by the latter.

Operational Risk Control and Mitigation

The Group endeavors to operate within a strong control environment focused on the protection of the its capital and earnings, while allowing the business to operate such that the risks are taken without exposure to unacceptable potential losses through the utilization of approved policies, sound processes, and reliable information technology systems. These controls include: segregation of duties, dual controls, approvals and authorization, exception reporting, sound technology infrastructure, product manuals and circulars review.

Particulars	Responsibility	Frequency of Reporting	Reported to
Loss Events Reporting	ORCPD	Quarterly	ROC
Key Risk Indicators	ORCPD	Monthly	ROC
Risk and Control Self-Assessment (RCSA)	ORCPD	Annual	ROC

Insurance

One of the ways operational loss is mitigated is through insurance maintained by the Group, whereby it purchases insurance to protect itself against unexpected and substantial losses.

ORCPD handles the Group's major insurance needs such as the Bankers Blanket Bond (BBB). BBB insurance premiums are allocated to business groups based on an approved allocation method.

Outsourcing

Outsourcing is an arrangement to contract out a business function to another party (i.e. the service provider) which undertakes to provide the services instead of the financial institution performing the function itself. The Group maintains an outsourcing policy to guide business units in outsourcing agreements, and to ensure the effective management of operational risks that may arise from such arrangements. ORCPD signs off in the policy.

Business Continuity Plan (BCP)

The Group has a separate functional unit wholly dedicated to the conduct and management of its BCP and Disaster Recovery Plan. These plans aim to establish a planned process, procedure or strategy that can assure and provide for the continuity of major and critical services and operations during any critical event which may prevent or diminish the Group's capacity to perform normal business operations.

The Group's BCP is currently being managed by the Business Continuity Management Division (BCMD) also under ORMG.

Product Manual, Policies, Procedures and Circulars (PM and PPC)

The Product Manual is the key document which provides a comprehensive description about a particular product. It includes among others, the identification or risks and appropriate measures on the risks identified through controls, procedures and limits, as well as compliance with the consumer protection standards of conduct.

Policies, Procedures and Circulars represent the Group's basic and primary set of principles and essential guidelines formulated and enforced across the organization. To ensure that risk areas are covered in all manuals, policies and circulars, ORCPD reviews and signs-off on these documents.

Exception Reporting

Exception reporting provides the ability to monitor transactions and events that fall outside norms and deemed as an exception. It documents what is abnormal and therefore deserves attention.

Risk awareness

The Group recognizes the importance of raising risk awareness and instilling an operational risk culture to be able to understand the operational risk management business benefits as well as the responsibilities attached to it. Operational risk and consumer protection are also in the Group's standard training module for new employees, as well as continuing learning for existing associates.

INFORMATION SECURITY RISK

Information Security Risk Management is aimed towards reducing the disruption of the Group's operations due to information security incidents. Concretely, this aim expands to the following objectives:

- To safeguard the IT systems needed to store, process or transmit the Group's data and correspondences;
- To provide management with an accurate view of current and potential IT-related risks, and assist them in making informed decisions concerning scope of risk, risk appetite, and risk tolerance;
- To provide an end-to-end guidance on how to manage IT-related risks (from technical control measures, security, etc);
- To establish a risk profile to further understand the Group's full exposure, and better utilize its resources;
- To implement (and continuously improve) a sound framework for the identification, measurement, control, monitoring, and reporting of the risks experienced by the Group.

This achieve the foregoing objectives, ITRM has the following major exercises:

a. identification of the Group's information assets (hardware, software)

b. assistance to IT units in identifying the risks in the system/data assets being handled

c. implementation of Risk Assessment to determine current IT risks and threats in the present systems, determine acceptable risk levels, and implement preventive measures to mitigate potential high risks

The Information and Technology Risk Management Framework

Asset Identification & Valuation

Asset Identification and Valuation aim to identify and provide an inventory of all assets relating to Applications/IT Service. The template will determine the value of each asset identified and its criticality to the Application/IT Service being supported. At the end of the exercise, the following should be produced:

- An inventory of all assets pertaining to the process / sub-processes being assessed
- Overall criticality value for each information asset
- Sensitivity of process being assessed

Risk Identification & Assessment

This process aims to identify the threats and vulnerabilities present in the Application/IT Service and assess the identified risks in order to determine measures to mitigating them. Further, this will assist the Application/IT Service owner in determining the risks to be prioritized and monitored.

To assess risk likelihood and impact, the current threat environment and controls are considered. At the end of the exercise, the following are the expected outputs:

- list of those potential threats with medium or high risks, and prioritization of those that need immediate mitigation
- a risk treatment plan for those threats/ vulnerabilities having moderate to high risks, and determination of the owner/responsible personnel to mitigate the risk.

Risk Treatment

Assets with "High" risk are automatically included in the Risk Treatment Plan. Assets with Low to Medium risks may not be included. Risk treatment is the last item in the assessment process and aims to determine the Overall Risk Owner who will be responsible for managing the risks identified, and for the strategy, activity or functions related to the said risk.

Monitoring and Reporting

Upon receipt of the approved Risk Treatment Plan, the Information Security Governance Division (ISGD) incorporates in the IT Risk Register the verified list of risks which were rated "High", while all other identified risks will be monitored by the respective Risk Owner.

The overall Risk Owner for the Application/IT Service assessed is in-charge of monitoring all necessary action plans to address risk items having "High" risk ratings. Also, it is responsible for providing ISGD with updates on the status of action items, planning and implementing mitigation strategies. The ISGD is responsible for tracking, monitoring, and providing management a regular report on the status of all IT Risk items registered in the IT Risk log.

COMPLIANCE AND REGULATORY RISK

The Group understands Compliance risk as the current and potential negative impact to earnings, capital and reputation as a result of its failure to comply with all applicable laws, regulations, codes of conduct, standards of good practice for appropriate monitoring and reporting, and the like.

Compliance risk is also the risk of impairment to the business model as it emanates from the products and services and business activities of the Group. The management of such risk is currently subsumed under the Compliance framework embodied in the Group's Compliance Policy Manual (CPM).

The Group's Compliance Program, the implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Officer is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the Audit Committee and the Board.

Risk Identification and Assessment Process

The Group assesses compliance risk based on set regulatory standards for fines and penalties arising from violations. The Compliance Risk Management and Testing Procedures of the CPM summarize the sanctions applicable to violations of existing laws and regulations.

Compliance and regulatory risks emanate from the products, services and business activities of the Group. In the process of identifying, assessing and measuring business risks, the CPM lists several factors that should be considered:

- Accounting and auditing requirements;
- Prudential laws, regulations and other regulatory requirements;
- Proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring suitability of advice to customers, where applicable;
- Prevention of money laundering and terrorist financing;
- Responsibilities of the bank;
- Agreements and/or commitments with industry associations and/or regulators; and
- Other laws relevant to banking.

The level of identified compliance risk to the Group is then initially based on the following categories:

High / Major Risk Area

- Includes prohibited acts and practices; also includes regulatory ceilings or limitations affecting capital adequacy, asset quality, management, earnings, liquidity and other risks, resulting in the following sanctions:
  - o suspension / loss of license to operate
  - o suspension of banking franchise/branching
  - o position declared vacant
  - o denial of BSP credit facilities; prohibition from making new loans or investments; prohibition from declaring cash dividends
  - o severe penalties such as imprisonment of officers; monetary fine of Php30,000.00 and above.

Moderate / Medium Risk Area

- Covers banking transactions or compliance areas where violation or deficiency will result in:
  - o penalty of suspension of an officer/ employee
  - o monetary sanction is below Php30,000.00 a day but not less than Php10,000.00 a day.

These may also refer to compliance areas/ regulations, the violations of which could result in penalties of Php30,000.00 and above but which the Group has minimal probability of violating based on past BSP examinations, compliance testing or internal audit.

Low Risk Area

- The risk is low:
  - o where sanctions imposed include warning or reprimand on erring officer or employee.
  - o where the amount of monetary fine is less than Php10,000.00 a day.
- These may also refer to regulations, the probability of violation of which may be considered remote.

As this is only the initial measurement, the Compliance Office is not prevented from changing the risk category or measurement of a business activity/area, i.e., "Low" risk is upgraded to "High" risk or vice versa, whenever a change is warranted after evaluation of the information and/or reports cited in the "Compliance Risk Assessment" section of the CPM and/or as a result of its continuous monitoring of compliance risks that could impact on the Group's different business activities.

Compliance Testing

The determination of priorities in terms of testing and monitoring activities is done by the Compliance office annually, or as frequent as possible, to continuously assess the business risks associated with new regulations, introduction of new products and services in the market, changes in business or accounting practices, among others. Any reassessment performed may entail a realignment of annual plans approved at the beginning of the year depending on the materiality of risk/impact on the regulatory compliance of the Group.

In prioritizing compliance risks, criteria scales are established to determine the chance or likelihood of an identified risk from occurring. The rating table for determining likelihood of occurrence below may be used in the risk assessment.

Rating	Description	Risk Level
Almost certain	Expected to occur in most circumstances	High
Likely	Will probably occur in most circumstances	High
Possible	Could occur at some time	Medium
Unlikely	Not expected to occur	Low
Rare	Exceptional circumstances only	Low

Risk Control Procedures

As a matter of policy, the Group adopts a "zero penalties" policy. As it is improbable to set limits or threshold levels for compliance risk, control of the same is subsumed under Operational Risk Management, wherein risk control is achieved via mitigating processes and checks unique to each operating unit are instituted.

The Group does acknowledge however that there are certain areas where despite the existence of controls, policies, procedures, there are still risks that expose the Group to possible sanctions, either monetary or administrative. However, these are adequately mitigated through periodic review and audit, both internal and external, as well as the testing and monitoring activities conducted by the different departments under the Compliance Office.

Anti-Money Laundering Controls

The Group is committed to conduct business with utmost integrity and excellence. It has always been firm in supporting the fight against Money Laundering (ML) and Terrorist Financing (TF) by taking the necessary actions to comply with applicable laws and regulations and preventing the use of its products and services for illegal purposes. This can be seen in its historical enhancements geared towards international best practices when it comes to combating ML and TF briefly summarized as follows:

- In 2011, the Group created an AML Department (AMLD), a specialized team focused on monitoring the implementation of the Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT) laws, regulations and policies.
- In 2012, the Board of Directors (Board) granted the AMLD the authority to sanction non-compliant employees to support the enforcement of the AML/CFT policies in place. Likewise, the Board and Senior Management (Management) increased the number of AMLD personnel to sufficiently manage the AML/CFT regulatory requirements in accordance with the size and risk appetite of RCBC.
- Aside from fortifying the AMLD manpower complement, the Board and Management reinforced the AML/CFT knowledge of its employees by approving an ample budget to focus on training all of its banking personnel.
- Thereafter, the Board and Management allowed a series of modernization programs of its Corebanking and AML systems to ensure that information technology infrastructure is advanced, efficient, and effective to handle AML/CFT reporting and transaction monitoring requirements.

- Subsequent to its purchase of the Base60 AML Monitoring System in 2013, the Group saw through the system's implementation in 2014, ensuring that its functionalities were customized according to the needs specific to the Group.

- Simultaneous with these upgrading and developments, the AMLD personnel count was continuously expanded, and its policies annually updated to match the changes in AML/CFT requirements.

- Finally, in 2015, the Group implemented its re-engineered account opening process to streamline its Know Your Customer practices and fulfill its commitment to continuously support compliance to its AML/CFT program.

In the aftermath of the Bangladesh incident that took place in February 2016, the Group, particularly the parent bank, re-examined its AML/CFT philosophy, vision and framework following the directives from the Bangko Sentral ng Pilipinas (BSP). It launched into numerous initiatives to demonstrate its operational, tactical, and strategic goals to reinforce its AML/CFT framework and come out a stronger institution. The following are some of such initiatives. Notably, these should be understood as forming part of a larger body of work embodying RCBC's commitments towards improving its AML/CFT practices.

- One of the significant initiatives pursued by the Group is its Branch Transformation Project, aimed at separating the sales and service function of its Business Centers (BCs).

- Simultaneously, a centralized unit was created to act as an additional control layer to ensure the proper implementation of the Know Your Customer (KYC) policies and monitor proper adherence by the BCs on the standard operating procedures of the Group.

- Further to the reorganization of the Group's BCs, the Board elevated the Compliance Office (previously Regulatory Affairs Division) into a group, separating it from being a component of the Legal and Regulatory Affairs Group and enhanced its operational capacity.

- Corollary to its expansion, the review and disposition of Base60 alerts were centralized with the AMLD, Compliance Office, detaching the function from the BCs to eliminate the risk of potential conflict of interest.

- In addition, the Board and Management heavily invested in the purchase of and/or subscription to additional systems or applications to complement its current systems.

- In order to support the reforms, the Group launched its AML Certification/Training Program which ensures that all the personnel are made aware of all the changes in its compliance controls.

- Finally, the Group implemented the revised Key Result Areas (KRAs) for its personnel enhancing weights on compliance in general and AML/CFT compliance in particular and highlighting the importance of compliance in the performance evaluation of the employees.

Likewise in 2016, the ROC resolved to elevate ML/TF risk to an enterprise level, thus having its own risk appetite statement. Moreover, a dedicated ML/TF risk management framework was developed, along with the crafting of specific ML/TF key risk indicators (KRIs).

The Group's procedures for compliance with the Anti-Money Laundering Act are set out in its MLPP. The Group's Compliance Officers, through their Anti-Money Laundering Departments (AMLD), monitor AMLA compliance and conduct regular compliance testing of business units.

Risk Monitoring and Reporting

Reporting of compliance risk is primarily done at the Audit Committee level, as the latter is the designated Board oversight committee for the Compliance unit of the Group. Notwithstanding the primacy of the Audit Committee reporting, however, compliance risk is likewise regularly reported to the Risk Oversight Committee (ROC).

Compliance Risk is monitored in a number of ways. These include the following:

- Compliance Certification from Deputy Compliance Officers (DCO) – This is a quarterly Certification signed by the designated DCOs indicating a unit's compliance (or non-compliance) to regulations.
- Compliance risk is also monitored via the progress of corrective actions relating to ROE findings.
- Regulatory ratios are also monitored at least on a quarterly basis to ensure compliance.
- Submission of regulatory reports is also monitored to avoid penalties.

Corporate Governance

Specific to Corporate Governance, compliance risk is monitored via reports submitted to the BSP pursuant to Section 4 BSP Circular No. 895 dated 14 December 2015, replacing the reports required under Section 6 of BSP Circular No. 749 dated 27 February 2012 as amended by BSP Circular No. 757 dated 08 May 2012. These reports include reporting on the Group's conglomerate structure and material related party transactions.

Also pursuant to BSP Circular No. 895, the Board of the Group further enhanced its Policy on Related Party Transactions, as approved by the Board of Directors on 30 May 2016, which include, among others:

- Further expanded coverage of related parties;
- Definition of close family members;
- Definition of control;
- Definition of affiliates;
- Further monitoring of Identification and reporting of RPTs;
- Additional provisions on approvals for RPTs, including voting and abstention;
- Provision on when requirement of a fairness opinion issued by an independent adviser is warranted;
- Creation of a Related Party Transactions Management Committee to review related party transactions below materiality threshold;
- Composition of the RPT Committee;

- o Provision on Individual and Aggregate Exposures to Related Parties; and
- o Provision on periodic formal review of the Bank's system and internal controls governing RPTs.

Reports pertinent to election/appointment of directors and officers are also monitored to avoid penalties.

ASEAN Corporate Governance (CG) Scorecard and Corporate Governance Guidelines Disclosure Template – In September 2012, the ASEAN CG Scorecard was adopted by the Philippines that supersedes the national CG Scorecard for Publicly Listed Companies (PLCs) that has been implemented for the past several years.

SEC Annual Corporate Governance Report (ACGR) – On 20 March 2013, the SEC issued SEC Memorandum Circular No. 5, Series of 2013, requiring all listed companies to submit their SEC ACGR beginning 30 May 2013 and every five (5) years thereafter to the SEC. The SEC ACGR meets the requirements of the Revised Code of Corporate Governance as well as the ASEAN CG Scorecard. With the submission of the ACGR, the Corporate Governance portion of the SEC 17-A report was deleted.

Responses to notices and correspondence from PDEX are also monitored. Issues that arise are taken up with the concerned unit/department of the Treasury Group to ensure that adequate steps, corrective or otherwise, are promptly taken to ensure compliance.

IFC Corporate Governance Standards – As part of its Corporate Governance initiatives, as early as August 2015, the Grouo engaged the International Finance Corporation ("IFC") to undertake an assessment of its corporate governance framework with the objectives of identifying corporate governance risks and opportunities, establishing and strengthening the corporate governance systems and practices of the Group with practical recommendations to improve its corporate governance practices over time and move the Group towards CG leadership/excellence in the market, and benchmarking the Group against the ASEAN CG Scorecard.

Outsourced and insourced banking activities – The Compliance Office maintains a bankwide masterlist to effectively monitor and oversee compliance with all applicable rules and regulations and that no inherent banking function is outsourced.

Anti-Money Laundering

Compliance risk for Anti-Money Laundering (AML) and Terrorist Financing (TF) is monitored via the Base60 AML System (Base60) that extracts reportable Covered Transactions (CTR) and creates alerts and flags possible reportable Suspicious Transactions (STR). The Group acquired the Base60 in 2013 to replace its previously homegrown AML Integrated Monitoring System (AMLIMS). The Base60 is capable of aggregating the accounts of customers as well as generating various reports for the use of the AML Department (AMLD) in monitoring and ensuring compliance of the units with the reportorial requirements of the Anti-Money Laundering Council (AMLC).

In addition to the Base60 AML System, the AMLD independently conducts monthly testing and monitoring of compliance with the Group's Money Laundering and Terrorist Financing Prevention Program (MLPP) or AML Manual. The MLPP is updated annually or as needed to properly implement the policies of the Group, the rules and regulations of regulatory agencies, and the laws of the Republic of the Philippines and presented to the Board of Directors for approval.

In conducting its testing, the AMLD uses the Compliance Risk Management and Testing Procedures Manual supplemented by its MLPP-Testing Procedures Manual to implement a risk-based approach in its testing. Once the information from these criteria have been gathered and analyzed, these are used in the preparation and planning of the annual activities and testing based on the level of risk, i.e., low, normal or high. This risk measurement assists the AML Department in planning its testing activities with focus on high risk business units that require immediate remediation.

In order to minimize compliance risk and eliminate deviation from regulatory requirements, the AMLD conducts classroom training and created an e-learning module for the employees of the Group. The AML Training Programs are designed specifically for the different bank employees depending on their areas of responsibility and exposure to risk. These training programs are consistent and in accordance with the pertinent provisions of the BSP Manual of Regulations for Banks and related BSP and SEC circulars, as well as, the Anti-Money Laundering Act of the Phiilippines.

Further to the above, the AMLD also conducts special investigation of news reports on the commission of unlawful activities of certain clients, individuals and/or entities, which could pose as a potential money laundering risk to the Group.

Finally, the AMLD regularly reports to the AML Committee, Senior Management Committee and the Board of Directors to ensure that monitoring of AML activities is regularly disclosed allowing management to perform its oversight function on AML and TF matters.

Foreign Account Tax Compliance Act (FATCA)

The Group has taken great strides to become globally compliant with the Foreign Account Tax Compliance Act (FATCA) and remains steadfast in this direction. In 2012, the Group created the FATCA Project Implementation Team that would spearhead the Bank's implementation of FATCA, while the FATCA Compliance Division (FCOMD) under the Compliance Office, was created in 2014 to support the FATCA Project Integration Team (FATCA PIT) and ensure continuity in FATCA compliance. The FATCA PIT coordinates and assists the parent's subsidiaries in their respective FATCA compliance requirements.

In early 2014, the Group appointed its FATCA Responsible Officer, who registered the Group as a participating foreign financial institution with the US Internal Revenue Service. Thereafter, the Group commenced phases 1 and 2 of the due diligence of its pre-existing clients. Simultaneously, the Group's forms and procedures for onboarding of new clients were rolled out for FATCA compliance. This required an enhancement in the Group's IT system enabling the same to capture the required FATCA information and documents from new clients beginning 01 July 2014.

The execution of the Intergovernmental Agreement (IGA) in July 13, 2015 between the US and Philippine governments postponed the submission of the FATCA Reports to an indefinite date. The Group however is ready to submit its corresponding reports for reporting periods 2014 to 2016 and is merely awaiting the senate ratification of said IGA.

At present, all due diligence requirements of the IGA are complied with, including but not limited to the required Enhanced Due Diligence for High Value Accounts, as defined by the IGA. Compliance Certifications are submitted by Business Centers and Relationship Managers in relation with U.S. Persons and the Enhanced Due Diligence requirements of the IGA.

A number of improvements in the system are in the pipeline to align with the requirements of the IGA. In 2016 and 2017, the Group successfully transmitted its dummy report to the IDES Testing environment through the FCOMD. It is one of the first who had successfully submitted its XML Reports during the Testing Periods.

FATCA is a mandatory subject matter in the Employee Orientation Program for new hires; the branch induction program for new tellers, customer relationship associates and operations assistants; and the Retail Banking Group Learning Academy for the managers of Business Centers. The Group continues to conduct lectures and trainings for its various units including but not limited to the branches, Treasury, Trust, Wealth Management, Tele-money, Compliance Office and capitalized on the participation of its Deputy Compliance Officers for FATCA monitoring and assistance. Also part of the Group's Training and Awareness program are focused and custom-made lectures and trainings for various sales districts of the Retail Banking Group in Luzon, Visayas and Mindanao. In 2017, the Group will release new modules for FATCA E-Learning to update its existing FATCA modules on recent FATCA-related developments. The Group has in its online library other instructional materials and issued the corresponding internal circulars to help Bank Associates in ensuring FATCA implementation.

Common Reporting Standard

The Common Reporting Standard (CRS) was first introduced by the Organization for Economic Cooperation and Development (OECD) in February 2014. At present, a number of correspondent banks from outside of the Philippines but within CRS-participating jurisdictions are already complying with the mandate of the CRS, including but not limited to requiring their correspondent banks in the Philippines to submit CRS certification forms and to answer CRS-related queries in relation with compliance. The Group's FCOMD has taken over the task of answering these queries and reviewing CRS certifications.

Data Privacy

Republic Act No. 10173 or The Data Privacy Act of 2012 (DPA) was approved into law on August 15, 2012. Subsequently, the DPA's Implementing Rules and Regulations (IRR) were promulgated on Aug. 24, 2016, and took effect fifteen (15) days after its publication. Entities covered by the DPA and its IRR have one (1) year to comply with their provisions from its date of effectivity.

To prepare the Group for the registration with the National Privacy Commission (NPC) on or before September 2017, the Group created the Data Privacy Project Team. At present, the Data Privacy Project Team is crafting the Group's Data Privacy Framework, initially by drafting its Comprehensive Data Privacy Manual and Privacy Notices through the cooperation and assistance of representatives from concerned banking units. The Comprehensive Manual will set the guidelines for all Business Units in updating their own Operating Manuals to align with the Bank's general directives. The Group is on-track to complete its registration with the NPC in September 2017.

REPUTATION RISK

The Group understands Reputation risk as the potential impact to earnings and capital arising from negative public opinion. Moreover, the Group subscribes to the view that reputation risk is a consequence of other risks. Its management therefore is tied closely to the manner by which the Group manages its other risks. By ensuring effective identification, assessment, control, monitoring, and reporting of the other material risks, reputation risk is implicitly managed.

The RCBC Public Relations Committee

The Parent Bank's Public Relations Committee (PR Comm) consolidates the reputation risk management efforts of the Group. The Heads of the Parent Bank's Corporate Affairs and Public & Media Relations Divisions currently chair the committee.

The PR Comm has the following for its primary objectives:

- To serve as venue for surfacing and managing issues that affect, or tend to affect the public's perception principally of the RCBC Group, and by extension, the members of the Yuchengco Group of Companies (YGC)
- To design, recommend and, once approved, implement public relation strategies and/or campaigns that are designed to enhance the Group's positive public image, avert any potential negative perception arising from looming reputation issues, and contain or minimize any incurred or continuing damage to the Group's image arising from subsisting negative public information.

Risk Identification and Assessment

The management of reputation risk in the Group is framed by its Balanced Scorecard. While growth is projected to emanate from the drivers in the Scorecard, the Group recognizes that potential failure in the same ushers in a potential damage to reputation. Without the public needing to know exactly what the Group plans to achieve, reputation is impaired when, for example, profitability dips, a re-branding scheme backfires, incidence of fraud becomes significant and public, or when employee attrition is high.

Financial Performance

Other than doing a self-assessment (via quarterly business reviews) of where the Group is vis-à-vis financial targets, what to expect in the coming months, and what could go wrong, the Group relies on assessments rendered by external rating agencies and by its regulators. The potential deterioration of these assessments, independent of sovereign rating, constitutes a major reputation event.

Customer

The Group recognizes that campaigns aimed at deepening customer relations and building brand equity could potentially backfire due to bad execution. And the more visible and embedded the Group becomes, the bigger the potential loss.

Other than the business quarterly review, another tool used by the Group is identifying customer reputation risk is a feedback process employed for all products services before they are launched, during soft launches, and throughout the life of a product or service.

Internal Processes

While the Group aims to strengthen its internal processes, it also recognizes that failure of these processes is a likely scenario. The Group turns to its own operational risk identification tools to carry out the identification of possible risk areas in relation to processes.

People

Failure on the "people" component of the scorecard may lead to publicly visible manifestations such as strikes, an exodus of talent and even customers, and the inability to attract good people to work for the Group. Benchmarking of recruitment, compensation, benefits, and even organizational development practice is a tool used by the Group in identifying gaps in its people management process.

Risk Control and Mitigation

Consistent with the view that reputation risk is a product of other material risks, controlling the magnitude of reputation risk is attained by controlling those of the others'. On the public relations front, the Group's PR Comm sets an annual target of free media / publicity via the release of positively slanted stories.

CAPITAL MANAGEMENT FRAMEWORK

The Group's Capital Management Framework provides the engine that ties together the strategic and business planning process as well as capital planning.

In the Strategic & Business Planning Process of the Group, the over-all risk appetite is developed as part of the business plans. The process involves the development of strategic and business objectives, anchored on the Vision and the Mission, as interpreted and articulated by Senior Management. This is an iterative process involving both internal and external analyses and risk assessment.

The planning process then results to a business plan, the annual budget, a medium-term forecast /projections, all of which incorporate identified risks. It includes a regular review of the business plan based on key performance indicators. Figure 15 illustrates the strategic and business planning process employed by the Group.

The other component of the Framework is the development of the Capital Plan (Figure 16) that incorporates the current business plan and additional projections and stress testing. This component highlights the use of medium to long term forecasts and stress scenarios in the management of

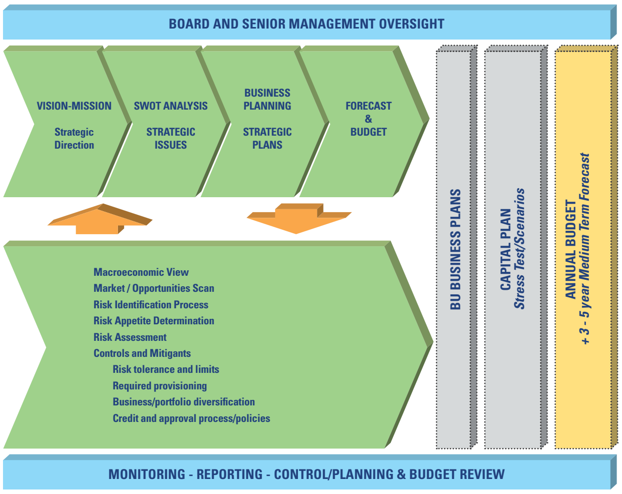


FIG 15: STRATEGIC AND BUSINESS PLANNING PROCESS

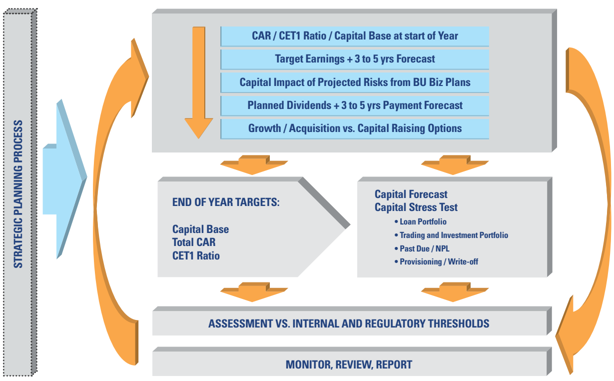


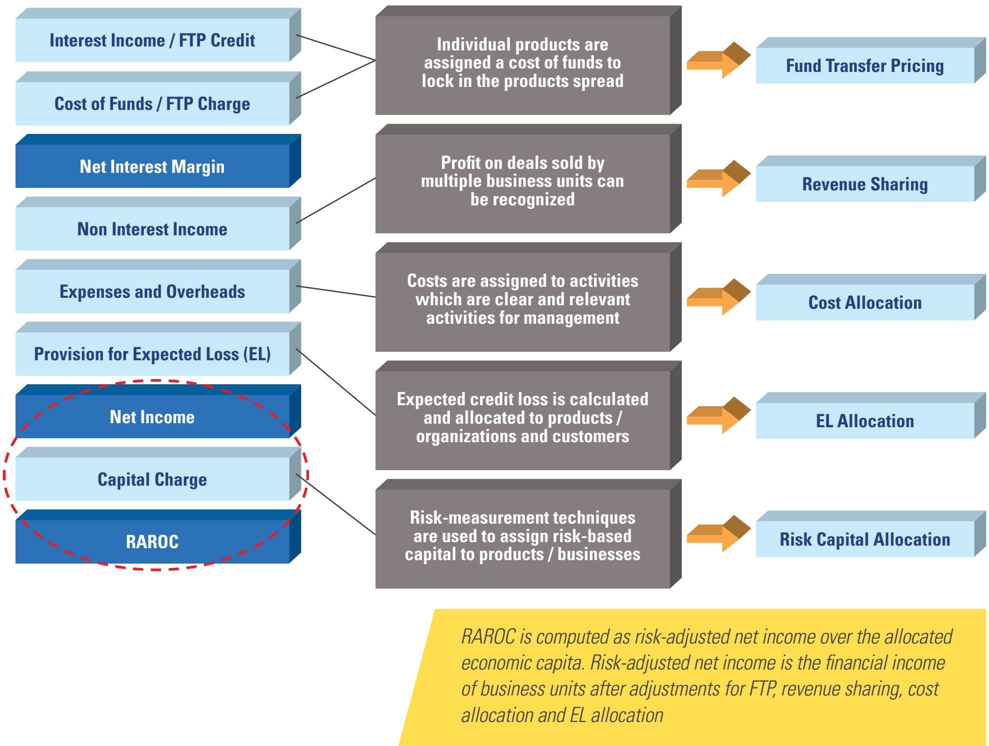
FIG 16: CAPITAL PLANNING PROCESS

capital. The results of the forecasts are always reviewed against the internal minimum capital adequacy levels and the regulatory thresholds.

Risk-Adjusted Performance Measurement (RAPM)

The Risk-Adjusted Performance Measurement (RAPM) framework allows for the active monitoring and management of risk exposures and allocation of economic capital proportionate to the amount of risk each business unit takes. The end-product is a dashboard for RAPM that results to a measure of Risk-adjusted Return on Capital (RAROC) that may then be used both for performance measurement and capital and strategic planning. Capital allocation as a result of RAROC is also a goal.

The RAPM dashboard is the Group's way of firmly linking risk and capital, as it allows Senior Management to assess the contribution of each business – after considering the related risks – and its return on the capital used. It also allows for capital planning at the business segment and or subsidiary level, allocating capital based on the identified risks and strategic intent. A view of performance, tempered with the risks and capital requirements, clarifies the components of the risk appetite for each strategy. The Framework is illustrated below.



PROFITABILITY MEASUREMENT FRAMEWORK

The measurement of profitability of business is refined and adjusted for the effect of the recently adopted Fund Transfer Pricing (FTP) model. Profitability too is further adjusted for risk via the estimation of expected loss.

Economic Capital is measured principally for the Pillar 1 risks via the estimation of the unexpected losses for credit, market, and operational risks. These measures however are not designed to take the place of prudential reporting and measurement of the capital adequacy ratio (CAR) which shall remain under standardized (for credit and market risks) and basic indicator (for operational risk) approaches.

The effect of current and future Pillar 2 risks is accounted for either via direct deduction from earnings (CAR numerator), or via the calculation of additional economic capital needed for risk (denominator).

Capital Adequacy and Basel III

The Group manages its capital in line with the over-all growth strategy and regulatory requirements, balanced with optimizing value for the stockholder and the Group as a whole. Regulatory developments, primarily the implementation of Basel III components in 2015 were a main consideration for the Group to actively strengthen its capital base.

The Group began its capital build up as early as 2006 to make room for organic growth and/or acquisition plans. By 2009, the Group raised a total of Php22.6 billion of capital (including Basel II eligible capital).

The implementation of Basel III however required additional common equity tier 1 capital and beginning 2010, the Group managed a series of capital raising activities to prepare for this and to further support long term growth plans. In May 2010, the Board approved the amendment of the articles of incorporation to increase the authorized capital from 1.1 billion common shares to 1.4 billion to allow room and flexibility in raising capital.

In March 2011, the International Finance Corp (IFC) invested Php2.13 billion for 73 million shares resulting to 6.4% ownership share, by the end of 2011. In May of the same year, the Group raised Php3.67 billion in common equity, through the investment of Hexagon Investment Holdings Limited ("HIHL") for a 15% ownership and two board seats.

In 2013, the Group raised a total of Php8.2 billion in common equity capital from two different capital raising activities. In March 2013, a total of Php4.1 billion raised coming from various investors through a top-up placement and in April 2013, IFC investment another of Php4.1 billion for an additional 5.6% ownership share in the Group.

The Group again raised capital in 2014. In June, the Group issued Php7 billion of 5.375% Unsecured Subordinated Notes due 2024 which qualify as Tier 2 Capital pursuant to BSP circular 781 (Series of 2013) and are Basel III-compliant. On September of the same year, the Group issued another Php3.0 billion Tier 2 Capital Notes as part of the BSP approval on May

9, 2014 authorizing the issuance of up to Php10.0 billion of Tier 2 Notes.

On December 17, 2014, the Group and Cathay Life Insurance Co., Ltd., a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. signed definitive agreements to acquire approximately 20% stake in RCBC on a pro-forma, post-transaction basis comprising 124,242,272 newly-subscribed shares and 155,757,728 existing shares. This transaction effectively cancelled the planned Stock Rights Offering which was earlier approved by the PSE on September 24, 2014.

The strategic investment in April 2015 by Cathay Life, Php7.95 billion of new Core Equity Tier 1 ("CET 1") capital for the Group, is part of RCBC's capital raising strategy i n order to comply with the more stringent capital adequacy rules under the new Basel III framework and is expected to enable RCBC to be comfortably above the minimum CET1 requirements of the BSP. In addition, the proceeds from the investment is expected to continue to support the continued growth of RCBC's loan book and increased expansion into the SME and Consumer segments to improve margins and risk diversification/actuarialization. The transaction is also in-line with Cathay's strategy to expand its business in ASEAN region.

On July 24, 2015 the Group redeemed its USD 100 million 9.875% Non-Cumulative Step-up Perpetual Securities ("the Hybrid Tier 1 Notes") as approved by the Board of Directors and by the Bangko Sentral ng Pilipinas last March 30, 2015 and May 27, 2015, respectively. The Hybrid Tier 1 Notes were redeemed for a total price of USD 113.93 million. Hybrid Tier 1 Notes were redeemed earlier than expected as they were classified as not eligible for Basel III requirement.

Rizal Commercial Banking Corporation and Cathay Life Insurance Corp, a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. closed the equity investment deal for a 20% stake in RCBC on April 20, 2015. The key terms of the transaction involved the subscription of primary shares (124,242,272) and the purchase of shares from CVC (119,033,590 shares) and IFC (36,724,138 shares) all at Php64.00 per share. Figure 17 summarizes this story in numbers.

Risk and Capital Disclosures

As prescribed by Section X190.5 and Part VIII of Appendix 63b of the Manual of Regulation for Banks (MORB), BSP Circular 538, and BSP Memorandum No. M-2014-007, the following are the pertinent risk and capital disclosures for RCBC and its subsidiaries. The figures for the Group and the Parent are calculated based on accounting methodologies prescribed by the BSP for prudential reporting, and therefore may not necessarily tally with the figures stated in the Group's Audited Financial Statements.

	2007	2008	2009	2011	2013	2014	2015	2016
Capital raised	₱5.6bio Tier 1 Common Stock	₱7.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	₱4.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	₱5.8bio Tier 1 Common Stock– ₱2.1bio from IFC and ₱3.7bio from CVC Capital Partners	₱4.1bio Common Stock from a "top-up offering" and ₱4.1bio Common Stock from additional investment of IFC ₱5.1bio freed-up capital from sale of RCBC Realty/Land & Bankard	₱10.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	₱7.95bio Equity Investment	
Stockholder's Equity (₱)	29.0bio	27.6bio	30.5bio	37.846bio	44.8bio	52.6bio	58.1bio	62.1bio
CAR (%)	18.7%	17.3%	18.5%	18.5%	16.5%	15.37%	15.72%	16.16%
Tier 1 Ratio (%)	15.1%	13.2%	12.6%	13.7%	16.0%	11.83%	12.55%	12.89%
Net Income (₱)	3.21bio	2.2bio	3.3bio	5.03bio	5.3bio	4.4bio	5.1bio	3.8bio

FIG 17

The capital adequacy ratio of the Group and the Parent as reported to the BSP as of December 31, 2016 and 2015 under Basel 3 framework are shown in the table below.

	Group		Parent	
	2016	**2015**	**2016**	**2015**
CET 1 Capital	49,842	48,779	37,659	37,940
Tier 1 Capital	49,845	48,782	37,662	37,943
Tier 2 Capital	12,622	12,325	12,048	11,894
Total Qualifying Capital	**62,467**	**61,107**	**49,711**	**49,837**
Credit Risk Weighted Assets	345,096	346,956	276,467	287,800
Market Risk Weighted Assets	4,325	7,320	4,342	7,263
Operational Risk Weighted Assets	37,242	34,528	25,459	23,872
Risk Weighted Assets	**386,663**	**388,804**	**306,268**	**318,935**
Total Capital Adequacy Ratio	**16.16%**	**15.72%**	**16.23%**	**15.63%**
Tier 1 Capital Adequacy Ratio	**12.89%**	**12.55%**	**12.30%**	**11.90%**
Common Equity Tier 1 Ratio	**12.89%**	**12.55%**	**12.30%**	**11.90%**
Capital Conservation Buffer	**6.89%**	**6.55%**	**6.30%**	**5.90%**

The regulatory qualifying capital of the Group and the Parent consists of Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital less regulatory deductions. The components of qualifying capital as of December 31, 2016 and 2015 are as follows:

	Group		Parent	
	2016	**2015**	**2016**	**2015**
Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital				
Paid up common stock	13,999	13,999	13,999	13,999
Additional paid in capital	22,636	22,635	22,636	22,635
Retained Earnings	20,981	16,798	20,981	16,798
Undivided profits	3,864	5,117	3,864	5,117
Other Comprehensive Income				
Net unrealized gains or losses on AFS securities	2,367	658	2,367	658
Cumulative foreign currency translation	86	82	98	98
Remeasurement of Net Defined Benefit Liability/(Asset)	(1,342)		(1,342)	
Minority interest in subsidiary financial allied undertaking which are less than wholly owned	31	29		
Common Equity Tier 1 (CET1) Capital	**62,621**	**59,318**	**62,602**	**59,305**

Full Reconciliation of all Regulatory Capital Elements and Regulatory Adjustments/Deductions
(In Millions)

	Group		Parent	
	2016	2015	2016	2015
Less: Regulatory Adjustments to CET1 Capital				
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	0	1	0	1
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	-	411	-	411
Deferred tax assets	2,137	1,104	1,261	347
Goodwill	158	158	158	158
Other Intangible Assets	1,965	1,958	1,854	1,808
Defined benefit pension fund assets (liabilities)	-	1		
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers brokers and insurance companies), after deducting related goodwill, if any			16,275	15,063
Other equity investments in non-financial allied undertakings and non-allied undertakings	8,512	6,898	5,387	3,569
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	8	8	8	8
Total Regulatory Adjustments to CET1 Capital	**12,779**	**10,539**	**24,943**	**21,365**
Total Common Equity Tier 1 Capital	**49,842**	**48,779**	**37,659**	**37,940**
Additional Tier 1 (AT1) Capital				
Instruments issued by the bank that are eligible as AT1 Capital	3	3	3	3
Less: Regulatory Adjustments to AT1 Capital				
Total Additional Tier 1 (AT1) Capital	**3**	**3**	**3**	**3**
Total Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital	**49,845**	**48,782**	**37,662**	**37,943**
Tier 2 Capital				
Instruments issued by the bank that are eligible as Tier 2 capital	9,952	9,936	9,952	9,936
General loan loss provision	2,670	2,389	2,097	1,958
Total Tier 2 capital	**12,622**	**12,325**	**12,048**	**11,894**
Less: Regulatory Adjustments to Tier 2 Capital				
Total Tier 2 Capital	**12,622**	**12,325**	**12,048**	**11,894**
Total Qualifying Capital	**62,467**	**61,107**	**49,711**	**49,837**

Full Reconciliation of all Regulatory Capital Elements and Regulatory Adjustments/Deductions
(In Millions)

	Group									
	2016					2015				
		BASEL III					BASEL III			
FRP Equity Accounts	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital
Paid in Capital Stock	14,002	13,999	3		14,002	14,002	13,999	3		14,002
Common Stock	13,999	13,999			13,999	13,999	13,999			13,999
Perpetual and Non-Cumulative Preferred Stock	3		3		3	3		3		3
Additional Paid-in Capital	22,636	22,636			22,636	22,635	22,635			22,635
Retained Earnings	20,981	20,981			20,981	16,798	16,798			16,798
Undivided Profits	3,864	3,864			3,864	5,117	5,117			5,117
Other Comprehensive Income	1,111	1,111			1,111	(473)	739			739
Minority Interest in Subsidiaries (for consolidated report only)	31	31			31	29	29			29
Total Equity Accounts	**62,624**	**62,621**	**3**		**62,624**	**58,109**	**59,318**	**3**		**59,321**
Other Accounts Eligible as Regulatory Capital										
Unsecured Subordinated Debt				9,952	9,952				9,936	9,936
General Loan Loss Reserves				2,670	2,670				2,389	2,389
Regulatory Adjustments/Deductions to CET1 Capital										
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)		(0)			(0)		(1)			(1)
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates		-			-		(411)			(411)
Deferred tax assets		(2,137)			(2,137)		(1,104)			(1,104)
Goodwill		(158)			(158)		(158)			(158)
Other Intangible Assets		(1,965)			(1,965)		(1,958)			(1,958)
Defined benefit pension fund assets (liabilities)		-			-		(1)			(1)
Other equity investments in non-financial allied undertakings and non-allied undertakings		(8,512)			(8,512)		(6,898)			(6,898)
Reciprocal investments in common stock of other banks/ quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)		(8)			(8)		(8)			(8)
Total Regulatory Capital	**62,624**	**49,842**	**3**	**12,622**	**62,467**	**58,109**	**48,779**	**3**	**12,325**	**61,107**

Full Reconciliation of all Regulatory Capital Elements and Regulatory Adjustments/Deductions
(In Millions)

	Parent									
	2016					2015				
		BASEL III					BASEL III			
FRP Equity Accounts	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital
Paid in Capital Stock	14,002	13,999	3		14,002	14,002	13,999	3		14,002
Common Stock	13,999	13,999			13,999	13,999	13,999			13,999
Perpetual and Non-Cumulative Preferred Stock	3		3		3	3		3		3
Additional Paid-in Capital	22,636	22,636			22,636	22,635	22,635			22,635
Retained Earnings	20,981	20,981			20,981	16,798	16,798			16,798
Undivided Profits	3,864	3,864			3,864	5,117	5,117			5,117
Other Comprehensive Income	1,123	1,123			1,123	(456)	756			756
Minority Interest in Subsidiaries (for consolidated report only)										
Total Equity Accounts	**62,605**	**62,602**	**3**		**62,605**	**58,096**	**59,305**	**3**		**59,308**
Other Accounts Eligible as Regulatory Capital										
Unsecured Subordinated Debt				9,952	9,952				9,936	9,936
General Loan Loss Reserves				2,097	2,097				1,958	1,958
Regulatory Adjustments/Deductions to CET1 Capital										
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)		(0)			(0)		(1)			(1)
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates		-			-		(411)			(411)
Deferred tax assets		(1,261)			(1,261)		(347)			(347)
Goodwill		(158)			(158)		(158)			(158)
Other Intangible Assets		(1,854)			(1,854)		(1,808)			(1,808)
Defined benefit pension fund assets (liabilities)										
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers brokers and insurance companies), after deducting related goodwill, if any		(16,275)			(16,275)		(15,063)			(15,063)
Other equity investments in non-financial allied undertakings and non-allied undertakings		(5,387)			(5,387)		(3,569)			(3,569)
Reciprocal investments in common stock of other banks/ quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)"		(8)			(8)		(8)			(8)
Total Regulatory Capital	**62,605**	**37,659**	**3**	**12,048**	**49,711**	**58,096**	**37,940**	**3**	**11,894**	**49,837**

Components of Regulatory Capital
Regulatory Capital consist of the sum of the following accounts as reported in the BSP Financial Reporting Package (FRP) which are eligible as Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital guided by Circular No. 781 - Basel III Implementing Guidelines on Minimum Capital Requirements

a. Paid in Capital Stock
b. Additional Paid-in Capital Stock
c. Retained Earnings
d. Undivided Profits
e. Other Comprehensive Income
    Net Unrealized Gains or Losses on AFS Securities
    Cumulative foreign currency translation
    Remeasurement of Net Defined Benefit Liability/(Asset) pertains to Reserves on remeasurements of post-employment defined benefit plan comprise of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions and actual return on plan assets
f. Minority Interest in Subsidiaries (for consolidated report only)

Tier 2 Capital consists of sum of Unsecured Subordinated Debt with main features discussed below and General Loan Loss Reserves, limited to a maximum of 1.00% of credit risk-weighted assets.

Regulatory Adjustments to Capital consists of the sum of the following accounts:
a. Unsecured credit accomodations
b. Unsecured loans, other credit credit accomodations and guarantees granted to subsidiaries and affiliates
c. Deferred Tax Assets pertains to the tax impact of deductible temporary differences such as but not limited to provisions for impairment,minimum corporate income tax and retirement benefits
d. Goodwill represents goodwill of RCBC Savings
e. Other Intangible Assets consist of computer software and branch licenses
f. Defined benefit pension fund assets pertains to the excess of the fair value of the plan assets over the present value of the defined benefit obligation
g. Investments in equity of unconsolidated subsidiary banks for the solo reporting represents carrying amount as reported in the FRP, net of related goodwill
    RCBC Savings Bank
    RCBC Capital Corporation
    RCBC Forex Brokers Corp.
    RCBC Leasing and Finance Corp.
    Merchant Savings & Loan Association Inc.
    RCBC Telemoney Europe
    RCBC International Finance Ltd.
    RCBC North America, Inc.
h. Other equity investments in non-financial allied undertakings and non-allied undertakings represents investments in various companies such as Niyog Properties, YGC Corporate Services, Honda Cars, GPL Holdings, MICO Equities, Roxas Holdings, Pilipinas Shell, Isuzu Phils. among others

Main Features of Tier 2 Subordinated Debt Issued
On June 27, 2014 the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P 3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P 7 billion Tier 2 Notes.

The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P 10 billion, are as follows:
(a) The Tier 2 Notes shall mature on September 27, 2024 , provided that they are not redeemed at an earlier date.
(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on September 26, 2019, and on any Interest Payment Date thereafter, redeem all of the outstanding Tier 2 Notes at redemption price equal to 100% of its face value together with accrued and unpaid interest thereon. The terms and conditions of the Tier 2 Notes also allow for early redemption upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event.
(c) The Tier 2 Notes shall initially bear interest at the rate of 5.375% per annum from and including June 27, 2014 to but excluding September 27, 2019 and shall be quarterly in arrears at the end of each interest period on March 27, June 27, September 27 and December 27 of each year.
(d) Unless the Tier 2 Notes are previously redeemed, the initial interest rate will be reset on September 26, 2019 at the equivalent of the five-year PDST-R2 or the relevant five-year benchmark plus the initial spread of 1.93% per annum Such reset interest shall be payable quarterly in arrears commencing on September 27, 2019 up to and including September 27, 2024, if not otherwise redeemed earlier.
(e) The Tier 2 Notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions as set out in the terms and conditions of the notes, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. Upon the occurrence of a Non-Viability Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go as low as zero. A Non-Viability Write-Down shall have the following effects:
    (i) it shall reduce the claim on the notes of the liquidation;
    (ii) reduce the amount re-paid when a call or redemption is properly exercised; and,
    (iii) partially or fully reduce the interest payments on the notes.

For the features of the other capital instruments please refer to Note 23.1 of the Audited FS for the Preferred Shares.

Full Reconciliation of Regulatory Capital Elements back to the FRP Balance Sheet in the Audited Financial Statements

(In Millions)
RCBC Parent

				December 31, 2016	
Equity Accounts	Audited FS	BSP FRP	Change	Details	Amount
Common Stock	13,999	13,999	-		
Preferred Stock	3	3	-		
Capital Paid in Excess of Par	22,636	22,636	-		
Revaluation Reserves	622	1,123	(501)	Marked to market adjustment of Equity Securities	(238)
				Fxcy translation adjustment on Equity Investment	(12)
				Adjustment on retirement plan benefits	(251)
					(501)
Reserve for Trust Business	378	369	9	Additional provision on Reserves for Trust Business	9
Surplus	24,401	24,476	(75)	Reserve for Self Insurance reported as part of the Other Liabilities in the AFS	(73)
				Additional provision on Reserves for Trust Business	(9)
				Profit and Loss and prior year adjustment	(7)
					75
Total Capital	**62,037**	**62,605**	**(568)**		**(568)**

Reconciliation for the Group Regulatory Elements are the same as that of the Parent Bank.

Full Reconciliation of Regulatory Capital Elements back to the FRP Balance Sheet in the Audited Financial Statements

(In Millions)
RCBC Parent

				December 31, 2015	
Equity Accounts	Audited FS	BSP FRP	Change	Details	Amount
Common Stock	13,999	13,999	-		
Preferred Stock	3	3	-		
Capital Paid in Excess of Par	22,635	22,635	-		
Revaluation Reserves	(458)	(457)	(1)	Reinstatement of equity investments in subsidiaries to cost method	(161)
				Adjustment on fair market value of FVOCI	11
				Remeasurement of Net Defined Benefits - Subsidiaries	150
					(1)
Reserve for Trust Business	356	350	6	Additional provision on Reserves for Trust Business	6
Surplus	14,282	21,565	(7,284)	Reinstatement of equity investments to cost method	(6,903)
				Impairment provision for JPL	(375)
				Reserve for Self Insurance reported as part of the Other Liabilities in the AFS	(61)
				Additional provision on Reserves for Trust Business	(6)
				Additional income after considering audit adjusting entries	61
					(7,284)
Total Capital	**50,817**	**58,096**	**(7,279)**		**(7,279)**

Reconciliation for the Group Regulatory Elements are the same as that of the Parent Bank except for the reinstatement of equity investments to cost method. At the group level, the equity investments are accounted using equity method.

Capital Requirements by type of exposure as of December 31, 2016 and 2015 are as follows:

	December 31, 2016					
	Credit Risk		Market Risk		Operational Risk	
	Group	Parent	Group	Parent	Group	Parent
			(in Millions)			
On- Balance Sheet Assets	334,527	265,927				
Off- Balance Sheet Assets	9,261	9,231				
Counterparty Risk-Weighted Assets in the Banking & Trading Book	1,308	1,308				
Credit Linked Notes in the Banking Book						
Securitization Exposures						
Market Risk-Weighted Assets			4,325	4,342		
Operational Risk using Basic Indicator Approach					37,242	25,459
Total	**345,096**	**276,467**	**4,325**	**4,342**	**37,242**	**25,459**
Capital Requirements	**34,510**	**27,647**	**432**	**434**	**3,724**	**2,546**

	December 31, 2015					
	Credit Risk		Market Risk		Operational Risk	
	Group	Parent	Group	Parent	Group	Parent
			(in Millions)			
On- Balance Sheet Assets	336,747	277,624				
Off- Balance Sheet Assets	9,444	9,410				
Counterparty Risk-Weighted Assets in the Banking & Trading Book	766	766				
Credit Linked Notes in the Banking Book						
Securitization Exposures						
Market Risk-Weighted Assets			7,320	7,263		
Operational Risk using Basic Indicator Approach					34,528	23,872
Total	346,956	287,800	7,320	7,263	34,528	23,872
Capital Requirements	34,696	28,780	732	726	3,453	2,387

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government (NG) and those guarantors and exposures with the highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the rating by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporation and Corporates.

Total Credit Risk Exposures by Type, Risk Buckets and Risk Weighted Assets as of December 31, 2016 and 2015 are as follows :

RCBC Group

Total Credit Risk Exposures by Type, Risk Buckets and Risk Weighted Assets

	December 31, 2016										
Type of Exposures	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	98,927	2,933	95,994	79,260		16,735		0		8,367
Banks	26,855		26,855		4,845	20,453		1,557		12,753
Government corporations	7,513	5,658	1,855			520		1,335		1,595
Corporates	233,729	10,288	223,441		410	620		222,223	187	222,896
Housing Loans	34,640	15,943	18,697			16,063		2,634		10,666
MSME Qualified portfolio	9,515		9,515				9,515			7,137
Defaulted exposures	3,222		3,222					1,262	1,960	4,202
Housing Loans	1,262		1,262					1,262		1,262
Others	1,960		1,960						1,960	2,940
ROPA	3,664		3,664						3,664	5,496
All other assets, net of deductions	76,954	453	76,501	15,156	71			61,015	258	61,417
Total on-balance sheet exposures	495,019	35,274	459,744	94,416	5,327	54,391	9,515	290,026	6,070	334,527
Off-balance sheet exposures										
Direct credit substitutes	4,851		4,851					4,851		4,851
Transaction-related contingencies	3,487		3,487					3,487		3,487
Trade-related contingencies	922		922					922		922
Others	124,844		124,844	124,844						
Total off-balance sheet exposures	134,105		134,105	124,844				9,261		9,261
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	793		793		7	145		641		715
Derivatives - exchange rate contracts	734		734		5	274		455		593
Credit Derivatives	0		0			0				0
Total counterparty RWA in trading book	1,527		1,527			419		1,096		1,308
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**630,651**	**35,274**	**595,376**	**219,260**	**5,339**	**54,810**	**9,515**	**300,383**	**6,070**	**345,096**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**630,651**	**35,274**	**595,376**	**219,260**	**5,339**	**54,810**	**9,515**	**300,383**	**6,070**	**345,096**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

RCBC Parent
Total Credit Risk Exposures by Type, Risk Buckets and Risk Weighted Assets

	December 31, 2016									
Type of Exposures	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	76,746	2,933	73,813	59,970		13,843				6,921
Banks	25,772		25,772		4,845	20,288		639		11,178
Government corporations	6,993	5,658	1,335			0		1,335		1,335
Corporates	221,712	10,267	211,445		410	620		210,227	187	210,900
Housing Loans	58	53	5			5				3
MSME Qualified portfolio	8,941		8,941				8,941			6,706
Defaulted exposures	594		594					42	552	870
Housing Loans	42		42					42		42
Others	552		552						552	828
ROPA	946		946						946	1,419
All other assets, net of deductions	37,058		37,058	11,000	45			26,013		26,022
Total on-balance sheet exposures	378,820	18,911	359,909	70,970	5,300	34,756	8,941	238,255	1,685	265,927
Off-balance sheet exposures										
Direct credit substitutes	4,851		4,851					4,851		4,851
Transaction-related contingencies	3,458		3,458					3,458		3,458
Trade-related contingencies	922		922					922		922
Others										
Total off-balance sheet exposures	9,231		9,231					9,231		9,231
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	793		793		7	145		641		715
Derivatives - exchange rate contracts	734		734		5	274		455		593
Credit Derivatives	0		0			0			0	0
Total counterparty RWA in trading book	1,527		1,527		12	419		1,096		1,308
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**389,578**	**18,911**	**370,667**	**70,970**	**5,312**	**35,175**	**8,941**	**248,583**	**1,685**	**276,467**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**389,578**	**18,911**	**370,667**	**70,970**	**5,312**	**35,175**	**8,941**	**248,583**	**1,685**	**276,467**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

RCBC Group
Total Credit Risk Exposures by Type, Risk Buckets and Risk Weighted Assets

	December 31, 2015									
Type of Exposures	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	100,499	1,470	99,029	73,977	1,315	20,495		3,242		13,752
Banks	25,369		25,369		1,733	21,732		1,905		13,117
Local government units	176		176			176				88
Government corporations	11,738	5,718	6,020		227	1,152		4,641		5,263
Corporates	255,590	25,546	230,043		469	2,388		226,960	227	228,588
Housing Loans	31,876	12,198	19,678			16,700		2,978		11,328
MSME Qualified portfolio	8,327		8,327				8,327			6,245
Defaulted exposures	2,561		2,561					932	1,629	3,375
Housing Loans	932		932					932		932
Others	1,629		1,629						1,629	2,443
ROPA	3,618		3,618						3,618	5,428
All other assets, net of deductions	65,045	1,431	63,615	14,045	172			49,136	262	49,563
Total on-balance sheet exposures	504,799	46,363	458,436	88,022	3,915	62,642	8,327	289,795	5,736	336,747
Off-balance sheet exposures										
Direct credit substitutes	4,643		4,643					4,643		4,643
Transaction-related contingencies	3,562		3,562					3,562		3,562
Trade-related contingencies	1,239		1,239					1,239		1,239
Others	118,251		118,251	118,251						
Total off-balance sheet exposures	127,694		127,694	118,251				9,444		9,444
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	441		441		9	143		290		363
Derivatives - exchange rate contracts	453		453		10	84		359		403
Credit Derivatives										
Total counterparty RWA in trading book	894		894		19	226		649		766
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**633,387**	**46,363**	**587,024**	**206,273**	**3,934**	**62,868**	**8,327**	**299,887**	**5,736**	**346,956**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**633,387**	**46,363**	**587,024**	**206,273**	**3,934**	**62,868**	**8,327**	**299,887**	**5,736**	**346,956**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

RCBC Parent
Total Credit Risk Exposures by Type, Risk Buckets and Risk Weighted Assets

	December 31, 2015										
Type of Exposures	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	85,358	1,470	83,888	61,719	109	18,817		3,242		12,673
Banks	23,776		23,776		1,733	21,505		528		8,830
Local government units	176		176			176				176
Government corporations	11,235	5,718	5,517		227	649		4,641		5,011
Corporates	243,164	25,484	217,680		469	2,388		214,597	227	216.225
Housing Loans	78	68	11			11				5
MSME Qualified portfolio	8,016		8,016				8,016			6,012
Defaulted exposures	811		811					51	760	1,191
Housing Loans	51		51					51		51
Others	760		760						760	1,140
ROPA	948		948						948	1,422
All other assets, net of deductions	33,587		33,587	10,127	113			23,347		23,370
Total on-balance sheet exposures	407,139	32,740	374,400	71,846	2,650	43,546	8,016	246,406	1,934	277,624
Off-balance sheet exposures										
Direct credit substitutes	4,643		4,643					4,643		4,643
Transaction-related contingencies	3,529		3,529					3,529		3,529
Trade-related contingencies	1,239		1,239					1,239		1,239
Others										
Total off-balance sheet exposures	9,410		9,410					9,410		9,410
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	441		441		9	143		290		363
Derivatives - exchange rate contracts	453		453		10	84		359		403
Credit Derivatives										
Total counterparty RWA in trading book	894		894		19	226		649		766
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**417,443**	**32,740**	**384,704**	**71,846**	**2,669**	**43,772**	**8,016**	**256,466**	**1,934**	**287,800**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**417,443**	**32,740**	**384,704**	**71,846**	**2,669**	**43,772**	**8,016**	**256,466**	**1,934**	**287,800**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

RCBC Group
Total Credit Risk Exposures by Asset Type, Risk Buckets and Risk Weighted Assets

				December 31, 2016						
On-Balance Sheet Assets	Principal Amount	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	15,156		15,156	15,156						
Checks and Other Cash Items	71		71		71					14
Due from Bangko Sentral ng Pilipinas (BSP)	66,542		66,542	66,542						
Due from Other Banks	25,193		25,193		4,845	18,791		1,557		11,921
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets										
Held-to-Maturity (HTM) Financial Assets	52,682	2,933	49,748	4,518	410	19,022		25,611	187	35,485
Unquoted Debt Securities Classified as Loans	1,572		1,572					1,572		1,572
Loans and Receivables	304,195	32,341	271,854			16,578	9,515	243,801	1,960	262,166
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	8,200		8,200	8,200						
Sales Contract Receivable (SCR)	1,643		1,643					1,384	258	1,772
Real and Other Properties Acquired	3,664		3,664						3,664	5,496
Other Assets	16,100		16,100					16,100		16,100
Total Risk-weighted On-Balance Sheet Assets	**495,019**	**35,274**	**459,744**	**94,416**	**5,327**	**54,391**	**9,515**	**290,026**	**6,070**	**334,527**

RCBC Group
Total Credit Risk Exposures by Asset Type, Risk Buckets and Risk Weighted Assets

				December 31, 2015						
On-Balance Sheet Assets	Principal Amount	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	14,045		14,045	14,045						
Checks and Other Cash Items	172		172		172					34
Due from Bangko Sentral ng Pilipinas (BSP)	50,618		50,618	50,618						
Due from Other Banks	19,537		19,537		1,733	16,138		1,666		10,082
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets	4		4					4		4
Held-to-Maturity (HTM) Financial Assets	103,150	1,470	101,680	23,359	2,010	29,804		46,280	227	61,924
Unquoted Debt Securities Classified as Loans	1,556		1,556					1,556		1,556
Loans and Receivables	295,514	44,893	250,621			16,700	8,327	223,965	1,629	241,004
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions										
Sales Contract Receivable (SCR)	1,935		1,935					1,673	262	2,065
Real and Other Properties Acquired	3,618		3,618						3,618	5,428
Other Assets	14,650		14,650					14,650		14,650
Total Risk-weighted On-Balance Sheet Assets	**504,799**	**46,363**	**458,436**	**88,022**	**3,915**	**62,642**	**8,327**	**289,795**	**5,736**	**336,747**

RCBC Parent

Total Credit Risk Exposures by Asset Type, Risk Buckets and Risk Weighted Assets

	December 31, 2016									
On-Balance Sheet Assets	Principal Amount	Credit Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	11,000		11,000	11,000						
Checks and Other Cash Items	45		45		45					9
Due from Bangko Sentral ng Pilipinas (BSP)	50,886		50,886	50,886						
Due from Other Banks	24,109		24,109		4,845	18,626		639		10,920
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets										
Held-to-Maturity (HTM) Financial Assets	45,549	2,933	42,615	4,152	410	15,610		22,255	187	30,423
Unquoted Debt Securities Classified as Loans	1,572	-	1,572					1,572		1,572
Loans and Receivables	228,023	15,978	212,045			520	8,941	202,066	518	209,809
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	4,932		4,932	4,932						
Sales Contract Receivable (SCR)	554		554					520	34	571
Real and Other Properties Acquired	946		946						946	1,419
Other Assets	11,203		11,203					11,203		11,203
Total Risk-weighted On-Balance Sheet Assets	**378,820**	**18,911**	**359,909**	**70,970**	**5,300**	**34,756**	**8,941**	**238,255**	**1,685**	**265,927**

RCBC Parent

Total Credit Risk Exposures by Asset Type, Risk Buckets and Risk Weighted Assets

	December 31, 2015									
On-Balance Sheet Assets	Principal Amount	Credit Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	10,127		10,127	10,127						
Checks and Other Cash Items	113		113		113					23
Due from Bangko Sentral ng Pilipinas (BSP)	42,027		42,027	42,027						
Due from Other Banks	18,172		18,172		1,733	15,911		528		8,830
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets										
Held-to-Maturity (HTM) Financial Assets	92,567	1,470	91,097	19,693	805	27,624		42,749	227	57,062
Unquoted Debt Securities Classified as Loans	1,556		1,556					1,556		1,556
Loans and Receivables	229,818	31,270	198,549			11	8,016	189,773	748	196,913
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions										
Sales Contract Receivable (SCR)	667		667					655	12	673
Real and Other Properties Acquired	948		948						948	1,422
Other Assets	11,145		11,145					11,145		11,145
Total Risk-weighted On-Balance Sheet Assets	**407,139**	**32,740**	**374,400**	**71,846**	**2,650**	**43,546**	**8,016**	**246,406**	**1,934**	**277,624**

Market Risk Weighted Assets

Using Standardized Approach	Group				Parent Company			
	2016		2015		**2016**		2015	
	Notional Amount	Market Risk Weighted Assets (MRWA)	Notional Amount	Market Risk Weighted Assets (MRWA)	Notional Amount	Market Risk Weighted Assets (MRWA)	Notional Amount	Market Risk Weighted Assets (MRWA)
Interest Rate Exposures	64,705	3,288	55,150	4,322	63,702	3,288	54,031	4,322
Equity Exposures	-	-	-	-	-	-	-	-
Foreign Exposures	1,417	880	1,433	1,097	1,418	897	1,374	1,040
Options	1,822	157	2,984	1,901	1,822	157	2,984	1,901
Total	**67,944**	**4,325**	**59,568**	**7,320**	**66,942**	**4,342**	**58,389**	**7,263**

Operational Risk-Weighted Assets under Basic Indicator Approach
(Based on 3 year Average Gross Income)

Nature of Item	Group		Parent Company	
	2016	2015	**2016**	2015
Net interest income	14,642	13,227	10,354	9,469
Other non-interest income	5,220	5,188	3,224	3,263
Gross Income	19,862	18,415	13,578	12,732
Capital Requirements	**37,242**	**34,528**	**25,459**	**23,872**

Use of third party assessment for Credit Risk

Following the standardized approach for credit risk, the determination of capital requirement is based on an approach that links predefined risk weights to predefined asset classes. Standardized credit risk weights following BSP Circular 538 were used in the credit assessment of these asset exposures. Third party credit assessments in turn were based on the rating by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporation and Corporates.

Moreover, as of December 31, 2016 the Bank had exposures to the following countries via direct exposure to local corporates, the range of issuer ratings of which is indicated:

Country	Rating Range
Belgium	A-
Hong Kong	Unrated
Indonesia	BB+
Mexico	BBB+
United Kingdom	A / A-
United States	AAA / BB-

CORPORATE SOCIAL RESPONSIBILITY

Harnessing the Power of Partnerships

There are many factors to building a strong nation and RCBC is a believer of perseverance, self-reliance and rising up to the struggles of life headstrong. In 2016, RCBC began its commitment to community rehabilitation by supporting calamity-stricken areas during times of natural disasters with a valuable partnership with the Philippine Red Cross (PRC). At the same time, the company also maintained its projects with Gawad Kalinga on sustainable livelihood projects and granting education to the well-deserved youth.

The partnership with GAWAD KALINGA is centered on education meant to grow the entrepreneurial spirit for true community development.


RCBC

Assistance for Disaster Rehabilitation

The two strong institutions RCBC and Philippine Red Cross has come to an agreement where RCBC pledges its support for 3 years through its annual funding. The donated funds will be placed in the general funding pool of PRC where it will be utilized in critical moments of calamities and natural disasters. Where readiness and immediate support is required, RCBC lends a hand to communities while paving a way for them to rise above the strife.

Livelihood Projects

There is integrity in being responsible for your own sustenance and RCBC strongly upholds the values of productivity and self-reliance. RCBC continually supports Gawad Kalinga in their sustainable livelihood projects. The donation will directly benefit Free Birds, a social entrepreneurship venture co-founded by Vincent Tatel and Louis Faure. The bottom line of the project is to demonstrate the benefits of organic farming. The primary goal is to produce healthy, organic chickens that can eventually be mass-distributed all over the Philippines by way of crossbreeding native Filipino chickens with strong French roosters. The RCBC donation of one hundred chickens will further Gawad Kalinga's two-pronged mission which is to jumpstart sustainable livelihoods for the community while supporting the local farmers and breeders in Bulacan.

Entrepeneurial Education

A long-term partnership has been extended to the GK Farm University where RCBC helps fulfill Gawad Kalinga's aim to open up opportunities for underprivileged but exemplary students and reconnect them to grassroots community education. Being the first of its kind in the world, the Gawad Kalinga Farm University is a 35-hectare mentorship hub that will provide access to experiential and entrepeneurial education ideal for social business growth. It will provide linkages for innovations to happen between the rich and poor, urban and rural, be it local or international.

RCBC Bankard Diamond Card – an innovation for a worthy cause

To provide convenience to those with generous hearts, RCBC has launched the only bona fide Platinum card for those who give importance to balancing all the elements of a full life - career, family, & community. This Affinity card enables you to fulfill that caring part of your personality by allowing you to automatically donate money to a worthy cause. For every Php100 charged to your Diamond Card, Php0.20 will be automatically donated to Gawad Kalinga program – Kusina ng Kalinga. "Hunger ends where caring begins."

The Board of Directors

1 **HELEN Y. DEE** *Chairperson | Non-Executive Director*
2 **GIL A. BUENAVENTURA** *President and CEO | Executive Director*
3 **CESAR E.A. VIRATA** *Corporate Vice Chairman | Non-Executive Director*
4 **RICHARD G. A. WESTLAKE** *Non-Executive Director*
5 **T. C. CHAN** *Non-Executive Director*
6 **JOHN LAW** *Non-Executive Director*
7 **YUH-SHING (FRANCIS) PENG** *Non-Executive Director*
8 **FLORENTINO M. HERRERA, III** *Non-Executive Director*

The Board of Directors

1 ADELITA A. VERGEL DE DIOS *Independent Director*
2 MELITO S. SALAZAR, JR. *Independent Director*
3 VAUGHN F. MONTES *Independent Director*
4 LILIA R. BAUTISTA *Independent Director*
5 GABRIEL S. CLAUDIO *Independent Director*
6 JUAN B. SANTOS *Independent Director*
7 ARMANDO M. MEDINA *Independent Director*

PROFILE OF DIRECTORS

MS. HELEN Y. DEE

Chairperson, Non-Executive Director
73 years of age, Filipino

BS Commerce, Assumption College, Philippines; Masters in Business Administration, De La Salle University, Philippines

Ms. Helen Y. Dee has been the Bank's Chairperson since 2005.

Ms. Dee is also the Chairperson of RCBC Savings Bank, RCBC Leasing and Finance Corporation, Landev Corporation, Hi-Esai Pharmaceutical Inc., Mapua Information Technology Center, Inc., Malayan Insurance Co. Inc., and Manila Memorial Park Cemetery, Inc.; and Vice Chairperson of Pan Malayan Management and Investment Corporation.

Ms. Dee also holds positions in listed companies within the YGC as Chairperson of House of Investments, Inc., PetroEnergy Resources Corporation, and Seafront Resources Corporation; Vice Chairperson of EEI Corporation; and a director of iPeople, Inc., and outside the YGC as Chairperson of the National Reinsurance Corporation of the Philippines and a director of the Philippine Long Distance Telephone Company.

She attended continuing education seminars facilitated by RCBC in 2013 covering the following topics: SEC Corporate Governance Initiatives/Trends in Regulatory Framework, Updates on Anti-Money Laundering Act of 2001, Basel III and Financial Regulatory Reform, and Evaluating Risks in Project Finance Transactions. She also attended the Corporate Governance seminars conducted by SGV & Co. for the directors and key officers of RCBC, RCBC Subsidiaries and affiliates on March 22, 2014, September 5, 2015.

For 2016, she attended the Corporate Governance Enhancement Session on The Philippine Competition Act and Philippine Competition Commissions conducted by PLDT on May 3, 2016, as well as the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016.

MR. CESAR E.A. VIRATA

Corporate Vice Chairman, Non-Executive Director
86 years of age, Filipino

BS Mechanical Engineering and Business Administration (Cum Laude), University of the Philippines; Masters in Business Administration, Wharton Graduate School, University of Pennsylvania, USA

Mr. Cesar E.A. Virata has been a Director of the Bank since 1995, Corporate Vice Chairman since June 2000, and Senior Adviser since 2007.

Mr. Virata's roster of companies where he is also a Director and/or Chairman include, RCBC Savings Bank, RCBC Realty Corp., RCBC Land, Inc., Malayan Insurance Company, Inc., Business World Publishing Corporation, City & Land Developers, Inc., RCBC International Finance, Ltd. (Hong Kong), Luisita Industrial Park Corporation, Niyog Property Holdings, Inc., Cavitex Holdings, Inc., ALTO Pacific Company, Inc., Malayan Colleges, Inc., RCBC Bankard Services Corporation, AY Foundation, Inc., and YGC Corporate Services, Inc., among others.

Mr. Virata is an Independent Director of the following listed companies outside YGC: Belle Corporation and Lopez Holdings Corporation.

Mr. Virata held various key positions in the Philippine government including Prime Minister, Secretary/Minister of Finance, Chairman of the Committee on Finance of the Batasan Pambansa (National Assembly), member of the Monetary Board, and Chairman of the Land Bank of the Philippines. He likewise served as Governor of the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agricultural Development. He was Chairman of the Development Committee of the World Bank and International Monetary Fund from 1976 to 1980 and Chairman of the Board of Governors of the Asian Development Bank. Prior to his Government positions, he was a Professor and Dean of the College of Business Administration of the University of the Philippines and Principal, SyCip Gorres Velayo and Company, Management Services Division.

He attended continuing education seminars facilitated by RCBC in 2013 covering the following topics: SEC Corporate Governance Initiatives/Trends in Regulatory Framework, Updates on the Anti-Money Laundering Act of 2001, Basel III and Financial Regulatory Reform, and Evaluating Risks in Project Finance Transactions. He also attended the Corporate Governance seminar conducted by SGV & Co. for the directors and key officers of RCBC, RCBC subsidiaries and affiliates on September 5, 2015.

For 2016, he attended the Continuing Education & Training for Directors, "Board on Crisis & IT Fraud Cyber Security) conducted by Belle Corporation, and the Corporate Governance Seminar conducted by the Institute of Corporate Directors, on August 3, 2016.

MR. GIL A. BUENAVENTURA

President and CEO, Executive Director
64 years of age, Filipino

BA Economics, University of San Francisco, California; Masters of Business Administration in Finance, University of Wisconsin Madison, Wisconsin

Mr. Gil A. Buenaventura has been the Bank's Director, President, and Chief Executive Officer since July 1, 2016.

Mr. Buenaventura also holds directorship and officership positions in GAB Realty Incorporated, RCBC Capital Corporation, RCBC Leasing and Finance Corporation, RCBC Rental Corporation, Rizal Microbank, RCBC Savings Bank, RCBC Forex Brokers Corporation, and Niyog Property Holdings, Inc. He is also a member of the Makati Business Club, Asian Bankers Association, and Bankers Association of the Philippines. Before joining the Bank, he worked in various capacities in other banks and financial institutions, including the following: President and Chief Executive Officer of Development Bank of the Philippines, Chairman/Vice Chairman of the LGU Guarantee Corporation, President and Chief Executive Officer of Prudential Bank, Chairman of Citytrust Securities Corporation, BPI Leasing Corporation, Pilipinas Savings Bank, and Prudential Investments, Inc., Director of BPI Family Savings Bank, and Ayala Plans, Inc., and Executive Vice President of Citytrust Banking Corp., and Vice President of Citibank N.A. Manila, among others.

He attended the Corporate Governance Orientation Program conducted by Institute of Corporate Directors on August 25, 2016

MR. TZE CHING I. CHAN

Non-Executive Director
60 years of age, Chinese

Bachelor of Business Administration and Masters of Business Administration, University of Hawaii, USA; Certified Public Accountant, American Institute of Certified Public Accountants, USA

Mr. Tze Ching I. Chan has been a Director of the Bank since 2011.

Mr. Chan started with Citibank in Hong Kong as a Management Associate in 1980 and served in various capacities. He was Hong Kong Country Head and Head of Corporate and Investment Banking business for Greater China when he retired from Citi in 2007. He worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) in 2008. Mr. Chan is currently a Senior Adviser at CVC Capital Partners and The Bank of East Asia, Limited, and holds various board seats in listed companies, government statutory bodies, and NGOs including, among others, AFFIN Holdings Berhad, The Community Chest of Hongkong and Hongkong Exchanges and Clearing Limited. Among his government-appointed roles, he is currently Council Chairman of the Hong Kong Polytechnic University, a Member of the Financial Reporting Council of Hong Kong and Hong Kong Tourism Board.

He attended the Orientation on Corporate Governance conducted by Institute of Corporate Directors in March 2012, "Corporate Governance and Listing – What Comes Next?" and "Board Effectiveness – Factors for Long Term Strategy in the Financial Services Industry" conducted by PricewaterhouseCoopers Limited in 2012. He also attended a seminar on Updates in Money Laundering facilitated for the RCBC Board in 2013.

He completed all the modules of the Financial Institutions Directors' Education Programme in March 2016.

MR. RICHARD GORDON ALEXANDER WESTLAKE

Non-Executive Director
65 years of age, of New Zealand

MA degree, Oxford University, England; Accredited Fellow, Instit ute of Directors, New Zealand; International Fellow of Mudara-Institute of Directors, Dubai, United Arab Emirates

Mr. Richard Gordon Alexander Westlake has been a Director of the Bank since October 1, 2014.

Mr. Westlake is the founder and managing director of Westlake Governance Limited, a New Zealand-based globally focused business now regarded of as a leading adviser in Corporate Governance. He has over twenty-five (25) years of experience as a Director and Board Chairman. He is currently the Chairman of the Careerforce Industry Training Organisation Limited and an Independent Director of Dairy Goat Co-Operative (NZ) Ltd., the world's leading producer and exporter of goat milk infant formula. Previous roles include chairmanship of Intergen Limited, the Standards Council of New Zealand; Deputy Chairman of Institute of Geological & Nuclear Sciences Limited; Establishment Chairman of Meteorological Service of New Zealand, and Quotable Value Limited; and he was a founding director of Kiwibank Ltd. for ten (10) years.

MR. JOHN LAW

Non-Executive Director
66 years of age, Dual citizen of France and Taiwan

BS Psychology, Chung Yuan University, Taiwan; Master of Business Administration, Indiana University, USA; MA Poetry, University of Paris, France

Mr. John Law has been a director of the Bank since April 27, 2015.

Mr. Law is also currently a Senior Advisor for Greater China for Oliver Wyman, and is a member of the Board of Directors of Far East Horizon, Ltd. In Hong Kong, BNP Paribas in China, and Khan Bank in Mongolia. In the past, he held Board seats in several financial institutions, including the Industrial Bank (China), Sacombank (Vietnam), SinoPac Securities Ltd. (Taiwan), and worked in various capacities at the International Finance Corporation/World Bank, JP Morgan and Citibank/Citigroup.

He attended the Financial Crises Response: International Consultation conducted by International Finance Corporation/Global Governance Forum in June 2009 and the High Level Meeting on Governance of Bank Subsidiaries also conducted by the International Finance Corporation/Global Governance Forum in March 2014, and the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016.

MR. YUH-SHING (FRANCIS) PENG

Non-Executive Director
45 years of age, Taiwanese

Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan; Bachelor of Law, National Taiwan University, Taiwan; Master of Business Administration/Information Management, National Center University, Taiwan

Mr. Yuh-Shing (Francis) Peng has been a director of the Bank since April 27, 2015.

Mr. Peng is an Executive Vice President of Cathay United Bank, handling various departments, particularly the Overseas Management Department and Strategic Planning Division/Investment Management Department. Prior to these positions, he also was Executive Vice President handling the International Banking Department, Corporate Banking Strategy & Product Department, and Offshore Banking Unit of Cathay United Bank. He also served in various capacities with Citibank N.A. in Hongkong, Citibank Taiwan Limited, and Citibank Taipei.

He attended the seminar on Banking Internal Control and Audit in 2010, Trust Industry training for Executives in 2013 and Trust Industry Training for Supervising Officers in 2013 conducted by Taiwan Academy of Banking and Finance. He also attended the internal training on Internal Audit and Check Practice and Debt and Liabilities in 2013 and internal training on Executives Leadership in 2014 by the Cathay United Bank.

He attended the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016.

ATTY. FLORENTINO M. HERRERA, III

Non-Executive Director
65 years of age, Filipino

BA Political Science and Bachelor of Laws, University of the Philippines; Member, Integrated Bar of the Philippines

Atty. Florentino M. Herrera III has been a Director of the Bank since August 30, 2016.

Atty. Herrera III is also a Founding Partner of the Herrera Teehankee & Cabrera Law Offices, a Senior Adviser at CVC Asia Pacific Limited, an International Private Equity Firm, and was former Partner of the Angara Abello Concepcion Regala & Cruz Law Offices. He has been engaged in the general practice of law for the past thirty nine (39) years specializing in corporate law practice, and serves as counsel for various companies engaged in banking, management of foreign fund investments, airlines, repair, maintenance and overhaul of aircraft, real estate, resorts, telecommunications, media and PR firms, insurance gaming, shipping, and financing. He also holds Directorship and top management positions in various companies in the Philippine such as Trans-Pacific Oriental Holdings, Co., Inc., Canlubang Golf & Country Club, Inc., Bellagio Properties, Inc., Philippine Airlines, Inc., Lufthansa Technik Philippines, Inc., Macroasia Corporation, Mantrade Development Corporation, Aeropartners, Inc., Regent Resources, Inc., and STI Education Services Group, Inc.

Atty. Herrera also holds positions in the following publicly listed companies outside YGC: Director of Filsyn Corporation and Geograce Resources Philippines, Corporate Secretary of Macroasia Corporation, and Treasurer of Long Trail Holding, Inc.

He attended the Corporate Governance and Risk Management Program by SGV & Co. on January 30, 2015, and the Corporate Governance Orientation Program Class II conducted by Institute of Corporate Directors on November 23, 2016.

MR. ARMANDO M. MEDINA

Independent, Non-Executive Director
67 years of age, Filipino

BA Commerce and Economics and BS Commerce with a major in Accounting, De La Salle University, Philippines

Mr. Armando M. Medina has been an Independent Director of the Bank since 2003.

Mr. Medina is a member of various board committees of the Bank, including the Related Party Transactions Committee where he is a Chairman, and Executive Committee, Trust Committee, and Technology Committee where he is a member. He is also an Independent Director of RCBC Savings Bank, RCBC Capital Corporation, and Malayan Insurance Co. Inc. He also held directorship and officership positions in other institutions like Great Life Financial Assurance Corporation, Merchant Savings & Loan Association, Inc., RCBC Forex Brokers Corporation, Bankard, Inc., RCBC International Finance Ltd., RCBC Capital Corporation RCBC California International, Inc., Honda Cars Philippines, Isuzu Philippines, Business Harmony Realty, Inc., and Phil. Clearing House Corp.

He attended continuing education seminars conducted by RCBC in 2013 covering the following topics: SEC Corporate Governance Initiatives/Trends in Regulatory Framework, Updates on the Anti-Money Laundering Act of 2001, Basel III and Financing Regulatory Reform, and Evaluating Risks in Project Finance Transactions. He also attended the corporate governance seminars conducted by SGV & Co. for the Directors and key officers of RCBC, RCBC subsidiaries and affiliates on March 22, 2014 and September 5, 2015.

For 2016, he attended the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016.

MR. JUAN B. SANTOS

Independent, Non-Executive Director
78 years of age, Filipino

BS Business Administration, Ateneo de Manila University, Philippines; Foreign Trade, Thunderbird School of Management, Arizona, USA

Mr. Juan B. Santos has been an Independent Director of the Bank since November 2, 2016.

Mr. Santos is currently a member of the Board of Directors of Sun Life Grepa Financial, Inc., Alaska Milk Corporation, East-West Seed ROH Limited (Bangkok, Thailand), Golden Spring Group (Singapore) Allamanda Management Corp. and Philippine Investment Management (PHINMA), Inc.; a member of the Board of Advisors of Coca-Cola FEMSA Philippines, AMUNDI (Singapore), Mitsubishi Motor Phil. Corp., East-West Seeds Co., Inc., Chairman, Board of Trustee, Dualtech Training Center Foundation, Inc., a trustee of St. Luke's Medical Center, and a consultant of the Marsman-Drysdale Group of Companies.

Prior to joining the Bank, he was Chairman of the Social Security Commission, he served briefly as Secretary of Trade and Industry and was designated as a member of the Governance Advisory Council, and Private Sector Representative for the Public-Private Sector Task Force for the Development of Globally Competitive Philippine Service Industries. He also served as Director of various publicly listed companies, including Philippine Long Distance Telephone Company (PLDT), Philex Mining Corporation, San Miguel Corporation, Equitable Savings Bank, Inc., and PCI Leasing and Finance, Inc.

Mr. Santos currently also holds positions in the following publicly listed company: Director of First Philippine Holdings Co. and Independent Director of House of Investments, Inc.

He previously attended the Executive Talks: Corporate Governance Enhancement Session conducted by First Pacific Leadership Academy & Compliance System Legal Group (CSCG) on December 2, 2013, Corporate Governance Requirements under United States Laws and Regulations and the Foreign Corrupt Practice Act of 1977 conducted by Atty. Ma. Lourdes C. Rausa-Chan on April 1, 2014, Corporations-Governance Commission for Government Owned and Controlled Corporations Compliance conducted by Institute of Corporate Directors (ICD) on November 10, 2014, Corporate Governance: what to Expect from Securities and Exchange Commission and Corporate Governance Trends and Current Topics in Developed Economies and their Application in the Philippines and Other Association of Southeast Asian Nations (ASEAN) Countries conducted by Atty. Ma. Lourdes C. Rausa-Chan (Chief Governance Officer – PLDT) and Mr. Danny Y. Yu, Corporate Officer – Philex Mining Corp.) on December 4, 2014, First Philippines Holding Corporation Corporate Governance Seminar conducted by SGV&Co. on August 24, 2015.

For 2016, he attended the Corporate Governance Enhancement on the Philippine Competition Commission conducted by Mr. Emmanuel M. Lombos on May 3, 2016, and Corporate Governance Seminar conducted by Institute of Corporate Directors on August 25, 2016.

AMB. LILIA R. BAUTISTA

Independent, Non-Executive Director
81 years of age, Filipino

Bachelor of Laws and Master in Business Administration, University of the Philippines; Master of Laws, University of Michigan, USA, Member, Integrated Bar of the Philippines

Amb. Lilia R. Bautista has been an Independent Director of the Bank since July 25, 2016.

Amb. Bautista holds position as Member of the Board of Directors/Board of Trustees of various Corporations, including Transnational Diversified Group, Inc., St. Martin de Porres Charity Hospital, CIBI Foundation, Inc., and Philja Development Center. She was former Director of the Bank of the Philippine Islands and BPI Capital and has held distinguished positions in the public and private sector, including as Members and, subsequently, Chairperson of the WTO Appellate Body, Chairperson of the Securities and Exchange Commission, Ex-Officio Member of the Anti-Money Laundering Council, Acting Secretary of the Department of Trade and Industry, Chairman Ex-Officio of the Board of Investments, and Ambassador Extraordinary and Plenipotentiary, Chief of Mission, Class 1 and Permanent Representative to the United Nations Office, World Trade Organization, World Health Organization, International Labor Organization, and other International Organizations in Geneva, Switzerland.

Amb. Bautista is also an Independent Director of RFM Corporation, a publicly listed company outside YGC.

She attended the Corporate Governance Seminar conducted by Institute of Corporate Directors on September 6, 2016, and the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016

MR. MELITO S. SALAZAR, JR.

Independent, Non-Executive Director
67 years of age, Filipino

BS Business Administration major in Accounting and Master of Business Administration, University of the Philippines

Mr. Melito S. Salazar, Jr. has been an Independent Director of the Bank since June 27, 2016.

Mr. Salazar, Jr. is also an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc., Sun Life of Canada Prosperity Philippine Equity Fund, Inc., Sun Life Prosperity GS Fund, Inc., Philippines First Insurance Corp., YANMAR Philippines, TECO Philippines and Concepcion Industrial Corporation, a Director of the Chamber of Commerce of the Philippine Islands, Dean of the Centro Escolar University School of Accountancy and Management, columnist of the Manila Bulleting and Regent of the Philippine Normal University.

Mr. Salazar is also an Independent Director of Concepcion Industrial Corporation, a publicly listed company outside YGC.

In the past, he held various key positions in the government, including Monetary Board Member of the Bangko Sentral ng Pilipinas, Undersecretary of the Department of Trade and Industry, and Vice-Chairman & Governor – Board of Investments. He also served as President of the Management Association of the Philippines, the Financial Executive Institute of the Philippines and Chamber of Commerce of the Philippine Islands.

He attended the Seminar on Corporate Governance conducted by Risk, Opportunities, Assessments, and Management (ROAM), Inc. in 2015 and the Corporate Governance Seminar conducted by Institute of Corporate Directors on September 6, 2016.

ATTY. ADELITA A. VERGEL DE DIOS

Independent, Non-Executive Director
71 years of age, Filipino

Bachelor of Business Administration and Accounting and Bachelor of Laws (Magna cum Laude), University of the East, Philippines; Certified Public Accountant; Member, Integrated Bar of the Philippines

Atty. Adelita A. Vergel De Dios has been an Independent Director of the Bank since June 27, 2016.

Atty. Vergel De Dios is currently an Independent Director of RCBC Savings Bank, and Member of the Board of Trustees of the Center for Excellence in Governance, Inc., and Center for School Governance, Inc. Prior to these, she was Commissioner of the Insurance Commission, and held directorship and officership positions in various companies including President of the Institute of Corporate Directors, Chairman of the Board of Malayan Insurance Co., Inc., President and Chief Operating Officer of the Philippine Savings Bank (PSBANK), Member of the Board of Trustees of the Asian Reinsurance Corporation (Bangkok, Thailand), and President of the Filipino Merchants Insurance Company.

She attended the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016.

MR. VAUGHN F. MONTES, PH.D.

Independent, Non-Executive Director
66 years of age, Filipino

AB Economics, Ateneo de Manila University, Philippines; MS Industrial Economics, Center for Research and Communications (now University of Asia and the Pacific); PhD Business Economics, Wharton Doctoral Programs, University of Pennsylvania, USA

Mr. Vaughn F. Montes has been an Independent Director of the Bank since September 26, 2016.

Mr. Montes has had a long career in banking, twenty-five (25) years of which was with Citibank where he held various roles the last of which was as Director for the bank's Philippine Public Sector business in government fund raisings, transaction banking, and credit ratings advisory, and others. Prior to joining RCBC, he was a Director of the Development Bank of the Philippines (DBP) and in its related companies, namely the DBP Leasing Corporation, Al-Amanah Islamic Investment Bank, and DBP-Daiwa Capital Markets Inc. where he was also Vice Chairman. At present, he is a Trustee of Foundation for Economic Freedom, the Parents for Education Foundation (PAREF) and the Center for Family Advancement. He is a Director of the Center for Excellence in Governance, and a Teaching Fellow on Corporate Governance at the Institute of Corporate Directors. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia, Pennsylvania, USA in the early 1980s.

He attended the seminar on Managing Difficult Conversations in the Board conducted by International Finance Corporation (IFC) & Institute of Corporate Directors (ICD) and Securities and Exchange Commission (SEC) Corporate Governance Forum conducted by the Securities and Exchange Commission, in 2016.

MR. GABRIEL S. CLAUDIO

Independent, Non-Executive Director
62 years of age, Filipino

AB Communication Arts, Ateneo de Manila University, Philippines

Mr. Gabriel S. Claudio has been an Independent Director of the Bank since July 25, 2016.

Mr. Claudio served as Presidential Political Adviser to Presidents Fidel V. Ramos and Gloria Macapagal Arroyo. As member of the Cabinet, he also served as Presidential Legislative Adviser; Chief of the Presidential Legislative Liaison Office (PLLO); Cabinet Officer for Regional Development (CORD) for Eastern Visayas; and Acting Executive Secretary. He was Chairman of the Board of Trustees of the Metropolitan Water and Sewerage System (MWSS); Member of the Board of Directors of the Development Bank of the Philippines (DBP); and Member of the Board of Directors of the Philippine Charity Sweepstakes Office (PCSO). Currently, he holds directorships/trusteeships in various public and private institutions such as Philippine Amusement and Gaming Corporation (PAGCOR), Conflict Resolution (CORE) Group Foundation; Risks and Opportunities Assessment Management (ROAM), Inc.; Lion's Club Pasig Host Chapter; and Toby's Youth and Sports Development Foundation.

Mr. Claudio is also a Director of Ginebra San Miguel, Incorporated (GSMI), a publicly listed company outside YGC.

He attended the Corporate Governance Orientation Program conducted by Institute of Corporate Directors on September 6, 2016.

Advisory Board

1 YVONNE S. YUCHENGCO
Advisory Board Member

2 MARIA CLARA ACUÑA-CAMACHO
Advisory Board Member

3 FRANCIS C. LAUREL
Advisory Board Member

1 YVONNE S. YUCHENGCO
Advisory Board Member

- RCBC Capital Corporation, Chairman and Director
- Philippine Integrated Advertising Agency, Inc., President and Director
- Malayan Insurance Company, Inc., President and Director
- MICO Equities, Inc., President and Director
- AY Foundation, Inc. Member, Board of Trustees

2 MARIA CLARA ACUÑA CAMACHO
Advisory Board Member

- Maria Clara Land Holdings and Development Corp., President
- VH Holdings, Inc., Director
- BT Investments Holdings Phils, Inc., Director
- Apollo GmbH, Director
- Yuchengco Museum, Board Member
- Amang Rodriguez Holdings, Inc., Director

3 FRANCIS C. LAUREL
Advisory Board Member

- YKK Philippines, Inc., President and Chief Executive Officer
- Toyota Batangas City, Inc., President and Chief Executive Officer
- Toyota Naga City, Inc., President and Chief Executive Officer
- Philippine-Japan Society, Inc., President and Member of the Board of Trustees
- Philippines-Japan Economic Cooperation Committee, Inc., Senior Adviser
- UP College of Economic and Management Alumni Foundation, Inc. (CEMAFI), Board of Trustees

PREVIOUS DIRECTORS IN 2016

Directors

a. Lorenzo V. Tan
President and CEO
(Until May 6, 2016)

b. Francisco C. Eizmendi, Jr.
(Until June 27, 2016)

c. Antonino L. Alindogan, Jr.
(Until June 27, 2016)

d. Atty. Maria Celia H. Fernandez-Estavillo
Director and Corporate Secretary
(Until June 27, 2016)

e. Atty. Teodoro D. Regala
(Until July 25, 2016)

f. Medel T. Nera
(Until July 25, 2016)

g. Atty. Wilfrido E. Sanchez
(Until July 25, 2016)

Senior Management

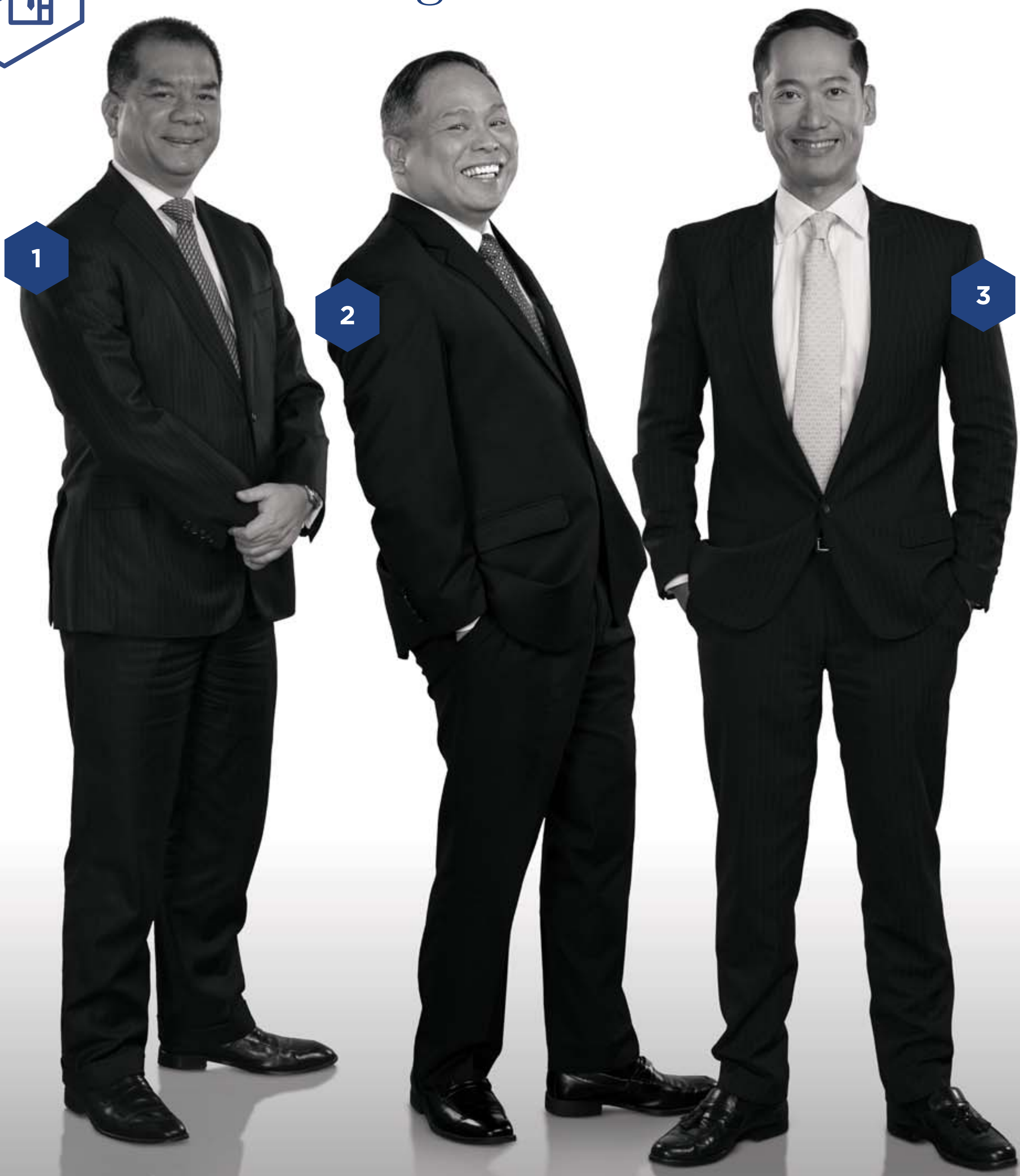
a. Raul Victor B. Tan
EVP and Head of Treasury
(Until April 20, 2016)

b. Rafael Aloysius M. Dayrit
FSVP and Head of Credit Management
(Until September 6, 2016)

c. Lizette Margaret Mary J. Racela
FSVP and Head of Retail Banking Group
(Until December 1, 2016)

d. Atty. Maria Celia H. Fernandez-Estavillo
EVP and Head of Legal and Regulatory Affairs
(Until December 31, 2016)

Senior Management



1 **JOHN THOMAS G. DEVERAS**
Senior Executive Vice President
Head, Strategic Initiatives and Asset Management and Remedial Group

2 **REDENTOR C. BANCOD**
Senior Executive Vice President
Head of the Information Technology Shared Services Group

3 **CHESTER Y. LUY, CFA**
Senior Executive Vice President
Treasurer and Head of the Financial Advisory and Markets Group (comprised of the Treasury Group and the Wealth Management Group)
President and CEO of RCBC Forex Brokers Corporatio

4 MICHAEL O. DE JESUS
Executive Vice President
Head of National Corporate Banking Group

5 ANA LUISA S. LIM
Executive Vice President
Head of Operational Risk Management Group

6 MICHELANGELO R. AGUILAR
Executive Vice President
Head of Conglomerates and Global Corporate Banking Group

Senior Management

1 GEORGE GILBERT G. DELA CUESTA
First Senior Vice President
Corporate Secretary and
Head of the Legal Affairs Group

2 LOURDES BERNADETTE M. FERRER
First Senior Vice President
Head of Trust and Investments Group

3 RICHARD DAVID C. FUNK II
First Senior Vice President
Chief Compliance Officer and
Head of Regulatory Affairs Group

4 MARGARITA B. LOPEZ
First Senior Vice President
Head of Digital Banking Group and Operations Group

5 REGINO V. MAGNO
First Senior Vice President
Head of Business Risk Group

6 BENNETT CLARENCE D. SANTIAGO
First Senior Vice President
Head of Credit Management Group

7 ROWENA F. SUBIDO
First Senior Vice President
Head of Human Resources Group

Senior Management

1 MA. CHRISTINA P. ALVAREZ
Senior Vice President
Head of Corporate Planning Group

2 JONATHAN C. DIOKNO
First Senior Vice President
Head of Retail Banking Group

3 FLORENTINO M. MADONZA
Senior Vice President
Head of Controllership Group

4 JANE N. MAÑAGO
Senior Vice President
Head of Wealth Management Group

5 EMMANUEL T. NARCISO
First Senior Vice President
Head of Global Transaction Banking Group

6 MARIA CECILIA F. NATIVIDAD
Senior Vice President
Head of Marketing Group

7 SAMUEL V. POBLETE
Senior Vice President
Head of the Branch Audit Group

Heads of Subsidiaries

1 **ROMMEL S. LATINAZO**
Executive Vice President
President and Chief Executive Officer of RCBC Savings Bank
(Seconded from RCBC)

2 **RAYMUNDO C. ROXAS**
President, Rizal Microbank, Inc

3 **ALFONSO C. TANSECO**
President and Chief Executive Officer of RCBC Leasing and Finance Corporation and RCBC Rental Corporation

4 SIMON JAVIER A. CALASANZ
First Senior Vice President
President of RCBC Bankard Services Corporation
(Seconded from RCBC)

5 JOSE LUIS F. GOMEZ
President and Chief Executive Officer of
RCBC Capital Corporation

6 GERALD O. FLORENTINO
First Senior Vice President
President and Chief Executive Officer of
RCBC Securities, Inc.
(Seconded from RCBC)

PROFILE OF SENIOR MANAGEMENT

REDENTOR C. BANCOD

Senior Executive Vice President
Head of the Information Technology Shared Services Group

He was also previously the Head of Operations and Digital Banking Groups. Prior to joining the Bank, he was Vice President and General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice President and Chief Technology Officer of Sun Life of Canada (Philippines) Inc. He holds an MBA degree from Northwestern University, Kellogg School of Business and Hong Kong University of Science and Technology. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines, a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University, and had post-graduate studies at the Asian Institute of Management.

JOHN THOMAS G. DEVERAS

Senior Executive Vice President
Head of Strategic Initiatives and Asset Management & Remedial Group

Prior to joining RCBC, he was a FIG Investment Officer at the International Finance Corporation (IFC). Before that, he worked at the Philippine National Bank, where he was concurrently President of PNB Capital and Head, Remedial Management Group, with a rank of Senior Vice President. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and earned his MBA from the University of Chicago.

CHESTER Y. LUY, CFA

Senior Executive Vice President
Treasurer and Head of the Financial Advisory and Markets Group (comprised of the Treasury Group and the Wealth Management Group)
President and CEO of RCBC Forex Brokers Corporation

Mr. Luy has 25 years of experience in banking and finance. He served in leadership roles as Managing Director across a variety of businesses with several international banks, based in New York, Singapore and Manila. His leadership experience includes Treasury products/Markets, Investment/Research, Corporate Finance and Advisory, Debt Capital Markets, Private Banking and Credit Risk Analysis. Mr. Luy has worked with a number of banks including JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer and Bank of Singapore. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Administration (Magna Cum Laude) and was awarded as the "Most Outstanding Business Administration Student for the Class of 1990". He earned his Master in Management (MBA) degree from the J.L. Kellogg Graduate School of Management at Northwestern University. He is a CFA (Chartered Financial Analyst) and is a member of the Singapore Institute of Directors, an association of independent directors in Singapore. During his stint with various global banks in the U.S., for several years, he was consistently awarded as Top Senior Analyst in his field by Institutional Investor Magazine during its annual survey of investors, including money management firms.

MICHELANGELO R. AGUILAR

Executive Vice-President
Head of Conglomerates and Global Corporate Banking Group

Prior to joining RCBC, he was the Managing Director/Head, Origination and Client Coverage & Co-Head, Wholesale Banking of Standard Chartered Bank Manila Branch. He earned his Masters in Business Management from the Asian Institute of Management. He obtained his undergraduate degree, Bachelor of Science in Mechanical Engineering from De La Salle University. He is a registered Mechanical Engineer.

MICHAEL O. DE JESUS

Executive Vice President
Head of National Corporate Banking Group

Prior to joining RCBC, he was head of the Corporate Bank of Philippine National Bank and United Coconut Planters Bank. He also worked with both Citibank New York and Citibank Manila .He has a Bachelor of Arts degree in Economics from Union College in Schenectady, New York and a Masters Degree in Business Administration (Finance) from The Wharton School, University of Pennsylvania.

ROMMEL S. LATINAZO

Executive Vice President
President and Chief Executive Officer of RCBC Savings Bank
(Seconded from RCBC)

Prior to assuming the helm of RCBC Savings, he was RCBC's Head of the Corporate Banking Segment 1 under the Corporate Banking Group. He obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and earned his Masters in Business Administration degree from the University of the Philippines.

ANA LUISA S. LIM

Executive Vice President
Head of Operational Risk Management Group

Prior to assuming her current position she was Head of Internal Audit Group. She earned her Bachelor of Science degree in

Business Administration and Accountancy from the University of the Philippines. Ms. Lim is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor.

SIMON JAVIER A. CALASANZ

First Senior Vice President
President, RCBC Bankard Services Corporation
(Seconded from RCBC)

A double degree graduate from De La Salle University majoring in Marketing and Psychology, Mr. Calasanz brings with him over fifteen (15) years of banking experience. He has handled challenging roles in the following areas: Retail Banking and Wealth Management, Contact Centre Management, Consumer Lending, Product Management, Credit Risk and Compliance, Fraud Detection, Management Information Systems and Operations. His last 2 roles with the Hongkong and Shanghai Banking Corporation were as concurrent Head of Sales and Contact Centre Management and Head of Cards and Consumer Assets. He also performed significant roles for the Credit Card Association of the Philippines, Bancnet and Credit Management Association of the Philippines, previous positions were as President/Chairman, Director, and Director/Committee Member, respectively. He continues to hold a position in the Card Association as Special Advisor to the Board of Directors.

ATTY. GEORGE GILBERT G. DELA CUESTA

First Senior Vice President
Corporate Secretary and Head of the Legal Affairs Group

Atty. dela Cuesta has over twenty years of professional experience in law and has worked for several institutions in various capacities: Head of Legal and Industrial Relations at Asian Terminals, Inc., Vice President for Legal at Mirant (Phils.) Corporation (now, TeaM Energy Corporation), General Counsel of Hanjin Heavy Industries & Construction Co. Ltd., and Consultant at Follosco Morallos & Herce Law Office. Earlier on, he served as as a lawyer at the Department of Environmental and Natural Resources. He started his legal career at Baker & McKenzie (Quisumbing and Torres). He is a graduate of the University of the Philippines in Diliman where he earned his degree in Law and in Political Science.

JONATHAN C. DIOKNO

First Senior Vice President
Head of Retail Banking Group

Prior to joining RCBC, he was Head of BDO Remittance Origination, Head of Business Development BDO Cash Management Services, Head of Sales for Global Relationship Banking (Multinational) Accounts Cash Management Services Citibank, N.A., Business Development Manager Cash Management Services, Standard Chartered Bank and various officer positions in Cash Management at Bank of the Philippine Islands/Citytrust Banking Corporation. He obtained his Bachelor of Science major in Business Administration degree from the University of the Philippines.

LOURDES BERNADETTE M. FERRER

First Senior Vice President
Head of Trust and Investments Group

Prior to joining the Bank she held various related positions in Solidbank Corporation and the International Corporate Bank. She graduated from the University of the Philippines with a Bachelor of Science degree in Statistics and obtained her Masters degree in Business Administration from the same university. She earned the designation as Accredited Investment Fiduciary, which is the global standard for practicing fiduciaries, in 2011. She also completed the certification course for trust practitioners conducted by the American Bankers Association at the National Trust School in Evanston Illinois USA.

GERALD O. FLORENTINO

First Senior Vice President
President and Chief Executive Officer, RCBC Securities, Inc.
(Seconded from RCBC)

Before joining RCBC, he was Senior Vice President for the Investment Banking Group of the Investment and Capital Corporation of the Philippines. He gained his solid corporate planning expertise from AXA Philippines as Vice President and Head of Strategic Planning, Project Management, Business Development and AXA Way. He also assumed various positions when he was employed in UCPB for 7 years in which his last appointment was the Head of Cash Management Products for Working Capital Products Group. He graduated from the Loyola University of Chicago, Illinois with a degree in Bachelor of Business Administration major in Finance. He obtained his Master in Business Management from the Asian Institute of Management.

ATTY. RICHARD DAVID C. FUNK II

First Senior Vice President
Chief Compliance Officer and Head of Regulatory Affairs Group

Prior to joining RCBC, he was Compliance Officer and concurrent Head of the Legal & Recovery Office of PNB General InsurersCo., Inc. and Deputy Director/ Group Head of the Compliance and Investigation Group, Anti-Money Laundering Council Secretariat. He is a

PROFILE OF SENIOR MANAGEMENT

graduate of the Lyceum of the Philippines where he earned his degree in Law and in Political Science.

MARGARITA B. LOPEZ
First Senior Vice President
Head of Digital Banking Group and Operations Group

Prior to joining RCBC, she was a member of the Board of Directors, Corporate Vice President/ Asia Head of Digital, and the Chief Operations Officer of Manulife Financial. She also held the following positions in various institutions: Chief Operations Officer / Head of Customer Services and Support at Philippine AXA Life, Group Head/First Vice President of Electronic Banking Services at Philippine National Bank and Division Head/Vice President of Transactional Banking at United Coconut Planters Bank. She obtained her Bachelor of Computer Science and Masters in Technology Management, Business and Industry from the University of the Philippines.

EMMANUEL T. NARCISO
First Senior Vice President
Head of Global Transaction Banking Group

Prior to joining RCBC, he was the Group Head of Transaction Banking in Banco de Oro Unibank, Inc. He was also previously connected with the Hongkong and Shanghai Banking Corporation, where he handled the following roles: Head of Business Banking Division (Philippines), Head of Payments and Cash Management for Vietnam and Philippines. He also worked for Security Bank Corporation as Head of Corporate Transaction Banking Division and Citibank N.A. where his last appointment was as Business Development Head for Global Transaction Services. He started his career in banking as an Analyst/ Programmer in the Bank of the Philippine Islands in 1984. He obtained his Bachelor of Arts in Economics (Honors Program) from the Ateneo de Manila University and his Master in Business Management from the Asian Institute of Management.

REGINO V. MAGNO
First Senior Vice President
Head of Business Risk Group

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

BENNETT CLARENCE D. SANTIAGO
First Senior Vice President
Head of Credit Management Group

Prior to joining the Bank, he was the Head for Small Business Loans under the Consumer Banking Group of BDO. He was also the Head of Credit Risk Control for Commercial Banking in BDO. Prior to BDO, he held various senior risk roles at Citi Commercial Bank Unit of Citibank, Union Bank of the Philippines and International Exchange Bank. He obtained his Bachelor of Science in Business Administration degree from the University of the Philippines and took up units for Masters in Business Administration from the Ateneo Graduate School of Business.

ROWENA F. SUBIDO
First Senior Vice President
Head of Human Resources Group

Prior to joining RCBC, she worked with Citibank, N.A. as Senior Vice President and Lead Human Resources Generalist and Senior Vice President and Head of Human Resources for the Institutional Clients Group. She also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Vice President and Human Resources Head. She graduated from the University of Santo Tomas with a degree in Bachelor of Science major in Psychology. She earned units for Masters in Psychology major in Organizational/Industrial Psychology at De La Salle University.

MA. CHRISTINA P. ALVAREZ
Senior Vice President
Head of Corporate Planning Group

She has over 15 years of corporate and financial planning experience in banking. She has been with RCBC since 2006, as Head of Financial and Business Planning Division and then as Group Head in 2014. She graduated from the Ateneo de Manila University in 1991 with a degree in Management Economics and earned her Masters in Business Management degree in 1998 from the Asian Institute of Management.

FLORENTINO M. MADONZA
Senior Vice President
Head of Controllership Group

Prior to joining the Bank, he worked at Sycip, Gorres, Velayo and Co. as external auditor. He held various positions in Accounting and Controllership for over 20 years. He completed his Bachelor of Science in Commerce major in Accounting from Araullo University (Cum Laude), and is a Certified Public Accountant.

JANE N. MAÑAGO

Senior Vice President
Head of Wealth Management Group

She has extensive exposure in the fields of treasury, marketing, product management, account management and private banking from her tenure with Citibank, Equitable Bank and YGC CSI. She graduated Cum Laude from the University of Santo Tomas with Bachelor of Arts in Behavioral Science and Bachelor of Science in Commerce, major in Business Administration degrees.

MARIA CECILIA F. NATIVIDAD

Senior Vice President
Head of Marketing Group

Prior to joining the Bank, she was Head of Marketing for the Philippine and Indochina markets of The Western Union Company. Previously, she was Assistant Vice President and Consumer Marketing Manager of Nestle Philippines, Inc., and a Sales Trainor at Ayala Life Insurance, Inc. She has over twenty one (21) years of professional experience in the areas of global and cross border marketing, strategic planning, brand, communications and digital marketing. Ms. Natividad obtained her Bachelor of Science in Management, major in Legal Management degree from the Ateneo de Manila University.

SAMUEL V. POBLETE

Senior Vice President
Head of the Branch Audit Group

Prior to joining RCBC, he was the Chief Internal Auditor of Philippine Veterans Bank for 15 years. He also worked for Bank of Commerce for 16 years where he held the following positions: Branch Manager, Head of Internal Audit Department, Head of Head Office and EDP Audit Section, Head of Branch Audit Section. He also served as Auditor In Charge (Manila Branch) for Negros Navigation Co., Inc. and External Auditor of Sycip, Gorres, Velayo and Company. Mr. Poblete obtained his degree in Bachelor of Science in Business Administration major in Accountancy from the University of the East and is a Certified Public Accountant.

JOSE LUIS F. GOMEZ

President and Chief Executive Officer
RCBC Capital Corporation

His seventeen years in RCBC Capital follows extensive experience in investment banking as well as corporate banking with reputable local and foreign institutions such as Bank of America N.A., AIG Investments Corporation, and Peregrine Capital Philippines, Inc. among others. He holds a Master of Business Administration degree from the Katholieke Universiteit Leuven in Belgium and a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

RAYMUNDO C. ROXAS

President, Rizal Microbank

Prior to his appointment, he was the Head of Lending and Branch Operations of Rizal Microbank. He graduated from the Lyceum of the Philippines University with a Bachelor of Science degree in Psychology (Cum Laude) and has more than 25 years of work experience in microfinance. Previous connections include the following: USAID for its Microenterprise Access to Banking; Services (MABS) Project; ACCION International as Chief Commercial Officer; and First Isabela Cooperative Bank, Inc. (FICO Bank).

ALFONSO C. TANSECO

President and Chief Executive Officer
RCBC Leasing and Finance Corporation and RCBC Rental Corporation

Immediately after joining RCBC Leasing, he was elected to the Board of Directors of the Phil. Finance Association (PFA), the national governing body of finance and leasing companies, and served as its President from 2014 to 2016. Prior to joining RCBC Leasing, he served as President and CEO of JPNB Leasing and Finance Corporation and UCPB Leasing and Finance Corporation. He was formerly the Head of the Govt. Banking Group-LGUs & NGA/GOCC-Philippine National Bank and held senior officer positions in United Coconut Planters Bank and UCPB Factors and Finance Corporation. Mr. Tanseco has 37 years banking experience with vast exposure in corporate banking, commercial and SME lending as well as remedial credit. He obtained his AB-Economics degree from the Ateneo de Manila University and completed the Bank Management Program of the Asian Institute of Management.

RCBC
A YGC Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Rizal Commercial Banking and Subsidiaries (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

HELEN Y. DEE Chairperson, Board of Directors	GIL A. BUENAVENTURA President & Chief Executive Officer
CHESTER Y. LUY SEVP, Head – Treasury Group	FLORENTINO M. MADONZA SVP, Head – Controllership Group

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2016 and 2015, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:

(a) Impairment of Loans and Receivables

Description of the Matter

As of December 31, 2016, the Group's loans and receivables amounted to P306,167 million, net of allowance for impairment of P7,411 million, while the Parent Company's loans and receivables amounted to P228,432 million, net of allowance for impairment of P4,792 million, which details are disclosed in Note 11 to the financial statements. Loans and receivables were the most significant resources of the Group and the Parent Company which represented 59% and 55% of the total resources, respectively. Both the Group's and the Parent Company's management exercise significant judgment and use subjective estimates in determining when and how much to recognize impairment loss on loans and receivables. These judgment and estimates are set out in the Group's and the Parent Company's accounting policies in Note 2 to the financial statements, which describes the following impairment assessments:

- Loans and receivables are assessed for impairment on an individual basis if there is objective evidence of impairment that exists (or a loss event) as of the end of the reporting period. Management considers the following in determining that a loss event occurred, among others – significant financial difficulty of the issuer or obligor; a breach of contract, such as a default or delinquency in interest or principal payments; and, it becoming probable that the borrower will enter bankruptcy or other financial reorganizations. Loss events are classified by management according to the following credit grades – substandard, doubtful and loss, depending on the level of credit risk.

- Collective assessments are made on a portfolio basis where the loans and receivables are grouped on the basis of similar credit risk characteristics (i.e., on the basis of management's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). The methodology utilized by management in collective impairment assessment uses significant assumptions such as default rate and loss given default, which are applied to each portfolio belonging to a particular group and credit grade.

Because of the significance of the amounts involved and subjectivity of management's judgment and estimates used, we identified the inadequacy of the allowance for impairment on loans and receivables as a significant risk of material misstatement.

How the Matter was Addressed in the Audit

We established reliance on the Group's and the Parent Company's internal control by testing the operating effectiveness of key activities-level controls over the assessment and approval of customer credit; the capturing of information relevant to calculate the allowance for impairment (e.g., risk grades, default rates and loss given defaults); and, the calculation and recognition of impairment.

In addition, we performed substantive audit procedures, which included, among others:

- checking and evaluating the methodology used by management whether it was in accordance with the individual and collective impairment assessments prescribed by Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*;

- on selected loan accounts, checking whether the loans identified for individual impairment assessment were appropriately classified according to credit grades and recalculating the net present values of expected cash inflows using the effective interest rates applicable for each loan, which were compared to the outstanding balances of the loans; and,

- evaluating the basis used in determining the main factors in computing the impairment loss for collective assessment such as default rates and loss given defaults by considering payment history for selected loans per economic activity or industry classification and credit grade.

(b) Fair Value Measurement of Unquoted Security Classified at Fair Value Through Profit or Loss

Description of the Matter

The Group and the Parent Company has an outstanding significant investment in an unquoted security classified at fair value through profit or loss (FVPL) amounting to P586 million as of December 31, 2016, on which management recognized fair value gain in profit or loss of P219 million in 2016. The valuation of such financial instrument involves a complex valuation technique (i.e., price-to-book value method), which used significant assumptions and estimates such as price-to-book ratios of comparable listed entities and application of a certain haircut rate, considered as Level 3 unobservable inputs, as discussed in Notes 3 and 7 to the financial statements. As a result, the valuation of such security was considered significant to our audit.

How the Matter was Addressed in the Audit

Our work included evaluating the appropriateness of management's valuation methodology in accordance with PFRS 13, *Fair Value Measurement.* We used our own internal valuation expert to assess and challenge the valuation assumptions used, including the identification of comparable listed entities and the related financial information such as net book value per share and quoted prices of those listed entities. In testing the reasonableness of the haircut rate used, we considered available non-financial information relating to the potential marketability of the subject security, and consistency of the application of the haircut rate used in prior period.

(c) Recoverability of Deferred Tax Assets

Description of the Matter

The Group's and the Parent Company's deferred tax assets amounted to P2,177 million and P1,285 million, respectively, as of December 31, 2016. The recognition of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent of the changes in probability that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilized. Determining probabilities of sufficiency of future taxable profits is highly judgmental requiring preparation of profitability projections. Accordingly, we identified the recoverability of deferred tax assets as an audit area of focus.

How the Matter was Addressed in the Audit

Our work included, among others, obtaining management's income projections based on its Internal Capital Adequacy Assessment Process document. Relative to this, we checked appropriateness of management's assumptions underlying the recoverability of this asset by comparing the forecasts to our expectations based on historical performance. We also considered the fact that the Group and the Parent Company had utilized deferred tax assets in prior periods.

The relevant information relating to deferred tax assets are disclosed in Notes 2, 3 and 26 to the financial statements.

(d) Matter in Relation to Significant Changes to Policies and Procedures Over Deposit Liabilities

Description of the Matter

During the latter part of 2016, in response to regulatory findings related to the alleged unauthorized transfer of funds as disclosed in Note 29 to the financial statements, the Group's and the Parent Company's management initiated and implemented branch transformation project, which essentially segregates sales and service functions in the branches. Part of the project include the creation of a Branch Operations Control Division, of which one of its main functions is to independently validate a random sample of accounts opened, reactivated dormant accounts, and monitoring of returned "Thank You" letters (TYLs) by investigating the completeness of address by matching it to proof of address or direct contact with the customer. Such initiative significantly changed the policies and procedures over deposit account openings at the branches level, particularly on anti-money laundering (AML) compliance and know-your-customer procedures.

The Group and the Parent Company also strengthened its Compliance Monitoring Section of the AML Department for onsite testing for high risk accounts, enhancement of testing procedures, immediate sanctions of erring branches, and hiring of additional manpower. The Policy Management Section of the AML Department conducts analysis of the covered and suspicious transactions while the Alerts Management Section of the AML Department performs testing of alerts generated and the disposal thereof. The Compliance Monitoring Section reviews transactions of sampled accounts, including testing of returned TYLs. The Group's anti-money laundering controls are fully disclosed in Note 4 to the financial statements.

In addition, a Branch Audit Group (BAG) was formed and separated from the Internal Audit Group (IAG) to focus on compliance audit at the branch level, while the IAG remained to focus on compliance audit of the business units of the head office.

The above changes had significant impact on our audit of the deposit liabilities. Hence, we considered such changes in our audit strategy.

How the Matter was Addressed in the Audit

To support our reliance on the effectiveness of internal controls over deposit liabilities transaction cycle, we selected certain branches which already implemented the changes in policies and procedures over deposit account openings and checked, on a test basis, that new customers were subjected to background investigation based on the new requirements of the changes in practices such as the enhanced identification (ID) verification procedures by confirming the authenticity of the depositor's ID; enhanced due diligence and senior management approval for high-risk accounts; and face-to-face certification of an authorized officer. We also checked the timely resolution of TYLs marked as "Returned to Sender" received in 2016.

With respect to establishing reliance on the work of the BAG and IAG, our work, among others, included:

- considering the nature and scope of work performed by the BAG and IAG during the year; and,

- obtaining internal audit working papers and checked if adequately planned, performed, supervised, reviewed and documented, and if sufficient appropriate evidence was gathered to support conclusions, and such conclusions were appropriate in the circumstances by reperforming the work done by the BAG and IAG, on a test basis, on account openings, deposit and withdrawal activities for selected branches.

Key audit matter we identified in our audit of the consolidated financial statements of the Group:

Assessment of Goodwill Impairment

Description of the Matter

As of December 31, 2016, the balance of goodwill amounted to P268 million, which is included as part of the Other Resources account in the Group's statement of financial position. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. This annual impairment test was significant to our audit because management's assessment process is complex and highly judgmental and is based on significant assumptions, specifically on the cash generating units (CGUs) where the goodwill is allocated and the future cash flows of that particular CGUs, which are affected by expected future market or economic conditions. Relative to this, the Group engaged a third party valuation specialist to assist them in assessing any impairment on the recognized goodwill. Management's significant assumptions include:

- RCBC Savings Bank, Inc. (RSB), the identified CGU on which the goodwill is allocated, will continue as a going concern;

- RSB will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- RSB's performance forecasts for the next 5 years.

The Group's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, evaluating the assumptions and methodologies used by management and its valuation specialist, particularly those relating to the forecasted revenue growth and profit margins of RSB by considering historical trends. In addition, our audit on the financial statements of RSB as of and for the year ended December 31, 2016 did not identify event or conditions that may cast significant doubt on RBS's ability to continue as a going concern.

Key audit matter we identified in our audit of the separate financial statements of the Parent Company:

Effects of Adoption of PAS 27 (Amendments), Separate Financial Statements – Equity Method in Separate Financial Statements

Description of the Matter

Effective January 1, 2016, PAS 27 (Amendments) provides a third option, which permits an entity to account for its investment in subsidiaries, associates and joint ventures under the equity method in its separate financial statements, in addition to the current option of accounting those investments at cost or in accordance with PAS 39 or PFRS 9, *Financial Instruments*. In addition, the Bangko Sentral ng Pilipinas (BSP), through its Circular No. 915, mandatorily require banks and non-bank financial institutions to measure their equity investments using the equity method in their separate financial statements. Accordingly, the Parent Company changed its accounting policy in accounting for its investments in subsidiaries and associates from the cost method to the equity method in its separate financial statements in accordance with PAS 27 (Amendments) and BSP Circular No. 915.

The change in its accounting policy required the Parent Company to restate its comparative financial statements for December 31, 2015 and the corresponding figures as of January 1, 2015 to reflect the material retrospective effects of the use of the equity method in measuring its investments in subsidiaries and associates.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement arising from the change in the Parent Company's policy in accounting for its investments in subsidiaries and associates included, among others, the following:

- obtaining latest and prior period financial information of the subsidiaries and associates that were used by management in measuring the Parent Company's equity investments; and,

- recalculating the retrospective and current period adjustments made in determining the restated and current period balances of affected accounts of the Parent Company.

The impact of the adoption of PAS 27 (Amendments) are disclosed in Note 2 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 26 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) 15-2010 and RR 19-2011 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 and RR 19-2011 require the supplementary information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Securities Regulation Code Rule 68, as amended, of the SEC.

The engagement partner on the audits resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 5908622, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-3 (until Dec. 22, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-21-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 27, 2017

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

(With Corresponding Figures as of January 1, 2015)
(Amounts in Millions of Philippine Pesos)

		GROUP		PARENT COMPANY		
	Notes	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015 (As Restated - See Note 2)	January 1, 2015 (As Restated - See Note 2)
RESOURCES						
CASH AND OTHER CASH ITEMS	9	**P 15,176**	P 14,070	**P 11,000**	P 10,127	P 9,539
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**66,520**	50,617	**50,871**	42,026	37,763
DUE FROM OTHER BANKS	9	**25,293**	19,701	**24,109**	18,196	15,535
LOANS AND RECEIVABLES ARISING FROM REVERSE REPURCHASE AGREEMENT	9	**7,889**	-	**4,931**	-	-
TRADING AND INVESTMENT SECURITIES - Net	10	**75,622**	111,201	**65,652**	97,790	87,540
LOANS AND RECEIVABLES - Net	11	**306,167**	299,119	**228,432**	231,708	205,614
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES - Net	12	**383**	363	**17,178**	15,884	14,458
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**8,876**	7,602	**5,192**	4,975	4,487
INVESTMENT PROPERTIES - Net	14	**3,229**	3,370	**2,816**	2,883	3,426
DEFERRED TAX ASSETS	26	**2,177**	1,222	**1,285**	443	-
OTHER RESOURCES - Net	15	**9,861**	8,796	**6,316**	5,780	5,084
TOTAL RESOURCES		**P 521,193**	P 516,061	**P 417,782**	P 429,812	P 383,446
LIABILITIES AND EQUITY						
DEPOSIT LIABILITIES	17	**P 353,077**	P 342,362	**P 260,165**	P 264,070	P 248,022
BILLS PAYABLE	18	**37,643**	49,404	**31,712**	45,816	36,837
BONDS PAYABLE	19	**41,595**	39,364	**41,595**	39,364	23,486
SUBORDINATED DEBT	20	**9,952**	9,936	**9,952**	9,936	9,921
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**4,823**	4,453	**3,633**	3,404	3,498
OTHER LIABILITIES	22	**11,970**	12,413	**8,688**	9,187	8,643
Total Liabilities		**459,060**	457,932	**355,745**	371,777	330,407
EQUITY	23	**62,133**	58,129	**62,037**	58,035	53,039
TOTAL LIABILITIES AND EQUITY		**P 521,193**	P 516,061	**P 417,782**	P 429,812	P 383,446

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		GROUP			PARENT COMPANY		
	Notes	**2016**	2015 (As Restated - See Note 2)	2014 (As Restated - See Note 2)	**2016**	2015 (As Restated - See Note 2)	2014 (As Restated - See Note 2)
INTEREST INCOME							
Loans and receivables	11	**P 19,442**	P 17,462	P 15,961	**P 13,219**	P 12,163	P 11,143
Trading and investment securities	10	**3,269**	3,880	4,026	**2,927**	3,455	3,578
Others	9, 24	**426**	178	213	**383**	145	190
		23,137	21,520	20,200	**16,529**	15,763	14,911
INTEREST EXPENSE							
Deposit liabilities	17	**3,269**	2,992	2,581	**2,021**	2,006	1,849
Bills payable and other borrowings	18, 19, 20, 24	**4,161**	2,951	2,652	**3,945**	2,832	2,519
		7,430	5,943	5,233	**5,966**	4,838	4,368
NET INTEREST INCOME		**15,707**	15,577	14,967	**10,563**	10,925	10,543
IMPAIRMENT LOSSES - Net	16	**1,770**	2,350	2,509	**856**	1,150	1,659
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**13,937**	13,227	12,458	**9,707**	9,775	8,884
OTHER OPERATING INCOME							
Service fees and commissions	2	**3,164**	3,473	2,794	**1,730**	1,793	1,663
Trading and securities gains - net	2, 10	**1,619**	1,327	2,511	**1,663**	1,232	1,835
Trust fees	27	**294**	286	297	**243**	232	255
Foreign exchange gains - net	2, 19	**276**	260	271	**244**	212	233
Share in net earnings of subsidiaries and associates	2, 12	**131**	93	24	**1,500**	1,535	1,582
Miscellaneous - net	25	**1,630**	1,216	1,205	**1,116**	839	567
		7,114	6,655	7,102	**6,496**	5,843	6,135
TOTAL OPERATING INCOME		**21,051**	19,882	19,560	**16,203**	15,618	15,019
OTHER OPERATING EXPENSES							
Employee benefits	24	**5,408**	4,731	4,064	**3,666**	3,190	2,748
Occupancy and equipment-related	28, 29	**2,871**	2,607	2,528	**2,180**	1,917	1,863
Depreciation and amortization	13, 14, 15	**1,766**	1,611	1,577	**985**	1,030	911
Taxes and licenses	14	**1,840**	1,437	1,463	**1,287**	938	1,016
Miscellaneous	25	**5,470**	4,675	4,604	**4,556**	3,396	3,482
		17,355	15,061	14,236	**12,674**	10,471	10,020
PROFIT BEFORE TAX		**3,696**	4,821	5,324	**3,529**	5,147	4,999
TAX EXPENSE (INCOME)	26	**(174)**	(307)	914	**(339)**	18	588
NET PROFIT		**P 3,870**	P 5,128	P 4,410	**P 3,868**	P 5,129	P 4,411
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 3,868**	P 5,129	P 4,411			
NON-CONTROLLING INTERESTS		**2**	(1)	(1)			
		P 3,870	P 5,128	P 4,410			
Earnings Per Share							
Basic and diluted	30	**P 2.76**	P 3.07	P 3.11	**P 2.76**	P 3.07	P 3.11

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2016**	2015 (As Restated - See Note 2)	2014 (As Restated - See Note 2)	**2016**	2015 (As Restated - See Note 2)	2014 (As Restated - See Note 2)
NET PROFIT		**P 3,870**	P 5,128	P 4,410	**P 3,868**	P 5,129	P 4,411
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**(325)**	(1,045)	35	**(349)**	(987)	80
Fair value gains (losses) on financial assets at fair value through other comprehensive income	10, 23	**1,442**	(140)	118	**1,395**	(220)	56
		1,117	(1,185)	153	**1,046**	(1,207)	136
Share in other comprehensive income of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12, 24	**-**	1	(34)	**24**	(57)	(79)
Fair value gains on financial assets at fair value through other comprehensive income	10, 12, 23	**-**	-	-	**47**	77	62
		-	1	(34)	**71**	20	(17)
Items that will be reclassified subsequently to profit or loss							
Share in other comprehensive income of the subsidiaries - Translation adjustments on foreign operations	23	**25**	(10)	(5)	**25**	(10)	(5)
Total Other Comprehensive Income (Loss)	23	**1,142**	(1,194)	114	**1,142**	(1,197)	114
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 5,012**	P 3,934	P 4,524	**P 5,010**	P 3,932	P 4,525
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 5,010**	P 3,932	P 4,525			
NON-CONTROLLING INTERESTS		**2**	2	(1)			
		P 5,012	P 3,934	P 4,524			

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS CHANGES IN EQUITY
DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Millions of Philippine Pesos)

		GROUP										
		ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS										
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2016		P 13,999	P 3	P 22,635	-	(P 518)	P 388	(P 97)	P 21,695	P 58,105	P 24	P 58,129
Transaction with owners	23											
Cash dividends		-	-	-	-	-	-	-	(1,008)	(1,008)	-	(1,008)
Total comprehensive income for the year	23	-	-	-	-	1,142	-	-	3,868	5,010	2	5,012
Transfer of fair value gains on financial assets												
at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	27	-	(27)	-	-	-
		-	-	-	-	1,139	27	-	3,844	4,002	2	4,004
Balance at December 31, 2016		**P 13,999**	**P 3**	**P 22,635**	**-**	**P 621**	**P 415**	**(P 97)**	**P 24,531**	**P 62,107**	**P 26**	**P 62,133**
Balance at January 1, 2015		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131
Transactions with owners	23											
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	-	7,729	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	-	(723)	(5,606)	-	(5,606)
Cash dividends		-	-	-	-	-	-	-	(1,059)	(1,059)	-	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	-	(1,782)	1,064	-	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,197)	-	-	5,129	3,932	2	3,934
Transfer of fair value gains on financial assets												
at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	22	-	(22)	-	-	-
		1,242	-	6,487	(4,883)	(1,200)	22	-	3,328	4,996	2	4,998
Balance at December 31, 2015		P 13,999	P 3	P 22,635	-	(P 518)	P 388	(P 97)	P 21,695	P 58,105	P 24	P 58,129
Balance at January 1, 2014		P 12,757	P 3	P 16,148	P 4,883	P 540	P 348	(P 282)	P 15,905	P 50,302	P 23	P 50,325
Transactions with owners	23											
Effect of retirement of preferred shares		-	-	-	-	-	-	185	(185)	-	-	-
Cash dividends		-	-	-	-	-	-	-	(1,718)	(1,718)	-	(1,718)
Total transactions with owners		-	-	-	-	-	-	185	(1,903)	(1,718)	-	(1,718)
Total comprehensive income (loss) for the year	23	-	-	-	-	114	-	-	4,411	4,525	(1)	4,524
Transfer of fair value losses on financial assets												
at fair value through other comprehensive income to surplus	23	-	-	-	-	28	-	-	(28)	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	18	-	(18)	-	-	-
		-	-	-	-	142	18	185	2,462	2,807	(1)	2,806
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131

See Notes to Financial Statements.

		PARENT COMPANY							
	Notes	**COMMON STOCK**	**PREFERRED STOCK**	**CAPITAL PAID IN EXCESS OF PAR**	**HYBRID PERPETUAL SECURITIES**	**REVALUATION RESERVES**	**RESERVE FOR TRUST BUSINESS**	**SURPLUS**	**TOTAL EQUITY**
Balance at January 1, 2016									
As previously reported		P 13,999	P 3	P 22,635	-	(P 458)	P 356	P 14,282	P 50,817
Effect of adoption of PAS 27 (Amendments)	2	-	-	-	-	(60)	-	7,278	7,218
As restated		13,999	3	22,635	-	(518)	356	21,560	58,035
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,008)	(1,008)
Total comprehensive income for the year	23	-	-	-	-	1,142	-	3,868	5,010
Transfer of fair value gains on financial assets									
at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	22	(22)	-
		-	-	-	-	1,139	22	2,841	4,002
Balance at December 31, 2016		**P 13,999**	**P 3**	**P 22,635**	**P -**	**P 621**	**P 378**	**P 24,401**	**P 62,037**
Balance at January 1, 2015									
As previously reported		P 12,757	P 3	P 16,148	P 4,883	P 749	P 341	P 11,811	P 46,692
Effect of adoption of PAS 27 (Amendments)	2	-	-	-	-	(67)	-	6,414	6,347
As restated		12,757	3	16,148	4,883	682	341	18,225	53,039
Transactions with owners	23								
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	(723)	(5,606)
Cash dividends		-	-	-	-	-	-	(1,059)	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	(1,782)	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,197)	-	5,129	3,932
Transfer of fair value gains on financial assets									
at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
		1,242	-	6,487	(4,883)	(1,200)	15	3,335	4,996
Balance at December 31, 2015		P 13,999	P 3	P 22,635	-	(P 518)	P 356	P 21,560	P 58,035
Balance at January 1, 2014									
As previously reported		P 12,757	P 3	P 16,148	P 4,883	P 613	P 327	P 9,064	P 43,795
Effect of adoption of PAS 27 (Amendments)	2	-	-	-	-	(73)	-	6,510	6,437
As restated		12,757	3	16,148	4,883	540	327	15,574	50,232
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,718)	(1,718)
Total comprehensive income for the year	23	-	-	-	-	114	-	4,411	4,525
Transfer of fair value losses on financial assets									
at fair value through other comprehensive income to surplus	23	-	-	-	-	28	-	(28)	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	14	(14)	-
		-	-	-	-	142	14	2,651	2,807
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 682	P 341	P 18,225	P 53,039

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2016**	2015	2014	**2016**	2015 As Restated - See Note 2)	2014 As Restated - See Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 3,696**	P 4,821	P 5,324	**P 3,529**	P 5,147	P 4,999
Adjustments for:							
Interest income		**(23,137)**	(21,520)	(20,200)	**(16,529)**	(15,763)	(14,911)
Interest received		**23,570**	21,149	19,980	**16,962**	15,593	14,757
Interest expense		**7,430**	5,943	5,233	**5,966**	4,838	4,368
Interest paid		**(7,253)**	(5,861)	(5,162)	**(5,889)**	(4,720)	(4,412)
Impairment losses - net	16	**1,770**	2,350	2,509	**856**	1,150	1,659
Depreciation and amortization	13, 14, 15	**1,766**	1,611	1,577	**985**	1,030	911
Dividend income	25	**(449)**	(237)	(285)	**(307)**	(87)	(107)
Share in net earnings of subsidiaries and associates	12	**(131)**	(93)	(24)	**(1,500)**	(1,535)	(1,582)
Gain on assets sold	14, 25	**(120)**	(281)	(333)	**(139)**	(162)	(18)
Operating profit before working capital changes		**7,142**	7,882	8,619	**3,934**	5,491	5,664
Decrease (increase) in financial assets at fair value through profit and loss		**(12,967)**	11,346	21,018	**(13,082)**	11,069	19,381
Decrease (increase) in financial assets at fair value through other comprehensive income		**(1,471)**	(493)	(76)	**48**	(339)	-
Decrease (increase) in loans and receivables		**(7,263)**	(39,323)	(28,046)	**4,151**	(27,179)	(17,819)
Decrease (increase) in investment properties		**(212)**	1,502	242	**15**	408	657
Decrease (increase) in other resources		**(528)**	(1,469)	942	**354**	(96)	(234)
Increase (decrease) in deposit liabilities		**10,715**	26,601	17,908	**(3,905)**	16,048	4,402
Increase (decrease) in accrued interest, taxes and other expenses		**338**	(89)	(59)	**179**	(15)	(2)
Increase (decrease) in other liabilities		**(256)**	232	(119)	**(1,385)**	(93)	1,940
Cash generated from (used in) operations		**(4,502)**	6,189	20,429	**(9,691)**	5,294	13,989
Cash paid for taxes		**(574)**	(602)	(792)	**(501)**	(540)	(593)
Net Cash From (Used in) Operating Activities		**(5,076)**	5,587	19,637	**(10,192)**	4,754	13,396
CASH FLOWS FROM INVESTING ACTIVITIES							
Increase (decrease) in investment securities at amortized cost		**50,017**	(21,428)	(20,993)	**46,614**	(21,200)	(20,577)
Acquisitions of bank premises, furniture, fixtures, and equipment		**(2,782)**	(1,961)	(912)	**(1,129)**	(1,411)	(573)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13 13	**834**	461	98	**344**	242	185
Cash dividends received	12, 25	**560**	313	285	**307**	766	1,682
Acquisitions of intangible assets	15	**(294)**	(1,348)	(288)	**(270)**	(1,243)	(124)
Additional investments in and advances to subsidiaries and associates	12	**-**	-	(4)	**-**	(750)	(4)
Net Cash From (Used in) Investing Activities		**48,335**	(23,963)	(21,814)	**45,866**	(23,596)	(19,411)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from (payments of) bills payable	18	**(11,761)**	9,605	(96)	**(14,104)**	8,979	(230)
Dividends paid	23	**(1,008)**	(1,059)	(1,718)	**(1,008)**	(1,059)	(1,718)
Net proceeds from issuance of bonds payable	19	**-**	15,878	-	**-**	15,878	-
Issuance of common stock	23	**-**	7,729	-	**-**	7,729	-
Redemption of hybrid perpetual securities	23	**-**	(5,173)	-	**-**	(5,173)	-
Net proceeds from issuance of subordinated debt	20	**-**	-	9,921	**-**	-	9,921
Net Cash From (Used in) Financing Activities		**(12,769)**	26,980	8,107	**(15,112)**	26,354	7,973
NET INCREASE IN CASH AND CASH EQUIVALENTS		**30,490**	8,604	5,930	**20,562**	7,512	383
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	**14,070**	13,085	9,826	**10,127**	9,539	7,563
Due from Bangko Sentral ng Pilipinas	9	**50,617**	46,099	52,491	**42,026**	37,763	48,679
Due from other banks	9	**19,701**	16,600	7,537	**18,196**	15,535	6,212
		84,388	75,784	69,854	**70,349**	62,837	62,454
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**15,176**	14,070	13,085	**11,000**	10,127	9,539
Due from Bangko Sentral ng Pilipinas	9	**66,520**	50,617	46,099	**50,871**	42,026	37,763
Due from other banks	9	**25,293**	19,701	16,600	**24,109**	18,196	15,535
Loans and receivables arising from reverse repurchase agreement	9	**7,889**	-	-	**4,931**	-	-
		P 114,878	P 84,388	P 75,784	**P 90,911**	P 70,349	P 62,837

Supplemental Information on Non-cash Investing and Financing Activities:

1. In 2014, the Parent Company reclassified a portion of RSB Corporate Center including the land where it is located with carrying amount of P1,985 and P419, respectively, from Bank Premises, Furniture, Fixtures, and Equipment to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is classified as part of the Investment Properties account in the 2014 statement of financial position. In 2015, building and land amounting to P71 and P12, respectively, were reverted to Bank Premises, Furniture, Fixtures and Equipment due to change in use (see Notes 13 and 14).

2. Prior to 2014, the Group received a 10-year note from Philippine Asset Growth One, Inc. with a face amount of P731 which formed part of the consideration received in relation to the Parent Company's disposal of non-performing assets (see Note 11).

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009.

It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. It also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

As a banking institution, the Group's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). As such, the Group is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Group's activities are subject to the provisions of Republic Act (RA) No. 8791, the *General Banking Law of 2000*, and other related banking laws.

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE).

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Automated teller machines (ATMs)	**1,488**	1,342	**1,047**	906
Branches	**446**	420	**281**	259
Extension offices	**35**	36	**25**	26

RCBC is 41.68% owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address located at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

The Parent Company's registered address, which is also its principal office, is located at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

1.2 Subsidiaries and Associates

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

Subsidiaries/Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2016	2015
Subsidiaries:				
RCBC Savings Bank, Inc. (RSB)	Consumer and retail banking		**100.00**	100.00
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	Remittance	(a)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(b)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.39**	99.39
Merchants Savings and Loan Association, Inc. (Rizal Microbank)	Thrift banking and microfinance		**98.03**	98.03
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**97.79**	97.79
RCBC Rental Corporation	Property leasing	(d)	**97.79**	97.79
Special Purpose Companies (SPCs):	Real estate buying and selling	(e)		
Best Value Property and Development Corporation (Best Value)			**100.00**	100.00
Cajel Realty Corporation (Cajel)			**100.00**	100.00
Crescent Park Property and Development Corporation (Crescent Park)			**100.00**	100.00
Crestview Properties Development Corporation (Crestview)			**100.00**	100.00
Eight Hills Property and Development Corporation (Eight Hills)			**100.00**	100.00
Fairplace Property and Development Corporation			**100.00**	100.00
Gold Place Properties Development Corporation (Gold Place)			**100.00**	100.00
Goldpath Properties Development Corporation (Goldpath)			**100.00**	100.00
Greatwings Properties Development Corporation (Greatwings)			**100.00**	100.00
Happyville Property and Development Corporation			**100.00**	100.00
Landview Property and Development Corporation			**100.00**	100.00
Lifeway Property and Development Corporation (Lifeway)			**100.00**	100.00
Niceview Property and Development Corporation (Niceview)			**100.00**	100.00
Niyog Property Holdings, Inc. (NPHI)		(f)	**100.00**	100.00

Subsidiaries/Associates	Line of Business	Effective Percentage of Ownership 2016	2015
SPCs:			
Princeway Properties Development Corporation (Princeway)		**100.00**	100.00
Stockton Realty Development Corporation		**100.00**	100.00
Top Place Properties Development Corporation (Top Place)		**100.00**	100.00
Associates:			
YGC Corporate Services, Inc. (YCS)	Support services for YGC	**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	**12.88**	12.88

Except for RCBC Telemoney (Italy), RCBC North America (USA), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines. RCBC Telemoney and RCBC North America were operational only until March 1, 2016 and March 31, 2014, respectively.

Explanatory Notes:

(a) The Parent Company has 83.97% direct ownership interest and 16.03% indirect ownership interest through RCBC IFL.
(b) A wholly-owned subsidiary of RCBC IFL.
(c) Wholly-owned subsidiaries of RCBC Capital.
(d) A wholly-owned subsidiary of RCBC LFC.
(e) Except for NPHI, the SPCs are wholly-owned subsidiaries of RSB; the SPCs except for NPHI and Cajel, will be liquidated in 2017 pursuant to BSP recommendation (see Note 15.1).
(f) The Parent Company has 48.11% direct ownership interest and 51.89% indirect ownership interest through RSB.

1.3 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the separate financial statements of RCBC as of and for the year ended December 31, 2016 (including the comparatives as of December 31, 2015 and for the years ended December 31, 2015 and 2014 and the corresponding figures as of January 1, 2015) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on February 27, 2017.

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 years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy.

These financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

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

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

The Parent Company made material retrospective restatement in its separate financial statements as of and for the year ended December 31, 2015 and in the corresponding figures as of January 1, 2015 arising from the change in accounting of its investments in subsidiaries and associates from the cost method to the equity method. This is in line with the adoption of PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements*, effective on January 1, 2016, wherein it provides a third option which permits an entity to account for its investments in subsidiaries, associates and joint ventures under the equity method in its separate financial statements in addition to the current option of accounting those investments at cost or in accordance with PAS 39, *Financial Instruments: Recognition and Measurement,* or PFRS 9, *Financial Instruments* [see Note 2.2(a)(iv)].

While the amendment indicates that it is an option, the BSP, through its Circular No. 915, made it a mandatory requirement for banks and non-bank financial institutions to measure such investments using the equity method in their separate financial statements. As a result, the 2015 comparative financial statements and the January 1, 2015 corresponding figures of the Parent Company contained in these financial statements were restated. Accordingly, the Parent Company presents a third statement of financial position as of January 1, 2015 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* The effect of the restatement is presented in Note 2.2(a)(iv).

Moreover, the Group and the Parent Company made a retrospective reclassification in their statements of financial position as of December 31, 2015 by presenting the Deferred Tax Assets account with an amount of P1,222 and P443, respectively, as of December 31, 2015 (nil as of January 1, 2015) from the Other Resources account to conform with the current presentation. Also, the Group and the Parent Company made a retrospective reclassification in its 2015 and 2014 statements of profit or loss relating to certain accounts within the Other Operating Income account to conform also with the current presentation. These reclassifications did not result in any adjustment to the balances of total resources, total comprehensive income or total equity as previously reported, hence, did not require the presentation of a third statement of financial position. The effects of the reclassification in the specific accounts in the 2015 and 2014 statements of profit or loss, before the effects of the restatements arising from the use of the equity method of accounting under PAS 27 (Amendments) [see Note 2.2(a)(iv)], are as follows:

	December 31, 2015		
	As Previously Reported	Effects of Reclassification	As Restated
Changes in the Group's other operating income:			
Service fees and commissions	P 2,897	P 576	P 3,473
Trading and securities gains – net	1,406	(79)	1,327
Foreign exchange gains – net	181	79	260
Miscellaneous – net	1,885	(576)	1,309
Changes in the Parent Company's other operating income:			
Service fees and commissions	P 1,217	P 576	P 1,793
Trading and securities gains – net	1,311	(79)	1,232
Foreign exchange gains – net	133	79	212
Miscellaneous – net	2,054	(576)	1,478

	December 31, 2014					
		As Previously Reported		Effects of Reclassification		As Restated
Changes in the Group's other operating income:						
Service fees and commissions	P	2,297	P	497	P	2,794
Trading and securities gains – net		2,545	(	34)		2,511
Foreign exchange gains – net		237		34		271
Miscellaneous – net		1,726	(	497)		1,229
Changes in the Parent Company's other operating income:						
Service fees and commissions	P	1,166	P	497	P	1,663
Trading and securities gains – net		1,869	(	34)		1,835
Foreign exchange gains – net		199		34		233
Miscellaneous – net		2,668	(	497)		2,171

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.18). All amounts are in millions, except per share data or when otherwise indicated.

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

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2016 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below are the relevant information about these amendments and improvements.

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

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

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

(iv) PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements*. These amendments introduce a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9.

Relative to these amendments, the Parent Company changed its accounting for investment in subsidiaries and associates from the cost to the equity method [see Note 2.1(b)]. The Parent Company has applied PAS 27 (Amendments) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative separate financial statements for December 31, 2015 and the corresponding figures as of January 1, 2015. The effects of the restatement in the affected resources, liabilities and equity components are shown below and in the succeeding page.

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method	As Restated
Changes in resources:			
Investments in and advances to subsidiaries and associates – net	P 8,748	P 7,136	P 15,884
Other resources – net (including deferred tax assets)	6,201	22	6,223
		7,158	
Changes in liabilities –			
Other liabilities	(9,247)	60	(9,156)
Net increase in equity		P 7,218	

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method	As Restated
Changes in components of equity:			
Revaluation reserves	(P 458)	(P 60)	(P 518)
Surplus	14,282	7,278	21,560
Net increase in equity		P 7,218	

	January 1, 2015		
	As Previously Reported	Effects of Using Equity Method	As Restated
Changes in resources:			
Investments in and advances to subsidiaries and associates – net	P 7,999	P 6,459	P 14,458
Other resources – net (including deferred tax assets)	5,027	57	5,084
		6,516	
Changes in liabilities –			
Other liabilities	(8,474)	(169)	(8,643)
Net increase in equity		P 6,347	
Changes in components of equity:			
Revaluation reserves	749	(67)	682
Surplus	11,811	6,414	18,225
Net increase in equity		P 6,347	

The effects of the adoption of PAS 27 (Amendments), including the retrospective reclassification in certain accounts [see Note 2.1(b)] in the Parent Company's statements of profit or loss, statements of comprehensive income, and earnings per share (EPS), for the years ended December 31, 2015 and 2014 are shown below and in the succeeding page.

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method and Retrospective Reclassification	As Restated
Changes in profit or loss:			
Service fees and commissions	P 1,217	P 576	P 1,793
Trading and securities gains – net	1,311	(79)	1,232
Foreign exchange gains – net	133	79	212
Share in net earnings of subsidiaries and associates	-	1,535	1,535
Miscellaneous income – net	2,054	(1,215)	839
Depreciation and amortization	(994)	(36)	(1,030)
Net increase in net profit		P 860	
Basic and diluted EPS	P 2.44	P 0.63	P 3.07

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method and Retrospective Reclassification	As Restated
Changes in other comprehensive income:			
Share in other comprehensive income of subsidiaries and associates:			
Actuarial losses on defined benefit plan	P -	(P 57)	(P 57)
Fair value gains on financial assets at fair value through other comprehensive income (FVOCI)	-	77	77
Translation adjustments on foreign operations	-	(10)	(10)
Net decrease in other comprehensive losses		P 10	

	December 31, 2014		
	As Previously Reported	Effects of Using Equity Method and Retrospective Reclassification	As Restated
Changes in profit or loss:			
Impairment losses – net	P 1,663	P 4	P 1,659
Service fees and commissions	1,166	497	1,663
Trading and securities gains – net	1,869	(34)	1,835
Foreign exchange gains – net	199	34	233
Share in net earnings of subsidiaries and associates	-	1,582	1,582
Miscellaneous income – net	2,668	(2,101)	567
Depreciation and amortization	(860)	(51)	(911)
Net decrease in net profit		(P 69)	
Basic and diluted EPS	P 3.16	(P 0.05)	P 3.11
Changes in other comprehensive income:			
Share in other comprehensive income of subsidiaries and associates:			
Actuarial losses on defined benefit plan	P -	(P 79)	(P 79)
Fair value gains on financial assets at FVOCI		62	62
Translation adjustments on foreign operations	-	(5)	(5)
Net decrease in other comprehensive income		(P 22)	

The adoption of PAS 27 (Amendments) did not have a material impact on the Parent Company's statement of cash flows for the years ended December 31, 2015 and 2014.

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

(vi) PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*. These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRS, except for those principles that conflict with the guidance in PFRS 11.

(vii) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group:

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

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

- PFRS 7 (Amendments), *Financial Instruments – Disclosures*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) *Effective in 2016 that is not Relevant to the Group*

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's financial statements:

PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
PAS 34 (Amendment)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"

(c) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, the amendments suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions – herein referred to as PFRS 9). In addition to the principal classification categories for financial assets and financial liabilities, which were early adopted by the Group on January 1, 2014, PFRS 9 (2014) includes the following major provisions:

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

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

In view of the Group's early adoption of PFRS 9, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group. In 2015, the management formed a project team to conduct a comprehensive study on the potential impact of this standard prior to its mandatory adoption. This includes the formulation and review of applicable expected credit loss models and methodologies covering the Group's credit exposures.

(iv) PFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is currently assessing the impact of this standard on the Group's financial statements.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

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

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

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

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

The Parent Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

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

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method [see Note 2.2(a)(iv)]. Under the equity method, all subsequent changes to the ownership interest in the equity of the subsidiaries are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the subsidiaries are credited or charged against the Share in Net Earnings of Subsidiaries and Associates account in the statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Dividends received are accounted for as reduction in the carrying value of the investment.

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

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

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

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

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

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

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

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

(b) Investments in Associates

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

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

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

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

The Group reassesses whether or not an entity qualifies as an associate in the occurrence of changes to facts and circumstances surrounding its ability to exert significant influence.

(c) Interest in Jointly Controlled Operation

For interests in jointly controlled operations, the Group recognizes in its financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

(d) Transactions with Non-controlling Interests

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

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

In the Parent Company's financial statements, impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered (see Note 2.19).

2.4 Segment Reporting

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

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

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding pages.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Receivables Arising from Reverse Repurchase Agreement, Investment securities at amortized cost under Trading and Investment Securities, Loans and Receivables and certain Other Resources accounts.

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

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2016 and 2015, the Group has not made such designation.

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

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

A financial asset is considered as held for trading if:

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

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

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

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

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Surplus account.

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

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

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

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(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 the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable 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; or,

(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.

The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Financial Assets Carried at Amortized Cost

For financial assets classified and measured at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment for individually assessed financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective evaluation of impairment for loans and receivables, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When possible, the Group seeks to restructure loans rather than to take possession of the collateral. This may involve extending the payment arrangement and agreement for new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria evidencing the good quality of the loan are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized as part of Impairment Losses account in profit or loss.

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

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

(ii) Financial Assets Carried at Fair Value Through Other Comprehensive Income

For securities classified as FVOCI, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss. If, in a subsequent period, the fair value of such debt instruments 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) Derecognition of Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, interest rate swaps, debt warrants, options and credit default swap. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are categorized as Financial Assets at FVPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognizes a gain or loss at initial recognition.

2.7 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

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

Buildings	20-50 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 2.19).

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment which are neither held by the Group for sale in the next 12 months nor used in the rendering of services or for administrative purposes. This also includes properties held for rental.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.19). The cost of an investment property comprises its purchases price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss under the Miscellaneous Income account in the year of retirement or disposal.

2.10 Assets Held-for-Sale and Disposal Group

Assets held-for-sale and disposal group which are presented as part of Other Resources, include real and other properties acquired through repossession, foreclosure or purchase that the Group intends to sell within one year from the date of classification as held-for-sale and for which the Group is committed to immediately dispose through an active marketing plan. The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell.

Assets classified as held-for-sale are not subject to depreciation or amortization. Asset that ceases to be classified as held-for-sale is measured at the lower of: (a) its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (b) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale resulting in either a gain or loss, is recognized in profit or loss. The Group recognizes an impairment loss for any initial or subsequent write-down of the assets held-for-sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss. On the other hand, any gain from any subsequent increase in fair value less to costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

The gains or losses arising from the sale or remeasurement of assets held-for-sale is recognized in Miscellaneous Income (Expenses) under the Other Operating Income (Expenses) account in the statement of profit or loss.

2.11 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position. The cost of the asset is the amount of cash and cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Branch licenses represent the rights given by the BSP to the Group to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but would require an annual test for impairment (see Note 2.19). Goodwill and branch licenses are subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account represent the right given to RSI which is engaged in stock brokerage to preserve access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in realizable value (see Note 2.19).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight line basis over the expected useful lives of the software of three to ten years.

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

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

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.12 Other Resources

Other resources excluding items classified as intangible assets pertain to other assets controlled by the Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.13 Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, bonds payable, subordinated debt, accrued interest and other expenses, and other liabilities (except tax-related payables, post-employment defined benefit obligation and deferred income) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable, bonds payable and subordinated debt are recognized initially at fair value, which is the issue proceeds (fair value of consideration received), net of direct issue costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

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

In 2014, dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group and subsequent approval of the BSP. Starting 2015, BSP approval is no longer necessary as provided by the liberalized rules for banks and quasi-banks on dividend declaration.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.14 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 obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

The Parent Company offers monetized rewards to active cardholders in relation to its credit card business' rewards program. Provisions for rewards are recognized at a certain rate of cardholders' credit card availments, determined by management based on redeemable amounts.

2.15 Equity

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

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

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

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI;

(b) Reserves on remeasurements of post-employment defined benefit plan comprising of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions, and actual return on plan assets (excluding account included in net interest);

(c) Accumulated translation adjustments related to the cumulative gains from the translation of the financial statements of foreign subsidiaries whose functional currency is different from that of the Parent Company; and,

(d) Share in other comprehensive income of subsidiaries and associates.

Reserve for trust business representing the accumulated amount set aside by the Group under existing regulations requiring the Parent Company and a subsidiary to carry to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Other reserves refer to the amount attributable to the Parent Company arising from the changes in the ownership of the NCI in the Group and the result of the redemption of the preferred stocks of RSB's subsidiaries. This also includes the excess of cost of investment over the net identifiable assets of an acquired subsidiary under the pooling of interest method.

Surplus represents all current and prior period results of operations as disclosed in the statement of profit or loss, reduced by the amount of dividends declared.

NCI represents the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statement of profit or loss and comprehensive income and within equity in the consolidated statement of financial position and changes in equity.

2.16 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably.

The following specific recognition criteria must also be met before a revenue or expense is recognized:

(a) Interest Income and Expenses

These are recognized in the statement of profit or loss for all financial instruments measured at amortized cost and interest-bearing financial assets using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the 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)

These are recognized when the ownership of the securities is transferred to the buyer and is computed at the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains as a result of the mark-to-market valuation of investment securities classified as FVPL.

(c) Service Fees and Commissions

These are recognized as follows:

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

(ii) 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, VISA and China UnionPay labels) credit card availments passing through the Point of Sale (POS) terminals of the Parent Company. These discounts are computed based on agreed rates and are deducted from the amounts remitted to member establishments. Interchange costs pertain to the other credit card companies' share in RCBC Bankard's merchant discounts whenever their issued credit cards transact in the Parent Company's POS terminal.

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

(iv) *Loan syndication fees* are recognized upon completion of all syndication activities and where there are no further obligations to perform under the syndication agreement.

(v) *Service charges and penalties* are recognized only upon collection or accrued where there is a reasonable degree of certainty as to its collectibility.

(vi) *Underwriting fees and commissions* are recorded when services for underwriting, arranging or brokering has been rendered.

(d) Gains on Assets Sold

Gains on assets sold are included as part of Miscellaneous income under Other Operating Income account, which arises from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale. This is recognized when the risks and rewards of ownership of the assets is transferred to the buyer, and when the collectibility of the entire sales price is reasonably assured.

Costs and expenses are recognized in profit or loss upon utilization of the resources and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.21).

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which transfer to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease, and is included as part of Interest Income on loans and receivables.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term. These are recognized as part of Miscellaneous income under Other Operating Income in the statement of profit or loss.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or,

(d) there is a substantial change to the asset.

2.18 Foreign Currency Transactions and Translations

(a) Transactions and Balances

Except for the foreign subsidiaries and accounts of the Group's foreign currency deposit unit (FCDU), the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in foreign currencies are translated to Philippine pesos at the prevailing Philippine Dealing System closing rates (PDSCR) at the end of the reporting period.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary resources and liabilities denominated in foreign currencies are recognized in profit or loss, except when recognized in other comprehensive income and deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equity securities classified as at FVPL, are reported as part of fair value gain or loss.

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

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVPL and financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized as gains and losses in other comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The results of operations and financial position of all the Group's foreign subsidiaries (none of which has the currency dependency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Resources and liabilities at the end of each reporting period as presented in the statement of financial position are translated at the closing rate at the date of that statement of financial position;

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

(iii) All resulting exchange differences are recognized as a component of equity.

In consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in other comprehensive income which form part of Revaluation Reserves account in equity. When a foreign operation is sold, the accumulated translation and exchange differences are recognized in profit or loss as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment, investment properties, and other resources (including intangible assets) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use and goodwill are tested for impairment at least annually.

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

Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading rights) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Impairment loss is recognized in profit or loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each CGU and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except for intangible assets with indefinite useful life and goodwill, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

Entities under the Group provide respective post-employment benefits to employees through a defined benefit plan and defined contribution plan, as well as other benefits, which are recognized as follows:

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by the Philippine Dealing & Exchange Corp. (PDEx), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and other changes in actuarial assumptions, effect of the changes to the asset ceiling, if any, and actual return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in the subsequent periods.

Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Interest Income or Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as the Social Security System. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of: (i) when it can no longer withdraw the offer of such benefits, and, (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus Plans

The Group recognizes a liability and an expense for bonuses, based on a fixed formula. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

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

2.21 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of the assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities recognized by the entities under the Group are offset if they have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Relationships and Transactions

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

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

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

2.24 Earnings Per Share

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

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

In cases of redemption of preference shares, the net income used in the computation of basic and diluted EPS is decreased by the excess of the fair value of consideration paid to holders of the instruments over the carrying amount of such repurchased the instruments.

2.25 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluation of Business Model Applied in Managing Financial Instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment, trading and lending strategies.

(b) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(c) *Evaluation of Impairment of Financial Assets at FVOCI*

The determination when a financial asset at FVOCI is other-than-temporarily impaired requires the Group to make judgment. In making this judgment with respect to the Group's outstanding financial assets at FVOCI as of December 31, 2016 (see Note 10.2), the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. For investments issued by counterparty under bankruptcy, the Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quotes prices for distressed securities) since current bid prices are no longer available.

(d) *Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

The Group considers each property separately in making its judgment. Such evaluation resulted in the reclassification of a significant portion of the Group's certain building properties from Bank Premises, Furniture, Fixtures and Equipment to Investment Properties upon the commencement of an operating lease in 2014 (see Notes 13 and 14).

(e) *Distinction Between Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities. As of December 31, 2016 and 2015, most of the Group's lease arrangements qualify as operating leases except for the various lease agreements of RCBC LFC which are accounted for under finance lease.

(f) *Classification and Determination of Fair Value of Acquired Properties*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held-for-Sale and Disposal Group classified under Other Resources if the Group expects that the properties will be recovered through sale rather than use, as Investment Properties if held for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets in accordance with PFRS 9. At initial recognition, the Group determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property. The Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.4.

(g) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group's and the Parent Company's legal cases and are based upon the analysis of probable results. Although the Group does not believe that its on-going proceedings as disclosed in Note 29 will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

(a) Estimation of Impairment Losses on Loans and Receivables and Investment Securities at Amortized Cost

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

Moreover, the Group holds debt securities measured at amortized cost as of December 31, 2016 and 2015. The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying value of the Group's and Parent Company's loans and receivables and the analysis of the allowance for impairment on such financial assets are shown in Note 11 while the information about the debt securities is disclosed in Note 10.

(b) Determination of Fair Value Measurement for Financial Assets at FVPL and FVOCI

The Group carries certain financial assets at fair value which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss and other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Group's and Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties, Computer Software, Branch Licenses and Trading Rights

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's branch licenses and trading rights were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 15. Based on management's assessment as of December 31, 2016 and 2015, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2016 and 2015 are disclosed in Note 26.1.

(e) *Estimation of Impairment Losses of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in
Note 2.19. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) *Determination of Fair Value of Investment Properties*

The Group's investment properties are composed of parcels of land, buildings and condominium units which are held for capital appreciation or held-for-lease, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) *Valuation of Post-employment Defined Benefits*

The determination of the Group's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and related income (expense), and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 24.2.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

A committee system is a fundamental part of the Group's process of managing risk. The following four committees of the Parent Company's BOD are relevant in this context:

- The Executive Committee (EXCOM), which meets weekly, approves credit policies and decides on large counterparty credit facilities and limits. The EXCOM has the authority to pass judgment upon such matters as the BOD may entrust to it for action in between meetings.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for group capital adequacy and risk management covering credit, market and operational risks under Pillar 1 of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.

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

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

Four senior management committees also provide a regular forum to take up risk issues.

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

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

- The Related Party Transactions Management Committee (RPT ManCom), composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed RPT below the materiality threshold for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances unless the transaction requires board approval. On favorable review, the RPT ManCom endorses the transaction for BOD confirmation.

- The Anti-Money Laundering Committee (AMLCom) was created through an order of the Senior Management Committee on June 24, 2002, for the evaluation of the suspicious transaction reports (STR) reported by different units before submission to the Anti-Money Laundering Council (AMLC). The AMLCom exercises authority over all accounts considered suspicious under the Anti-Money Laundering Act (AMLA), with the principal purpose of assisting the BOD in fulfilling the following oversight responsibilities:

  (i) Preventing the Bank from being used as a conduit for money laundering;
  (ii) Reviewing filed AML cases;
  (iii) Reviewing tagged frozen accounts;
  (iv) Approving/disapproving the filing of an STR escalated by the Compliance Office;
  (v) Monitoring filed STR through the Compliance Office;
  (vi) Adopting an internal guideline on filing of STR and AMLCom disposition; and,
  (vii) Ensuring compliance with BSP rules and regulations relating to anti-money laundering.

  The AMLCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Operational Risk Management Group, Legal Affairs Division as members, and AML Division as the Rapporteur. The AML Division, through the Chief Compliance Officer, reports to the Audit Committee and the BOD its monthly activities including the AMLCom meetings.

The Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure the consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the risk profile group-wide. In 2016, CRISMS was divided into two sub-groups, the Business Risk Group (BRG) and the Operational Risk Group (ORG), for a more focused and dedicated management of risks. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's ROC. It participates in the CRECOL and ALCO meetings.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5) in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views on 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 and/or the ROC, the Group is exposed to liquidity risk and interest rate risk inherent in the Group's statement of financial position, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while credit-linked notes (CLNs) and bond options were approved under the Limited User Authority (Type 3). In February 2012, bond forwards, non-deliverable swaps and foreign exchange options have been included under the same Limited User Authority (Type 3). In June 2013, the Parent Company was granted a Type 2 license non-deliverable swaps, foreign currency options, bond and interest rate options, and asset swaps. During the same period, additional Type 3 licenses for foreign exchange-option and bond-option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps.

4.2 Liquidity Risk

Liquidity risk is the potential insufficiency of funds available to meet the demands of the Group's customers to repay maturing liabilities. The Group manages liquidity risk by limiting the maturity mismatch between resources and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses resources and liability maturity gap analysis.

The gap analyses as of December 31, 2016 and 2015 are presented below.

	Group					
	2016					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 46,866	P -	P -	P -	P 68,012	P 114,878
Investments - net	18,729	4,683	9,699	37,347	5,547	76,005
Loans and receivables - net	26,578	52,035	83,224	88,427	55,903	306,167
Other resources - net	7,305	232	1,063	34	15,509	24,143
Total resources	99,478	56,950	93,986	125,808	144,971	521,193
Liabilities:						
Deposit liabilities	51,586	15,147	10,523	-	275,821	353,077
Bills payable	9,552	5,628	20,970	1,493	-	37,643
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	8,260	24	-	-	8,509	16,793
Total liabilities	83,070	20,799	69,368	1,493	284,330	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	83,070	20,799	69,368	1,493	346,463	521,193
On-book gap	16,408	36,151	24,618	124,315	(201,492)	-
Cumulative on-book gap	16,408	52,559	77,177	201,492	-	-
Contingent resources	14,727	2,032	2,138	-	-	18,897
Contingent liabilities	21,275	2,032	2,138	-	-	25,445
Off-book gap	(6,548)	-	-	-	-	(6,548)
Cumulative off-book gap	(6,548)	(6,548)	(6,548)	(6,548)	(6,548)	-
Periodic gap	**9,860**	**36,151**	**24,618**	**124,315**	**(201,492)**	**(6,548)**
Cumulative total gap	**P 9,860**	**P 46,011**	**P 70,629**	**P 194,944**	**(P 6,548)**	**P -**

	Group 2015					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 25,761	P -	P -	P -	P 58,627	P 84,388
Investments - net	20,331	2,246	13,571	71,683	3,733	111,564
Loans and receivables - net	26,051	43,676	63,011	117,598	48,783	299,119
Other resources - net	7,783	283	1,209	48	11,667	20,990
Total resources	79,926	46,205	77,791	189,329	122,318	516,061
Liabilities:						
Deposit liabilities	51,332	16,800	19,202	-	255,028	342,362
Bills payable	20,731	565	17,339	10,769	-	49,404
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	9,422	40	-	-	7,404	16,866
Total liabilities	81,485	17,405	70,820	25,790	262,432	457,932
Equity	-	-	-	-	58,129	58,129
Total liabilities and equity	81,485	17,405	70,820	25,790	320,561	516,061
On-book gap	(1,559)	28,800	6,971	163,539	(197,751)	-
Cumulative on-book gap	(1,559)	27,241	34,212	197,751	-	-
Contingent resources	23,434	2,527	2,353	-	-	28,314
Contingent liabilities	23,605	2,545	2,353	-	-	28,503
Off-book gap	(171)	(18)	-	-	-	(189)
Cumulative off-book gap	(171)	(189)	(189)	(189)	(189)	-
Periodic gap	(1,730)	28,782	6,971	163,539	(197,751)	(189)
Cumulative total gap	(P 1,730)	P 27,052	P 34,023	P 197,562	(P 189)	P -

	Parent Company 2016					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash and cash equivalents	P 41,639	P -	P -	P -	P 49,272	P 90,911
Investments - net	16,044	3,378	8,099	33,477	21,832	82,830
Loans and receivables - net	15,271	38,062	47,400	77,804	49,895	228,432
Other resources - net	3,440	5	497	6	11,661	15,609
Total resources	76,394	41,445	55,996	111,287	132,660	417,782
Liabilities:						
Deposit liabilities	40,186	10,418	9,786	-	199,775	260,165
Bills payable	9,552	1,197	19,470	1,493	-	31,712
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	4,698	-	-	-	7,623	12,321
Total liabilities	68,108	11,615	67,131	1,493	207,398	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	68,108	11,615	67,131	1,493	269,435	417,782
On-book gap	8,286	29,830	(11,135)	109,794	(136,775)	-
Cumulative on-book gap	8,286	38,116	26,981	136,775	-	-
Contingent resources	14,557	2,032	2,138	-	-	18,727
Contingent liabilities	20,911	2,032	2,138	-	-	25,081
Off-book gap	(6,354)	-	-	-	-	(6,354)
Cumulative off-book gap	(6,354)	(6,354)	(6,354)	(6,354)	(6,354)	-
Periodic gap	**1,932**	**29,830**	**(11,135)**	**109,794**	**(136,775)**	**(6,354)**
Cumulative total gap	**P 1,932**	**P 31,762**	**P 20,627**	**P 130,421**	**(P 6,354)**	**P -**

	Parent Company 2015 [As Restated – See Note 2.2(a)(iv)]					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 21,285	P -	P -	P -	P 49,064	P 70,349
Investments - net	17,558	1,433	11,862	63,904	18,917	113,674
Loans and receivables - net	19,256	31,124	29,326	108,175	43,827	231,708
Other resources - net	5,857	4	623	20	7,577	14,081
Total resources	63,956	32,561	41,811	172,099	119,385	429,812
Liabilities:						
Deposit liabilities	35,911	9,185	18,802	-	200,172	264,070
Bills payable	18,228	-	16,819	10,769	-	45,816
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	11,788	-	-	-	803	12,591
Total liabilities	65,927	9,185	69,900	25,790	200,975	371,777
Equity	-	-	-	-	58,035	58,035
Total liabilities and equity	65,927	9,185	69,900	25,790	259,010	429,812
On-book gap	(1,971)	23,386	(28,089)	146,309	(139,635)	-
Cumulative on-book gap	(1,971)	21,415	(6,674)	139,635	-	-
Contingent resources	23,182	2,527	2,353	-	-	28,062
Contingent liabilities	23,182	2,545	2,353	-	-	28,080
Off-book gap	-	(18)	-	-	-	(18)
Cumulative off-book gap	-	(18)	(18)	(18)	(18)	-
Periodic gap	(1,971)	23,368	(28,089)	146,309	(139,625)	(18)
Cumulative total gap	(P 1,971)	P 21,397	(P 6,692)	P 139,617	(P 18)	P -

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company and RSB to maintain asset cover of 100% for foreign currency denominated liabilities of their respective FCDUs, of which 30% must be in liquid assets.

4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

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

4.2.2 Liquidity Risk Stress

To augment its gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. The results of these liquidity stress simulations are reported monthly to the ROC.

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.

- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. While the Parent Company and RSB use VaR as an important tool for measuring market risk, they are cognizant of its limitations, notably the following:

    - The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

    - VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.

    - The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.

    - VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.

    - In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.

    - VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

- Net Interest Income (NII)-at-Risk – more specifically, in its current implementation, refers to the impact on net interest income for a 12-month horizon of adverse movements in interest rates. For this purpose, the Group employs a gap analysis to measure the interest rate sensitivity of its financial position (local and foreign currencies). As of a given reporting date, the interest rate gap analysis (see Note 4.3.2) measures mismatches between the amounts of interest-earning assets and interest-bearing liabilities re-pricing within "time buckets" going forward from the end of the reporting period. A positive gap means net asset sensitivity, which implies that an increase in the interest rates would have a positive effect on the Group's net interest income. Conversely, a negative gap means net liability sensitivity, implying that an increase in the interest rates would have a negative effect on the Group's net interest income. The rate movements assumed for measuring NII-at-Risk are consistent with a 99% confidence level with respect to historical rate volatility, assuming a one-year holding period. The Group considers the sum of NII-at-risk and the VaR of the FVPL and HTC portfolios as the Earnings-at-Risk (EaR) estimate.

- Capital-at-Risk (CaR) – BSP Circular No. 544 refers to the estimation of the effect of interest rate changes as not only with respect to earnings, but also on the Group's economic value. The estimate, therefore, must consider the fair valuation effect of rate changes on non-trading positions. This includes both those positions with fair value changes against profit or loss, as well as those with fair value changes booked directly against equity. Adding this to the EaR determined using the procedure described above provides a measure of capital subject to interest rate risk. The Group sets its CaR limit as a percentage of the equity in the statement of financial position.

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

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.

- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

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

	Group			
	At December 31	**Average**	**Maximum**	**Minimum**
2016:				
Foreign currency risk	P 15	P 10	P 28	P 3
Interest rate risk	201	232	425	166
Overall	**P 216**	**P 242**	**P 453**	**P 169**
2015:				
Foreign currency risk	P 15	P 7	P 17	P 2
Interest rate risk	279	245	360	167
Overall	P 294	P 252	P 377	P 169

	Parent Company			
	At December 31	**Average**	**Maximum**	**Minimum**
2016:				
Foreign currency risk	P 15	P 9	P 27	P 3
Interest rate risk	83	102	217	70
Overall	**P 98**	**P 111**	**P 244**	**P 73**
2015:				
Foreign currency risk	P 15	P 7	P 16	P 2
Interest rate risk	118	114	190	64
Overall	P 133	P 121	P 206	P 66

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	Foreign Currencies	**Philippine Pesos**	**Total**
2016:			
Resources:			
Cash and other cash items	P 5,242	P 9,934	P 15,176
Due from BSP	-	66,520	66,520
Due from other banks	23,775	1,518	25,293
Loans and receivables arising from reverse repurchase agreement	-	7,889	7,889
Financial assets at FVPL	15,679	2,400	18,079
Financial assets at FVOCI	1,744	3,935	5,679
Investment securities at amortized cost	40,542	11,322	51,864
Loans and receivables - net	55,148	251,019	306,167
Other resources	112	669	781
	P 142,242	**P 355,206**	**P 497,448**
Liabilities:			
Deposit liabilities	P 92,284	P 260,793	P 353,077
Bills payable	31,709	5,934	37,643
Bonds payable	41,595	-	41,595
Subordinated debt	-	9,952	9,952
Accrued interest and other expenses	1,103	3,427	4,530
Other liabilities	802	8,466	9,268
	P 167,493	**P 288,572**	**P 456,065**
2015:			
Resources:			
Cash and other cash items	P 830	P 13,240	P 14,070
Due from BSP	-	50,617	50,617
Due from other banks	18,977	724	19,701
Financial assets at FVPL	2,040	3,072	5,112
Financial assets at FVOCI	23	4,185	4,208
Investment securities at amortized cost	88,134	13,747	101,881
Loans and receivables - net	42,729	256,390	299,119
Other resources	95	529	624
	P 152,828	P 342,504	P 495,332

	Group		
	Foreign Currencies	Philippine Pesos	Total
2015:			
Liabilities:			
Deposit liabilities	P 73,214	P 269,148	P 342,362
Bills payable	39,141	10,263	49,404
Bonds payable	39,364	-	39,364
Subordinated debt	-	9,936	9,936
Accrued interest and other expenses	770	3,428	4,198
Other liabilities	789	7,955	8,744
	P 153,278	P 300,730	P 454,008

	Parent Company		
	Foreign Currencies	**Philippine Pesos**	**Total**
2016:			
Resources:			
Cash and other cash items	P 1,066	P 9,934	P 11,000
Due from BSP	-	50,871	50,871
Due from other banks	23,561	548	24,109
Loans and receivables arising from reverse repurchase agreement	-	4,931	4,931
Financial assets at FVPL	14,675	2,400	17,075
Financial assets at FVOCI	1,744	1,991	3,735
Investment securities at amortized cost	40,542	4,300	44,842
Loans and receivables - net	55,148	173,284	228,432
Other resources	89	474	563
	P 136,825	**P 248,733**	**P 385,558**
Liabilities:			
Deposit liabilities	P 65,959	P 194,206	P 260,165
Bills payable	31,709	3	31,712
Bonds payable	41,595	-	41,595
Subordinated debt	-	9,952	9,952
Accrued interest and other expenses	750	2,717	3,467
Other liabilities	802	5,677	6,479
	P 140,815	**P 212,555**	**P 353,370**

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2015:			
Resources:			
Cash and other cash items	P 706	P 9,421	P 10,127
Due from BSP	-	42,026	42,026
Due from other banks	17,794	402	18,196
Financial assets at FVPL	2,040	1,953	3,993
Financial assets at FVOCI	23	2,318	2,341
Investment securities at amortized cost	82,979	8,477	91,456
Loans and receivables - net	42,729	188,979	231,708
Advances to RCBC LFC	-	500	500
Other resources	95	384	479
	P 146,366	P 254,460	P 400,826
Liabilities:			
Deposit liabilities	P 66,720	P 197,350	P 264,070
Bills payable	39,141	6,675	45,816
Bonds payable	39,364	-	39,364
Subordinated debt	-	9,936	9,936
Accrued interest and other expenses	750	2,538	3,288
Other liabilities	788	5,119	5,907
	P 146,763	P 221,618	P 368,381

4.3.2 Interest Rate Risk

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

The interest rate gap analyses of resources and liabilities as of December 31 based on re-pricing maturities are shown below. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, are not re-priced;
- Debt securities at amortized cost are bucketed based on their re-pricing profile;
- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,
- For resources and liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

	Group					
	2016					
	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 41,866	P -	P -	P -	P 73,012	P 114,878
Investments - net	3,359	4,512	9,196	37,347	21,591	76,005
Loans and receivables - net	142,654	32,138	74,189	33,388	23,798	306,167
Other resources - net	3,165	42	726	587	19,623	24,143
Total resources	191,044	36,692	84,111	71,322	138,024	521,193
Liabilities:						
Deposit liabilities	106,462	27,579	14,055	1	204,980	353,077
Bills payable	17,650	3,933	16,060	-	-	37,643
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	625	24	-	-	16,144	16,793
Total liabilities	138,409	31,536	67,990	1	221,124	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	138,409	31,536	67,990	1	283,257	521,193
On-book gap	52,635	5,156	16,121	71,321	(145,233)	-
Cumulative on-book gap	52,635	57,791	73,912	145,233	-	-
Contingent resources	21,063	2,032	2,138	-	-	25,233
Contingent liabilities	21,093	2,032	2,138	-	182	25,445
Off-book gap	(30)	-	-	-	(182)	(212)
Cumulative off-book gap	(30)	(30)	(30)	(30)	(212)	-
Periodic gap	**52,605**	**5,156**	**16,121**	**71,321**	**(145,415)**	**(212)**
Cumulative total gap	**P 52,605**	**P 57,761**	**P 73,882**	**P 145,203**	**(P 212)**	**P -**

	Group 2015					
	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 25,641	P -	P -	P -	P 58,747	P 84,388
Investments - net	18,876	2,246	12,106	71,683	6,653	111,564
Loans and receivables - net	138,082	29,671	57,941	51,794	21,631	299,119
Other resources - net	262	34	782	659	19,253	20,990
Total resources	182,861	31,951	70,829	124,136	106,284	516,061
Liabilities:						
Deposit liabilities	86,735	14,311	18,809	-	222,507	342,362
Bills payable	47,197	570	1,637	-	-	49,404
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	472	40	-	-	16,354	16,866
Total liabilities	134,404	14,921	54,725	15,021	238,861	457,932
Equity	-	-	-	-	58,129	58,129
Total liabilities and equity	134,404	14,921	54,725	15,021	296,990	516,061
On-book gap	48,457	17,143	16,228	109,130	(190,958)	-
Cumulative on-book gap	48,457	65,600	81,828	190,958	-	-
Contingent resources	23,434	2,527	2,353	-	-	28,314
Contingent liabilities	23,605	2,545	2,353	-	-	28,503
Off-book gap	(171)	(18)	-	-	-	(189)
Cumulative off-book gap	(171)	(189)	(189)	(189)	(189)	-
Periodic gap	48,286	17,012	16,104	109,115	(190,706)	(189)
Cumulative total gap	P 48,286	P 65,298	P 81,402	P 190,517	(P 189)	P -

	Parent Company					
	2016					
	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 41,628	P -	P -	P -	P 49,283	P 90,911
Investments - net	674	3,207	7,596	33,477	37,876	82,830
Loans and receivables - net	132,387	21,221	22,475	30,813	21,536	228,432
Other resources - net	3	5	497	17	15,087	15,609
Total resources	174,692	24,433	30,568	64,307	123,782	417,782
Liabilities:						
Deposit liabilities	61,105	15,326	9,786	-	173,948	260,165
Bills payable	16,301	-	15,411	-	-	31,712
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	514	-	-	-	11,807	12,321
Total liabilities	91,592	15,326	63,072	-	185,755	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	91,592	15,326	63,072	-	247,792	417,782
On-book gap	83,100	9,107	(32,504)	64,307	(124,010)	
Cumulative on-book gap	83,100	92,207	59,703	124,010	-	
Contingent resources	14,557	2,032	2,138	-	-	18,727
Contingent liabilities	20,911	2,032	2,138	-	-	25,081
Off-book gap	(6,354)	-	-	-	-	(6,354)
Cumulative off-book gap	(6,354)	(6,354)	(6,354)	(6,354)	(6,354)	-
Periodic gap	**76,746**	**9,107**	**(32,504)**	**64,307**	**(124,010)**	**(6,354)**
Cumulative total gap	**P 76,746**	**P 85,853**	**P 53,349**	**P 117,656**	**(P 6,354)**	**P -**

	Parent Company 2015 [As Restated – See Note 2.2(a)(iv)]					
	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 21,285	P -	P -	P -	P 49,064	P 70,349
Investments - net	16,103	1,433	10,397	55,162	30,579	113,674
Loans and receivables - net	132,403	20,006	13,367	49,256	16,676	231,708
Other resources - net	-	4	623	28	13,426	14,081
Total resources	169,791	21,443	24,387	104,446	109,745	429,812
Liabilities:						
Deposit liabilities	51,812	6,372	17,555	-	188,331	264,070
Bills payable	44,695	-	1,121	-	-	45,816
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	393	-	-	-	12,198	12,591
Total liabilities	96,900	6,372	52,955	15,021	200,529	371,777
Equity	-	-	-	-	58,035	58,035
Total liabilities and equity	96,900	6,372	52,955	15,021	258,564	429,812
On-book gap	72,891	15,071	(28,568)	89,425	(148,819)	-
Cumulative on-book gap	72,891	87,962	59,394	148,819	-	-
Contingent resources	23,182	2,527	2,353	-	-	28,062
Contingent liabilities	23,182	2,545	2,353	-	-	28,080
Off-book gap	-	(18)	-	-	-	(18)
Cumulative off-book gap	-	(18)	(19)	(18)	(18)	-
Periodic gap	72,891	15,053	(28,568)	89,425	(148,819)	-
Cumulative total gap	P 72,891	P 87,944	P 59,376	P 148,801	(P 18)	P -

The table below summarizes the potential impact on the Group's and Parent Company's annual interest income of parallel rate shifts using the repricing profile shown in the previous pages.

	Changes in Interest Rates (in basis points)			
	- 100	**- 200**	**+ 100**	**+ 200**
December 31, 2016				
Group	**(P 667)**	**(P 1,335)**	**P 667**	**P 1,335**
Parent Company	**(906)**	**(1,811)**	**906**	**1,811**
December 31, 2015				
Group	(P 558)	(P 1,116)	P 558	P 1,116
Parent Company	(789)	(1,578)	789	1,578

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVPL or financial assets at FVOCI as of December 31, 2016 and 2015 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI, estimate the potential loss and determines the market and position risk requirement on equity securities at FVPL in the computation of the market and position risk requirement for all equity positions.

RCAP uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. RCAP uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

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

The Credit and Group Risk Division (CGRD) of CRISMS assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (CMG) on the other hand is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits is effectively exercised collectively;
(b) business center managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations;
(c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and,
(d) borrower credit analysis is performed at origination and at least annually thereafter.

Impairment provisions are recognized for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in particular industry segments that represent a concentration in the Group's financial instrument portfolio could result in losses that are different from those provided for at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts the Group's exposure to such credit risk, as necessary.

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Parent Company uses its internal credit risk rating system (ICRRS) to determine any evidence of impairment. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks, i.e., Especially Mentioned, Substandard, Doubtful or Loss.

Only impaired accounts with significant amount are subject to specific impairment test. Impaired accounts refer to those accounts which were rated BB+ to lower than CCC and accounts rated as Especially Mentioned, Substandard, Doubtful and Loss. Significant amount is at least P0.5 for sales contract receivables and P15 for all other loan and receivable accounts.

In the process of applying the Parent Company's ICRRS in determining indications of impairment on individually significant items of loans and receivables, the Parent Company analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.

Risk Rating	Rating Description/Criteria
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/ liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

The foregoing ICRRS is established by the Parent Company during the first quarter of 2013 in congruence with and, reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual debt issue which is still performing or current in status. The risk ratings determined by the Parent Company for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity/borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time.

Credit Risk Management Division (CRMD) of RSB is, in turn, tasked to measure, control and manage credit risk on the consumer loans business of RSB through the performance of regular monitoring, reporting and recommendation of risk mitigation measures of the actual credit risk portfolio to the Credit Committee and Risk Committee, as well as accomplishment of the corresponding review and development of credit policies and guidelines to sustain asset quality.

For consumer loans, risk assessment is performed on an individual borrower through the use of a credit application scorecard for Housing, Auto and Personal Loans while for Corporate Salary Loans, rule-based credit criteria on company accreditation and borrower evaluation has been established. The credit application scorecard makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance. Credit decisions are based on recommended score cut-offs.

Asset quality in RSB is monitored through a regular portfolio performance review including customer segmentation and loan concentration risk assessment to identify sources of risk and to determine risk mitigation on segments that drive delinquency or manifests triggers for default. Likewise, close monitoring and review of industry performance, economic changes and market conditions that may affect the consumer loans business is also taken into consideration to establish a holistic risk assessment process.

4.4.1 Exposure to Credit Risk

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

	Group			
	2016		2015	
	Loans and Receivables	**Trading and Investment Securities**	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
B to B-	**P -**	**P -**	P -	P -
CCC+ and below	**-**	**-**	-	-
Especially Mentioned	**4,055**	**-**	4,091	-
Sub-standard	**1,318**	**-**	1,561	-
Doubtful	**59**	**-**	106	-
Loss	**903**	**-**	1,063	-
Gross amount	**6,335**	**-**	6,821	-
Allowance for impairment	**(1,373)**	**-**	(1,902)	-
Carrying amount	**4,962**	**-**	4,918	-
Collectively Assessed for Impairment				
Unrated	**88,390**	**-**	79,685	-
AAA to AA-	**-**	**-**	975	-
A+ to A-	**-**	**-**	1	-
BBB+ to BBB-	**22,632**	**-**	36,364	-
BB+ to BB	**40,278**	**-**	35,237	-
BB- to BB	**62,455**	**-**	65,349	-
B to B-	**80,706**	**-**	73,615	-
CCC+ and below	**5,198**	**-**	160	-
Especially Mentioned	**154**	**-**	163	-
Sub-standard	**794**	**-**	252	-
Doubtful	**668**	**-**	547	-
Loss	**122**	**-**	131	-
Gross amount	**301,397**	**-**	292,479	-
Unearned interest and discount	**(243)**	**-**	(351)	-
Allowance for impairment	**(4,932)**	**-**	(3,666)	-
Carrying amount	**296,222**	**-**	288,462	-
Unquoted debt securities classified as loans	**1,256**	**-**	1,270	-
Other receivables	**4,893**	**-**	5,940	-
Allowance for impairment	**(1,106)**	**-**	(1,472)	-
Carrying amount	**5,043**	**-**	5,738	-
Neither Past Due Nor Impaired	**-**	**68,378**	-	105,397
Total Carrying Amount	**P 306,167**	**P 68,378**	P 299,119	P 105,397

	Parent Company			
	2016		2015	
	Loans and Receivables	**Trading and Investment Securities**	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
B to B-	**P -**	**P -**	P -	P -
CCC+ and below	**-**	**-**	-	-
Especially Mentioned	**-**	**-**	-	-
Sub-standard	**115**	**-**	191	-
Doubtful	**59**	**-**	99	-
Loss	**310**	**-**	389	-
Gross amount	**484**	**-**	679	-
Allowance for impairment	**(384)**	**-**	(491)	-
Carrying amount	**100**	**-**	188	-
Collectively Assessed for Impairment				
Unrated	**15,023**	**-**	17,513	-
AAA to AA-	**-**	**-**	975	-
A+ to A-	**-**	**-**	1	-
BBB+ to BBB-	**22,632**	**-**	36,364	-
BB+ to BB	**40,278**	**-**	35,237	-
BB- to B+	**62,455**	**-**	65,349	-
B to B-	**80,706**	**-**	73,615	-
CCC+ and below	**5,198**	**-**	160	-
Especially Mentioned	**154**	**-**	163	-
Sub-standard	**794**	**-**	252	-
Doubtful	**668**	**-**	547	-
Loss	**121**	**-**	131	-
Gross amount	**228,030**	**-**	230,307	-
Unearned interest and discount	**(226)**	**-**	(240)	-
Allowance for impairment	**(3,426)**	**-**	(3,075)	-
Carrying amount	**224,378**	**-**	226,992	-
Unquoted debt securities classified as loans	**1,196**	**-**	1,210	-
Other receivables	**3,740**	**-**	4,577	-
Allowance for impairment	**(982)**	**-**	(1,259)	-
Carrying amount	**3,954**	**-**	4,528	-
Neither Past Due Nor Impaired	**-**	**61,228**	-	94,909
Total Carrying Amount	**P 228,432**	**P 61,228**	P 231,708	P 94,909

The credit risk for cash and cash equivalents such as Due from BSP, Due from Other Banks and Loans and Receivables Arising from Reverse Repurchase Agreement are considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Advances to RCBC LFC in 2015 is not subjected to impairment testing as the amount was transferred for the purpose of additional capital infusion into a consolidated subsidiary (see Note 12.1).

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 hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2016 and 2015.

An estimate of the fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2016 and 2015 is shown below.

	Group	
	2016	2015
Against individually impaired		
Real property	**P 129**	P 129
Chattels	**20**	49
Hold-out deposits	**454**	1,432
Against classified accounts but not impaired		
Real property	**55,097**	62,132
Chattels	**3,041**	7,968
Equity securities	**55**	4,003
Others	**603**	545
Against neither past due nor impaired		
Real property	**146,575**	183,761
Chattels	**71,345**	97,434
Hold-out deposits	**15,925**	16,202
Others	**19,661**	30,895
	P 312,905	P 404,550

	Parent Company	
	2016	2015
Against individually impaired		
Real property	**P 129**	P 129
Chattels	**15**	-
Against classified accounts but not impaired		
Real property	**54,987**	55,361
Chattels	**2,993**	3,797
Equity securities	**55**	4,003
Others	**587**	232
Against neither past due nor impaired		
Real property	**12,503**	4,387
Hold-out deposits	**15,925**	16,202
Others	**19,638**	29,213
	P 106,832	P 113,324

4.4.3 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency.

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 11.1.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks as well as established concentration metrics. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration. The Group supplements this methodology with the use of the Comprehensive Concentration Index (CCI) to monitor and analyse name concentration.

The Group, however, recognizes the inherent limitations of the use of HHI and CCI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done in the context of ROC meetings.

4.4.4 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company likewise adopted in 2015 a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors. In addition, both the Parent Company and its major subsidiary, RSB, participated in the initial run of the uniform stress testing exercise for banks initiated by the BSP.

4.5 Operational Risk

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

The Operational Risk Management Division (ORMD) assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMD's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs);

- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;

- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to Capital Adequacy, is currently under Basic Indicator Approach (see Note 5.2). In 2014, the Parent Bank's BOD approved the acquisition of an Operational Risk System which was implemented across the Group in 2015.

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

4.5.1 Reputation Risk

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

The Group adopted a reputation risk monitoring and reporting framework to manage public perception. Central to the said framework is the creation of the RCBC Public Relations Committee chaired by the head of the Parent Company's Public and Media Relations Division.

4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguard the integrity of the bank by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the Audit Committee and the BOD.

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Meanwhile, the Terrorism Financing Prevention and Suppression Act (CFT) passed in June 2012 by virtue of RA No. 10168.

Under the AMLA, as amended, the Group is required to submit Covered Transaction Reports (CTRs). CTRs involve single transactions in cash or other equivalent monetary instruments in excess of P0.5 within one banking day. The Group is also required to submit STRs to the AMLC. STRs are reports involving transactions where specific circumstances exist and there are reasonable grounds to believe that the transactions are suspicious.

The AMLA requires the Group to safe keep, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record their true and full identity. In addition, transactional documents are required to be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be retained for five years after their closure. Meanwhile, all records of accounts with court cases must be preserved until resolved with finality.

On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding prior rules and regulations on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile. In compliance with the risk-based approach mandated by the Circular, the Group profiles its clients based on their level of risk, specifically, Low, Normal, or High. These risk levels have their corresponding level of due diligence, specifically, Reduced, Average or Enhanced.

The Group's MLPP is revised annually to ensure that its KYC policies and guidelines are updated. 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 prior to account opening. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, a Group Head's approval is necessary.

The Group's Chief Compliance Officer, through the Anti-Money Laundering Division, monitors AML/CFT compliance by conducting regular compliance testing of the head office and business units. Results of its AML/CFT activities and compliance monitoring are regularly reported to the AMLCom, Senior Management Committee and the BOD to ensure that all AML/CFT matters are appropriately escalated.

In 2016, the Group instituted reforms aimed to reinforce its AML/CFT controls. The Group significantly lowered the thresholds for remittances, required more posting reviews during the day, and strengthened the process for escalation, fraud and unusual transactions. In addition, the Group has embarked on a re-engineering of its settlements and business center operations, and the consolidation and strengthening of its fraud management framework.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

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

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Circular No. 781 is effective on January 1, 2014.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk weighted assets, comprised of CET1 Capital.

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P2,000, P400, P300 and P300, respectively.

In computing for the capital adequacy ratio (CAR), the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and Additional Tier 1 (AT1) capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) Common Equity Tier 1 Capital includes the following:

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;
(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iii) deposit for subscription of Tier 2 capital;
(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB);
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

Calculation of Risk-based Capital Adequacy Ratio. The total Qualifying Capital is expressed as a percentage of Total Risk Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by credit risk mitigation (CRM).

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular 538.

The Group's and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as of December 31, 2016 and 2015 follows:

	Group	Parent Company
2016:		
Tier 1 Capital		
CET 1	P 49,842	P 37,659
AT1	3	3
	49,845	37,662
Tier 2 Capital	12,622	12,048
Total Qualifying Capital	**P 62,467**	**P 49,710**
Total Risk – Weighted Assets	**P 386,663**	**P 306,268**
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	**16.16%**	**16.23%**
Tier 1 Capital Ratio	**12.89%**	**12.30%**
Total CET 1 Ratio	**12.89%**	**12.30%**
2015:		
Tier 1 Capital		
CET 1	P 48,779	P 37,940
AT1	3	3
	48,782	37,943
Tier 2 Capital	12,325	11,894
Total Qualifying Capital	P 61,107	P 49,837
Total Risk – Weighted Assets	P 388,804	P 318,935
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	15.72%	15.63%
Tier 1 Capital Ratio	12.55%	11.90%
Total CET 1 Ratio	12.55%	11.90%

The foregoing capital ratios comply with the related BSP prescribed ratios.

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk-Weighted Assets

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

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

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

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

(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,

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

The Group submitted its first ICAAP trial document in January 2009. Subsequent revisions to the trial document were made, and likewise submitted in February 2010 and May 2010 following regulatory review and the Group's own process enhancements. Complementing the ICAAP document submissions were dialogues between the BSP and the Group's representatives, the second of which transpired last November 2010 between a BSP panel chaired by the Deputy Governor for Supervision and Examination, and the members of Parent Company's EXCOM. The Group submitted its final ICAAP document within the deadline set by the BSP. Henceforth up to 2014, the annual submission of an ICAAP document is due every January 31st and every March 31st starting in 2015, as prescribed by the BSP.

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

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

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

(c) *Interest Rate Risk in the Banking Book (IRRBB)* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group estimates interest rate risk in the banking book as its NII-at-risk, and accordingly deducts the same from regulatory qualifying capital. Stressed IRRBB is calculated by applying the highest observed market volatilities over a determined timeframe.

(d) *Compliance/Regulatory Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. The Group estimates compliance risk as the sum of regulatory fines and penalties, and forecasts this amount in relation to the level of operating expenses. The resulting figure is treated as a deduction from regulatory qualifying capital. In 2013, the Group decided to henceforth broaden its analysis of this risk to account for regulatory benchmarks and other regulations that the Group has not been in compliance with, as noted by past BSP examinations.

(e) *Reputation Risk* – From the adoption of a theoretical measure, the Group amended its approach to reputation risk in 2011 by adopting instead a reputation risk monitoring and reporting process, run primarily by its Public Relations Committee. The measurement of reputation risk under stress is folded into the Group's assessment of stressed liquidity risk.

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

(g) *Information Technology Risk* – It is the current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats. The Group treats this risk as forming part of Operational Risk.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying amounts and corresponding fair values of those financial assets and financial liabilities presented in the statements of financial position.

	Group			
	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 114,878**	**P 114,878**	P 84,388	P 84,388
Investment securities	**51,864**	**49,698**	101,881	99,715
Loans and receivables - net	**306,167**	**306,167**	299,119	299,119
Other resources	**781**	**781**	624	624
	473,690	**471,524**	486,012	483,846
At FVPL	**18,079**	**18,079**	5,112	5,112
At FVOCI	**5,679**	**5,679**	4,208	4,208
	P 497,448	**P 495,282**	P 495,332	P 493,116
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 353,077**	**P 353,077**	P 342,362	P 342,362
Bills payable	**37,643**	**37,643**	49,404	49,404
Bonds payable	**41,595**	**43,929**	39,364	42,961
Subordinated debt	**9,952**	**10,746**	9,936	10,730
Accrued interest and other expenses	**4,584**	**4,584**	4,198	4,198
Other liabilities	**8,883**	**8,883**	8,479	8,479
	455,680	**458,808**	457,962	458,134
Derivative financial liabilities	**385**	**385**	265	265
	P 456,065	**P 459,193**	P 454,008	P 458,399

	Parent Company			
	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and cash equivalents	**P 90,911**	**P 90,911**	P 70,349	P 70,349
Investment securities	**44,842**	**43,931**	91,456	89,781
Advances to RCBC LFC	**-**	**-**	500	500
Loans and receivables - net	**228,432**	**228,432**	231,708	231,708
Other resources	**466**	**466**	479	479
	364,651	**363,740**	394,492	392,817
At FVPL	**17,075**	**17,075**	3,993	3,993
At FVOCI	**3,735**	**3,735**	2,341	2,341
	P 385,461	**P 384,550**	P 400,826	P 399,151
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 260,165**	**P 260,165**	P 264,070	P 264,070
Bills payable	**31,712**	**31,712**	45,816	45,816
Bonds payable	**41,595**	**44,175**	39,364	42,961
Subordinated debt	**9,952**	**10,653**	9,936	10,730
Accrued interest and other expenses	**3,515**	**3,515**	3,288	3,288
Other liabilities	**6,094**	**6,094**	5,642	5,642
	352,985	**356,266**	368,116	372,507
Derivative financial liabilities	**385**	**385**	265	265
	P 353,370	**P 356,651**	P 368,381	P 372,772

Except for investment securities at amortized cost, bonds payable and subordinated debt with fair value disclosed different from their carrying amounts, management considers that the carrying amounts of other financial assets and financial liabilities presented above which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Group's and Parent Company's investment securities at amortized cost and other financial assets and liabilities measured at fair value on a recurring basis are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting Financial Assets and Financial Liabilities

The following financial assets presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar arrangements:

		Group			
	Notes	**Gross amounts recognized in the statements of financial position**	**Related amounts not set off in the statements of financial position – Financial instruments**	**Related amounts not set off in the statements of financial position – Cash received**	**Net amount**
December 31, 2016					
Loans and receivables – Receivable from customers	11	**P 305,659**	**(P 16,379)**	**P -**	**P 289,280**
Other resources – Margin deposits	15	**20**	**-**	**(20)**	**-**

		Group			
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments	Related amounts not set off in the statements of financial position – Cash received	Net amount
December 31, 2015					
Loans and receivables – Receivable from customers	11	P 296,891	(P 17,634)	P -	P 279,257
Other resources – Margin deposits	15	42	-	(42)	-

		Parent Company			
	Notes	**Gross amounts recognized in the statements of financial position**	**Related amounts not set off in the statements of financial position – Financial instruments**	**Related amounts not set off in the statements of financial position – Cash received**	**Net amount**
December 31, 2016					
Loans and receivables – Receivable from customers	11	**P 227,724**	**(P 15,925)**	**P -**	**P 211,799**
Other resources – Margin deposits	15	**20**	**-**	**(20)**	**-**
December 31, 2015					
Loans and receivables – Receivable from customers	11	P 230,070	(P 16,202)	P -	P 213,868
Other resources – Margin deposits	15	42	-	(42)	-

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

	Group				
	Notes	**Gross amounts recognized in the statements of financial position**	**Related amounts not set off in the statements of financial position: Financial instruments**	**Related amounts not set off in the statements of financial position: Cash received**	**Net amount**
December 31, 2016					
Deposit liabilities	17	**P 353,077**	**(P 16,379)**	**P -**	**P 336,698**
Other liabilities – Derivative financial liabilities	22	**385**	**-**	**(20)**	**365**
December 31, 2015					
Deposit liabilities	17	P 342,362	(P 17,634)	P -	P 212,507
Other liabilities – Derivative financial liabilities	22	265	-	(42)	223

	Parent Company				
	Notes	**Gross amounts recognized in the statements of financial position**	**Related amounts not set off in the statements of financial position: Financial instruments**	**Related amounts not set off in the statements of financial position: Cash received**	**Net amount**
December 31, 2016					
Deposit liabilities	17	**P 260,165**	**(P 15,925)**	**P -**	**P 244,240**
Other liabilities – Derivative financial liabilities	22	**385**	**-**	**(20)**	**365**

	Parent Company				
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position: Financial instruments	Related amounts not set off in the statements of financial position: Cash received	Net amount
December 31, 2015					
Deposit liabilities	17	P 264,070	(P 16,202)	P -	P 247,868
Other liabilities – Derivative financial liabilities	22	265	-	(42)	223

For financial assets and liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and its counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits which serve as the Group's collateral enhancement for certain loans and receivables; and, (b) margin deposits which serve as security for outstanding financial market transactions and other liabilities. The financial instruments that can be set off are only disclosed to the extent of the amounts of the Group's obligations to counterparties.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurements*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

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

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2016 and 2015.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2016:				
Financial assets at FVPL:				
Government securities	P 14,822	P -	P -	P 14,822
Corporate debt securities	514	-	-	514
Equity securities	979	-	586	1,565
Derivative assets	31	1,147	-	1,178
	16,346	1,147	586	18,079
Financial assets at FVOCI –				
Equity securities	2,015	192	3,472	5,679
Total Resources at Fair Value	**P 18,361**	**P 1,339**	**P 4,058**	**P 23,758**
Derivative liabilities	**P -**	**P 385**	**P -**	**P 385**

	Group			
	Level 1	Level 2	Level 3	Total
2015:				
Financial assets at FVPL:				
Government securities	P 1,093	P 163	P -	P 1,256
Corporate debt securities	522	-	-	522
Equity securities	1,229	-	367	1,596
Derivative assets	57	1,681	-	1,738
	2,901	1,844	367	5,112
Financial assets at FVOCI – Equity securities	1,867	176	2,165	4,208
Total Resources at Fair Value	P 4,768	P 2,020	P 2,532	P 9,320
Derivative liabilities	P -	P 265	P -	P 265

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
2016:				
Financial assets at FVPL:				
Government securities	P 14,790	P -	P -	P 14,790
Corporate debt securities	418	-	-	418
Equity securities	103	-	586	689
Derivative assets	31	1,147	-	1,178
	15,342	1,147	586	17,075
Financial assets at FVOCI – Equity securities	2,015	185	1,535	3,735
Total Resources at Fair Value	**P 17,357**	**P 1,332**	**P 2,121**	**P 20,810**
Derivative liabilities	**P -**	**P 385**	**P -**	**P 385**
2015:				
Financial assets at FVPL:				
Government securities	P 1,093	P 100	P -	P 1,193
Corporate debt securities	522	-	-	522
Equity securities	173	-	367	540
Derivative assets	57	1,681	-	1,738
	1,845	1,781	367	3,993
Financial assets at FVOCI – Equity securities	-	176	2,165	2,341
Total Resources at Fair Value	P 1,845	P 1,957	P 2,532	P 6,334
Derivative liabilities	P -	P 265	P -	P 265

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) *Government and Corporate Debt Securities*

The fair value of the Group's government securities and corporate papers categorized within Level 1 is determined directly based on published closing prices available from the electronic financial data service providers which had been based on price quoted or actually dealt in an active market at the end of each of the reporting period. On the other hand, government securities with fair value categorized within Level 2 is determined based on the prices of benchmark government securities which are also quoted in an active market or bond exchange (i.e., PDEx).

The fair value of the Group's government securities categorized under Level 2 of the hierarchy is estimated and determined based on pricing model developed by applying benchmark pricing curves which are derived using the yield of benchmark security with similar maturities (i.e., government bonds or notes). In applying this pricing methodology, the yield of the underlying securities is interpolated between the observable yields to consider any gaps in the maturities of the benchmark securities used to develop a benchmark curve.

(b) *Equity Securities*

The fair values of equity securities classified as financial assets at FVPL and FVOCI as of December 31, 2016 and 2015 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

Level 2 category includes the Group's investments in proprietary club shares as their prices are not derived from a market considered as active due to lack of trading activities among market participants at the end of each reporting period.

For equity securities which are not traded in an active market and categorized within Level 3, their fair value is determined through the net asset value or a market-based approach valuation technique (price-to-book value method) using current market values of comparable listed entities. The price-to-book value method uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value of the Group's equity securities adjusted by a certain valuation discount. The price-to-book ratio used by the Group in the fair value measurement of its level 3 equity securities as of December 31, 2016 ranges from 0.746:1 to 2.797:1 for financial assets at FVPL.

Increase (decrease) in the price-to-book ratio and net asset value would result in higher (lower) fair values, all else equal.

A reconciliation of the carrying amounts of level 3 equity securities at the beginning and end of 2016 and 2015 is shown below.

	Group		
	Financial Assets at FVOCI	**Financial Assets at FVPL**	**Total**
2016:			
Balance at beginning of year	P 2,165	P 367	P 2,532
Additions	3,573	-	3,573
Fair value gains (losses)	(251)	219	(32)
Transfer to level 1	(2,015)	-	(2,015)
Balance at end of year	**P 3,472**	**P 586**	**P 4,058**
2015:			
Balance at beginning of year	P 2,099	P 329	P 2,428
Additions	326	-	326
Fair value gains (losses)	(260)	38	(222)
Balance at end of year	P 2,165	P 367	P 2,532

	Parent Company		
	Financial Assets at FVOCI	Financial Assets at FVPL	Total
2016:			
Balance at beginning of year	P 2,165	P 367	P 2,532
Additions	-	-	-
Fair value gains	1,385	219	1,789
Transfer to level 1	(2,015)	-	(2,015)
Balance at end of year	**P 1,535**	**P 586**	**P 2,121**
2015:			
Balance at beginning of year	P 2,099	P 329	P 2,428
Additions	-	-	-
Fair value gains	66	38	104
Balance at end of year	P 2,165	P 367	P 2,532

In 2015, the Parent Company exercised its stock rights on a certain investee which resulted into additional investment amounting to P326.

The transfer to level 1 in 2016 pertains to a certain equity investment in an entity which shares of stock were publicly listed in the PSE in November 2016.

(c) *Derivative Assets and Liabilities*
The fair value of the Group's derivative assets categorized within Level 1 is determined directly based on published price quotation available for an identical instrument in an active market at the end of each of the reporting period.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

7.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's and Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Group			
	Level 1	Level 2	Level 3	Total
2016:				
Financial Assets:				
Cash and other cash items	P 15,176	P -	P -	P 15,176
Due from BSP	66,520	-	-	66,520
Due from other banks	25,293	-	-	25,293
Loans and receivables arising from reverse repurchase agreement	7,889	-	-	7,889
Investment securities at amortized cost	49,698	-	-	49,698
Loans and receivables - net	-	-	306,167	306,167
Other resources	-	-	781	781
	P 164,576	**P -**	**P 306,948**	**P 471,524**

	Group			
	Level 1	Level 2	Level 3	Total
2016:				
Financial Liabilities:				
Deposit liabilities	P 353,077	P	P -	P 353,077
Bills payable	-	37,643	-	37,643
Bonds payable	-	43,929	-	43,929
Subordinated debt	-	10,746	-	10,746
Accrued interest, taxes and other expenses	-	-	4,530	4,530
Other liabilities	-	-	8,883	8,883
	P 353,077	**P 92,318**	**P 13,413**	**P 458,808**
2015:				
Financial Assets:				
Cash and other cash items	P 14,070	P -	P -	P 14,070
Due from BSP	50,617	-	-	50,617
Due from other banks	19,701	-	-	19,701
Investment securities at amortized cost	99,715	-	-	99,715
Loans and receivables - net	-	-	299,119	299,119
Other resources	-	-	624	624
	P 184,103	P -	P 299,743	P 483,846
Financial Liabilities:				
Deposit liabilities	P 342,362	P -	P -	P 342,362
Bills payable	-	49,404	-	49,404
Bonds payable	-	42,961	-	42,961
Subordinated debt	-	10,730	-	10,730
Accrued interest, taxes and other expenses	-	-	4,198	4,198
Other liabilities	-	-	8,479	8,479
	P 342,362	P 103,095	P 12,677	P 458,134

	Parent Company			
	Level 1	Level 2	Level 3	Total
2016:				
Financial Assets:				
Cash and other cash items	P 11,000	P -	P -	P 11,000
Due from BSP	50,871	-	-	50,871
Due from other banks	24,109	-	-	24,109
Loans and receivables arising from reverse repurchase agreement	4,931	-	-	4,931
Investment securities at amortized cost	43,931	-	-	43,931
Loans and receivables - net	-	-	228,432	228,432
Other resources	-	-	466	466
	P 134,842	**P -**	**P 228,898**	**P 363,740**

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
2016:				
Financial Liabilities:				
Deposit liabilities	P 260,165	P -	P -	P 260,165
Bills payable	-	31,712	-	31,712
Bonds payable	-	44,175	-	44,175
Subordinated debt	-	10,653	-	10,653
Accrued interest, taxes and other expenses	-	-	3,467	3,467
Other liabilities	-	-	6,094	6,094
	P 260,165	**P 86,540**	**P 9,561**	**P 356,266**
2015:				
Financial Assets:				
Cash and other cash items	P 10,127	P -	P -	P 10,127
Due from BSP	42,026	-	-	42,026
Due from other banks	18,196	-	-	18,196
Investment securities at amortized cost	89,781	-	-	89,781
Loans and receivables - net	-	-	231,708	231,708
Advances to RCBC LFC	-	-	500	500
Other resources	-	-	479	479
	P 160,130	P -	P 232,687	P 392,817
Financial Liabilities:				
Deposit liabilities	P 264,070	P -	P -	P 264,070
Bills payable	-	45,816	-	45,816
Bonds payable	-	42,961	-	42,961
Subordinated debt	-	10,730	-	10,730
Accrued interest, taxes and other expenses	-	-	3,288	3,288
Other liabilities	-	-	5,642	5,642
	P 264,070	P 99,507	P 8,930	P 372,507

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreement

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreement pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) Investment Securities at Amortized Cost

The fair value of investment securities at amortized cost is determined by direct reference to published price quoted in an active market for traded securities.

(c) *Loans and Receivables and Advances to RCBC LFC*

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables and Advances to RCBC LFC, except in 2016 (see Note 12), represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) *Deposits Liabilities and Borrowings*

The estimated fair value of deposits is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value of bonds payable and subordinated debt is computed based on the average of published ask and bid prices.

(e) *Other Resources and Other Liabilities*

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P4,700 and P4,635 in the Group's financial statements and P5,799 and P5,702 in the Parent Company's financial statements as of December 31, 2016 and 2015, respectively. The fair value hierarchy of these properties as of December 31, 2016 and 2015 is categorized as Level 3.

The fair values of the Group's and Parent Company's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 3 fair value of land was derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

(b) *Fair Value Measurement for Buildings*

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change in the valuation techniques during the year.

8. SEGMENT INFORMATION

8.1 Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different geographical markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

(a) *Retail* – principally handles the business centers offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products.

(b) *Corporate* – principally handles loans and other credit facilities and deposit and current accounts for corporate, small and medium enterprises and institutional customers.

(c) *Treasury* – principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

(d) *Others* – consists of the Parent Company's various support groups and consolidated subsidiaries, except for RSB and Rizal Microbank which are presented as part of Retail.

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

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

For secondary segments, revenues and expenses are attributed to geographic areas based on the location of the resources producing the revenues, and in which location the expenses are incurred.

There were no changes in the Group's operating segments in 2016 and 2015.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2016, 2015 and 2014 follow:

	Retail	Corporate	Treasury	Others	Total
2016:					
Revenues					
From external customers					
Interest income	P 17,075	P 13,064	P 3,946	P 385	P 34,471
Interest expense	(3,199)	(7,598)	(2,960)	(204)	(13,961)
Net interest income	13,876	5,466	986	182	20,510
Non-interest income	3,624	1,328	1,960	1,172	8,084
	17,500	6,794	2,946	1,354	28,595
Intersegment revenues					
Interest income	-	2,235	-	4	2,239
Non-interest income	-	-	-	460	460
	-	2,235	-	464	2,699
Total revenues	17,500	9,029	2,946	1,818	31,294
Expenses					
Operating expenses excluding depreciation and amortization	10,889	1,756	546	1,187	14,378
Depreciation and amortization	797	83	9	286	1,175
	11,686	1,839	555	1,473	15,552
Segment operating income	**P 5,815**	**P 7,190**	**P 2,391**	**P 345**	**P 15,742**
Total resources and liabilities					
Total resources	**P 122,617**	**P 227,502**	**P 98,302**	**P 12,899**	**P 461,320**
Total liabilities	**P 363,468**	**P 155,872**	**P 28,297**	**P 7,264**	**P 554,901**

	Retail	Corporate	Treasury	Others	Total
2015:					
Revenues					
From external customers					
Interest income	P 13,372	P 11,280	P 2,715	P 285	P 27,651
Interest expense	(2,716)	(4,078)	(2,740)	(130)	(9,663)
Net interest income (expense)	10,656	7,202	(25)	155	17,988
Non-interest income	3,940	1,559	1,606	1,253	8,355
	14,596	8,761	1,581	1,408	26,342
Intersegment revenues					
Interest income	-	2,169	-	6	2,175
Non-interest income	-	3	-	410	413
	-	2,172	-	416	2,588
Total revenues	14,596	10,930	1,581	1,824	28,930
Expenses					
Operating expenses, excluding depreciation and amortization	11,066	2,071	433	1,520	15,089
Depreciation and amortization	671	95	9	133	908
	11,737	2,166	442	1,654	15,998
Segment operating Income	P 2,859	P 8,764	P 1,139	P 170	P 12,933
Total resources and liabilities					
Total resources	P 366,155	P 283,356	P 93,941	P 10,582	P 754,034
Total liabilities	P 366,155	P 283,356	P 93,941	P 10,582	P 754,034
2014:					
Revenues					
From external customers					
Interest income	P 11,474	P 7,455	P 3,234	P 291	P 22,454
Interest expense	(2,718)	(3,275)	(3,071)	(137)	(9,201)
Net interest income	8,756	4,180	163	154	13,253
Non-interest income	3,578	1,141	1,677	1,411	7,807
	12,334	5,322	1,840	1,565	21,060
Intersegment revenues					
Interest income	-	1,939	-	11	1,949
Non-interest income	-	237	-	392	629
	-	2,175	-	403	2,578
Total revenues	12,334	7,497	1,840	1,968	23,639
Expenses					
Operating expenses excluding depreciation and amortization	9,535	1,317	489	1,100	12,441
Depreciation and amortization	794	148	6	176	1,124
	10,329	1,465	495	1,276	13,565
Segment operating income	P 2,005	P 6,032	P 1,345	P 691	P 10,073

	Retail	Corporate	Treasury	Others	Total
2014:					
Total resources and liabilities					
Total resources	P 329,231	P 198,852	P 98,490	P 10,180	P 637,203
Total liabilities	P 329,231	P 198,852	P 98,490	P 10,180	P 637,203

8.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2016	2015	2014
Revenue			
Total segment revenues	**P 31,294**	P 28,930	P 23,639
Unallocated income	**(5,587)**	(3,932)	1,151
Elimination of intersegment revenues	**(2,886)**	(2,766)	(2,721)
Revenues as reported in profit or loss	**P 22,821**	P 22,232	P 22,069
Profit or loss			
Total segment operating income	**P 15,742**	P 12,933	P 10,073
Unallocated profit	**(9,633)**	(5,627)	(3,530)
Elimination of intersegment profit	**(2,239)**	(2,178)	(2,133)
Group net profit as reported in profit or loss	**P 3,870**	P 5,128	P 4,410
Resources			
Total segment resources	**P 461,320**	P 754,034	P 637,203
Unallocated assets	**62,291**	(235,675)	(176,376)
Elimination of intersegment assets	**(2,418)**	(2,297)	(2,922)
Total resources	**P 521,193**	P 516,061	P 457,905
Liabilities			
Total segment liabilities	**P 554,901**	P 754,034	P 637,203
Unallocated liabilities	**(5,587)**	(298,804)	(229,507)
Elimination of intersegment liabilities	**(2,886)**	(2,297)	(2,922)
Total liabilities	**P 459,060**	P 457,932	P 404,774

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2016, 2015 and 2014 follow:

	Philippines	**United States**	**Asia and Europe**	**Total**
2016:				
Statement of profit or loss				
Total income	P 30,225	P -	P 28	P 30,253
Total expenses	26,306	2	75	26,383
Net profit (loss)	**P 3,919**	**(P 2)**	**(P 47)**	**P 3,870**

	Philippines	United States	Asia and Europe	Total
2016:				
Statement of financial position				
Total resources	**P 521,018**	**P 1**	**P 174**	**P 521,193**
Total liabilities	**P 458,967**	**P -**	**P 93**	**P 459,060**
Other segment Information – Depreciation and amortization	**P 1,766**	**P -**	**P -**	**P 1,766**
2015:				
Statement of profit or loss				
Total income	P 28,299	P -	P 183	P 28,482
Total expenses	23,176	4	174	23,354
Net profit (loss)	P 5,123	(P 4)	P 9	P 5,128
Statement of financial position				
Total resources	P 515,602	P 3	P 456	P 516,061
Total liabilities	P 457,599	P -	P 333	P 457,932
Other segment information – Depreciation and amortization	P 1,609	P -	P 2	P 1,611
2014:				
Statement of profit or loss				
Total income	P 27,105	P 3	P 194	P 27,302
Total expenses	22,692	17	183	22,892
Net profit (loss)	P 4,413	(P 14)	P 11	P 4,410
Statement of financial position				
Total resources	P 457,454	P 7	P 444	P 457,905
Total liabilities	P 404,448	P 8	P 318	P 404,774
Other segment Information – Depreciation and amortization	P 1,575	P -	P 2	P 1,577

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		Parent Company	
	2016	2015	**2016**	2015
Cash and other cash items	**P 15,176**	P 14,070	**P 11,000**	P 10,127
Due from BSP	**66,520**	50,617	**50,871**	42,026
Due from other banks	**25,293**	19,701	**24,109**	18,196
Loans and receivables arising from reverse repurchase agreement	**7,889**	-	**4,931**	-
	P 114,878	P 84,388	**P 90,911**	P 70,349

Cash consists primarily of funds in the form of Philippine currency notes and coins and includes foreign currencies acceptable to form part of the international reserves in the Group's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand), such as checks drawn on other banks or other branches after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Notes 17 and 27), to serve as clearing account for interbank claims and to comply with existing trust regulations. The balance of Due from BSP also includes Overnight Deposit and Term Deposit Account amounting to P7,005 and P13,500 for the Group and P3,800 and P9,000 for the Parent Company, respectively, which bear annual interest at 2.5% and 3.3% as of December 31, 2016. For December 31, 2015 and 2014, the balance of Due from BSP also includes special deposit account amounting to P4,505 and P5,999 for the Group and P3,000 and P3,301 for the Parent Company, which bear annual interest at 2.50% in 2015, and annual interest range of 2.00% to 2.50% in 2014.

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Foreign banks	**P 23,232**	P 18,295	**P 23,043**	P 17,732
Local banks	**2,061**	1,406	**1,066**	464
	P 25,293	P 19,701	**P 24,109**	P 18,196

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Foreign currencies	**P 23,775**	P 18,977	**P 23,561**	P 17,794
Philippine peso	**1,518**	724	**548**	402
	P 25,293	P 19,701	**P 24,109**	P 18,196

Interest rates per annum on these deposits range from 0.35% to 1.00% in 2016, and 0.00% to 0.30% in 2015, and 0.00% to 1.00% in 2014.

The Group has loans and receivables from BSP as of December 31, 2016 (nil as of December 31, 2015) arising from overnight lending from excess liquidity which earn effective interest of 3.00% in 2016. These loans normally mature within 30 days. Interest income earned from these financial assets is presented under Interest Income in the 2016 statement of profit or loss.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2016	2015	**2016**	2015
Financial assets at FVPL	**P 18,079**	P 5,112	**P 17,075**	P 3,993
Financial assets at FVOCI	**5,679**	4,208	**3,735**	2,341
Investment securities at amortized cost	**51,864**	101,881	**44,842**	91,456
	P 75,622	P 111,201	**P 65,652**	P 97,790

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVPL is composed of the following:

	Group		Parent Company	
	2016	2015	**2016**	2015
Government securities	**P 14,822**	P 1,256	**P 14,790**	P 1,193
Corporate debt securities	**514**	522	**418**	522
Equity securities	**1,565**	1,596	**689**	540
Derivative financial assets	**1,178**	1,738	**1,178**	1,738
	P 18,079	P 5,112	**P 17,075**	P 3,993

The carrying amounts of financial assets at FVPL are classified as follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Held-for-trading	**P 15,336**	P 1,778	**P 15,209**	P 1,715
Designated as at FVPL	**1,565**	1,596	**689**	540
Derivatives	**1,178**	1,738	**1,178**	1,738
	P 18,079	P 5,112	**P 17,075**	P 3,993

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

	2016	2015	2014
Peso denominated	**1.63% - 12.13%**	2.63% - 8.44%	1.63% - 12.38%
Foreign currency denominated	**1.30% - 11.63%**	3.45% - 9.63%	0.05% - 10.63%

Equity securities are composed of listed shares of stock traded at the PSE and shares of stock designated as at FVPL.

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year. Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of December 31 both in the Group's and Parent Company's financial statements are shown below.

	Notional Amount	**Fair Values**	
		Assets	**Liabilities**
2016:			
Currency swaps and forwards	P 27,155	P 1,023	P 288
Interest rate swaps and futures	22,346	106	92
Debt warrants	6,224	31	-
Options	3,604	15	5
Credit default swap	99	3	-
	P 59,428	**P 1,178**	**P 385**
2015:			
Currency swaps and forwards	P 33,269	P 392	P 179
Interest rate swaps and futures	19,111	66	84
Debt warrants	5,891	57	-
Options	4,653	8	2
Credit linked notes	-	979	-
Principal-protected notes	-	236	-
	P 62,924	P 1,738	P 265

Derivative liabilities amounting to P385 and P265 as of December 31, 2016 and 2015, respectively, are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The bulk of such derivative liabilities have maturity periods of less than a year.

In 2008, the Parent Company reclassified its CLNs that are linked to Republic of the Philippines bonds and certain collateralized debt obligation (CDOs), with an aggregate carrying value of P5,691 from AFS Securities to Loans and Receivables. On January 1, 2014, the Parent Company reclassified its CLNs with an aggregate value of P2,665 from Loans and Receivables to Financial Assets at FVPL as a result of the initial application of PFRS 9. As of December 31, 2016 and 2015, the carrying value of the remaining CLNs amounted to nil and P979, respectively.

The Group recognized the fair value changes in financial assets at FVPL resulting in an increase of P104 in 2016, P107 in 2015 and increase of P614 in 2014 in the Group's financial statements; and increase of P152 in 2016, P127 in 2015 and P455 in 2014 in the Parent Company's financial statements, which were included as part of Trading and Securities Gains account in the statements of profit or loss.

Other information about the fair value measurement of the Group's financial assets at FVPL are presented in Note 7.2.

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31, 2016 and 2015 consist of:

	Group		Parent	
2016:				
Quoted equity securities	P	3,920	P	2,015
Unquoted equity securities		1,759		1,720
	P	**5,679**	**P**	**3,735**
2015:				
Quoted equity securities	P	2,043	P	-
Unquoted equity securities		2,165		2,341
	P	4,208	P	2,341

The Group has designated the above equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2016 and 2015 are unquoted equity securities with fair value determined using the net asset value or a market-based approach (price-to-book value method); hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

The fair value changes in FVOCI amounted to an increase of P1,442 in 2016, a decrease of P143 in 2015, and an increase of P118 in 2014, in the Group's financial statements, and, an increase of P1,395 in 2016, a decrease of P220 in 2015 and an increase of P56 in 2014, in the Parent Company's financial statements, which are recognized as an adjustment in other comprehensive income and presented in the statements of comprehensive income under items that will not be reclassified subsequently to profit or loss. In addition, as a result of RCBC Capital's disposal of certain financial asset at FVOCI, the related fair value gain of P3 in 2016 and 2015 and fair value loss of P28 in 2014 previously recognized in other comprehensive income was transferred from Revaluation Reserves to Surplus account during those years.

In 2016, 2015 and 2014, dividends on these equity securities were recognized amounting to P449, P237 and P285 by the Group and, P307, P87 and P107 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 25.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31, 2016 and 2015 consist of:

		Group		Parent
2016:				
Government securities	P	25,990	P	21,866
Corporate debt securities		25,874		22,976
	P	**51,864**	**P**	**44,842**
2015:				
Government securities	P	56,093	P	48,441
Corporate debt securities		45,788		43,015
	P	101,881	P	91,456

The breakdown of these investment securities by currency is shown below.

		Group		Parent
2016:				
Philippine peso	P	11,322	P	4,300
Foreign currencies		40,542		40,542
	P	**51,864**	**P**	**44,842**
2015:				
Philippine peso	P	13,747	P	8,477
Foreign currencies		88,134		82,979
	P	101,881	P	91,456

Interest rates per annum on government securities and corporate debt securities range from 2.13% to 8.44% in 2016 and 1.63% to 8.44% in 2015 for peso denominated securities and 1.40% to 10.63% in 2016 and 1.40% to 10.63% in 2015 for foreign currency denominated securities, respectively.

Certain government securities are deposited with the BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with its trust operations (see Note 27).

As of December 31, 2016 and 2015, investment securities of both the Group and the Parent Company with an aggregate amortized cost of P185 and P547, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 18).

11. LOANS AND RECEIVABLES

This account consists of the following (see also Note 28.1):

	Group		Parent Company	
	2016	2015	**2016**	2015
Receivables from customers:				
Loans and discounts	**P 281,025**	P 272,344	**P 205,390**	P 206,965
Credit card receivables	**12,760**	10,987	**12,760**	10,987
Customers' liabilities on acceptances, import bills and trust receipts	**7,675**	9,950	**7,675**	9,950
Bills purchased	**2,128**	2,420	**2,125**	2,408
Lease contract receivables	**2,085**	1,409	**-**	-
Receivables financed	**229**	132	**-**	-
	305,902	297,242	**227,950**	230,310
Unearned discount	**(243)**	(351)	**(226)**	(240)
	305,659	296,891	**227,724**	230,070

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Other receivables:				
Accrued interest receivables	**2,784**	3,217	**2,075**	2,508
Sales contract receivables	**1,770**	2,058	**564**	675
Accounts receivables [see Note 28.5 (a) and (b)]	**1,594**	2,660	**1,150**	2,070
Unquoted debt securities classified as loans	**1,256**	1,270	**1,196**	1,210
Accrued rental receivables	**-**	63	**-**	-
Interbank loans receivables	**515**	-	**515**	-
	7,919	9,268	**5,500**	6,463
	313,578	306,159	**233,224**	236,533
Allowance for impairment (see Note 16)	**(7,411)**	(7,040)	**(4,792)**	(4,825)
	P 306,167	P 299,119	**P 228,432**	P 231,708

Receivables from customer's portfolio earn average annual interest or range of interest as follows:

	2016	2015	2014
Loans and discounts:			
Philippine peso	**5.15%**	5.05%	5.04%
Foreign currencies	**3.15%**	2.95%	2.80%
Credit card receivables	**26.12% - 30.40%**	23.88% - 42.00%	24.24% - 58.00%
Lease contract receivables	**8.00% - 20.00%**	8.00% - 26.88%	8.00% - 21.00%
Receivable financed	**10.00% - 12.00%**	10.00% - 25.00%	10.00% - 25.00%

Included in unquoted debt securities classified as loans and receivable as of December 31, 2016 and 2015 is a 10-year note from Philippine Asset Growth One, Inc. (PAGO) with a face amount of P731 which is part of the consideration received in relation to the Parent Company's disposal in February 2013 of its non-performing assets (NPAs), consisting of non-performing loans (NPLs) with a carrying amount of P507 and non-performing investment properties with a carrying amount of P1,236 (see Note 14.1). This note receivable carries a variable interest rate of 1.0% per annum during the first five years, 7.0% per annum in the sixth to seventh year, and 7.5% per annum in the last three years. This note receivable was initially recognized in 2013 at fair value resulting in the recognition of day-one loss of P181 which is included as part of allowance for impairment.

Accounts receivables include claim from the Bureau of Internal Revenue (BIR) relating to the 20% final withholding tax on Poverty Eradication and Alleviation Certificates (PEACe) bonds amounting to P199. On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. Subsequently, on March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration (the Motion) and reiterated its arguments with the Supreme Court. On October 5, 2016, the Supreme Court partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCBC Capital which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. In November 2016, the Supreme Court denied the Motion filed by the OSG (see Note 29.2). Accordingly, in 2016, the Parent Company reversed the related allowance for impairment.

Also included in Parent Company's accounts receivables is the amount due from RCBC JPL which was acquired from Rizal Microbank in 2015 amounting to P222. As of December 31, 2016, the outstanding balance amounted to P202. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 28).

11.1 Credit Concentration, Security and Maturity Profile of Receivables from Customers

The concentration of credit of receivables from customers as to industry follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Real estate, renting and other related activities	**P 70,532**	P 76,052	**P 42,853**	P 42,374
Electricity, gas and water	**52,062**	51,148	**51,480**	50,814
Other community, social and personal activities	**19,231**	24,737	**14,910**	24,413
Manufacturing (various industries)	**41,689**	39,497	**41,067**	39,469
Consumer	**44,174**	37,855	**13,003**	13,211
Wholesale and retail trade	**26,279**	23,993	**23,522**	22,773
Transportation and communication	**18,270**	18,425	**14,509**	18,364
Diversified holding companies	**11,910**	2,058	**11,910**	2,058
Agriculture, fishing and forestry	**4,090**	3,796	**3,770**	3,715
Financial intermediaries	**6,873**	7,822	**5,363**	7,779
Hotels and restaurants	**3,260**	3,018	**3,260**	3,018
Mining and quarrying	**1,984**	1,934	**1,901**	1,934
Others	**5,305**	6,556	**176**	148
	P 305,659	P 296,891	**P 227,724**	P 230,070

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable. The Group and the Parent Company are in compliance with this loan concentration limit of the BSP as of the end of each reporting period.

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Secured:				
Real estate mortgage	**P 78,707**	P 79,505	**P 41,034**	P 41,914
Chattel mortgage	**31,831**	23,259	**454**	206
Hold-out deposit	**16,379**	17,634	**15,925**	16,202
Other securities	**29,294**	35,212	**29,294**	33,216
	156,211	155,610	**86,707**	91,538
Unsecured	**149,448**	141,281	**141,017**	138,532
	P 305,659	P 296,891	**P 227,724**	P 230,070

The maturity profile of the receivables from customers' portfolio follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Due within one year	**P 78,613**	P 69,727	**P 53,333**	P 45,663
Due beyond one year	**227,046**	227,164	**174,391**	184,407
	P 305,659	P 296,891	**P 227,724**	P 230,070

11.2 Non-performing Loans and Impairment

Non-performing loans included in the total loan portfolio of the Group and the Parent Company as of December 31, 2016 and 2015 are presented below, net of allowance for impairment in compliance with the BSP Circular 772.

	Group		Parent Company	
	2016	2015	**2016**	2015
Gross NPLs	**P 6,350**	P 5,427	**P 1,913**	P 2,200
Allowance for impairment	**(3,285)**	(3,122)	**(1,523)**	(1,600)
	P 3,065	P 2,305	**P 391**	P 600

Based on BSP regulations, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan receivable shall be considered as non-performing when the total amount of arrearages reaches 10% of the total loan receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals.

A reconciliation of the allowance for impairment of loans and receivables at the beginning and end of 2016 and 2015 is shown below (see Note 16).

	Group		Parent Company	
	2016	2015	**2016**	2015
Balance at beginning of year	**P 7,040**	P 6,457	**P 4,825**	P 4,605
Impairment losses during the year – net	**1,736**	2,067	**841**	1,137
Accounts written off and others – net	**(1,365)**	(1,484)	**(874)**	(917)
Balance at end of year	**P 7,411**	P 7,040	**P 4,792**	P 4,825

12. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in and advances to subsidiaries and associates are as follows (refer to Note 1.2 for the effective percentage of ownership, line of business, and country of incorporation of subsidiaries and associates):

	Note	Group	
		2016	2015
Acquisition costs of associates:			
HCPI		**P 91**	P 91
LIPC		**57**	57
YCS		**4**	4
		152	152
Accumulated equity in net earnings:			
Balance at beginning of year		**211**	193
Share in net earnings for the year		**131**	93
Share in actuarial gains on defined benefit plan	23.6	**-**	1
Cash dividends		**(111)**	(76)
Balance at end of year		**231**	211
Carrying amount		**P 383**	P 363

	Parent Company	
	2016	2015 (As Restated - see Note 2)
Acquisition costs of subsidiaries:		
RSB	**P 3,190**	P 3,190
RCBC Capital	**2,231**	2,231
Rizal Microbank	**1,242**	1,242
RCBC LFC	**1,187**	687
RCBC JPL	**375**	375
RCBC Forex	**150**	150
RCBC North America	**134**	134
RCBC Telemoney	**72**	72
RCBC IFL	**58**	58
	8,639	8,139

	Note	Parent Company 2016	2015 (As Restated - see Note 2)
Accumulated equity in net earnings:			
Balance at beginning of year		**6,482**	5,645
Share in net earnings for the year		**1,364**	1,400
Share in actuarial gains (losses) on defined benefit plan	23.6	**24**	(58)
Share in fair value gains on financial assets at FVOCI	23.6	**47**	77
Share in translation adjustments on foreign operations	23.6	**25**	(10)
Others		**40**	-
Cash dividends		**(165)**	(572)
Balance at end of year		**7,817**	6,482
Carrying amount		**P 16,456**	P 14,621
Acquisition costs of associates:			
NPHI		**388**	388
HCPI		**91**	91
LIPC		**57**	57
YCS		**4**	4
		540	540
Accumulated equity in net earnings:			
Balance at beginning of year		**223**	193
Share in net earnings for the year		**136**	135
Share in actuarial gains on defined benefit plan	23.6	**-**	1
Cash dividends		**(177)**	(106)
Balance at end of year		**182**	223
Advances – RCBC LFC		**-**	500
Carrying amount		**P 17,178**	P 15,884

At the end of each reporting period, the Group has no material interest in unconsolidated structured entities.

Also, the Parent Company and its subsidiaries did not enter in any contractual arrangements to provide financial support to any entities under the Group.

The Parent Company received dividends from its subsidiaries and associates amounting to P191 and P111, respectively, in 2016, P602 and P76, respectively, in 2015, and P1,568 and P6, respectively, in 2014.

12.1 Changes in Investments in Subsidiaries

On May 25, 2015, the Parent Company's BOD approved the equity infusion into Rizal Microbank of P250 by purchasing additional 2,500,000 common shares of stock with par value of P100 each. The additional capital infusion into Rizal Microbank was approved by the BSP on September 30, 2015.

On February 23, 2015, the Parent Company's BOD approved the subscription to P500 worth of shares of stock of RCBC LFC. As of December 31, 2015, RCBC LFC is yet to file with the SEC the application for increase in its authorized capital stock since the certificate of authority to amend the articles of incorporation was only secured from the BSP on January 20, 2016. In 2016, RCBC LFC has already filed the said application with the SEC, pending approval as of December 31, 2016. Accordingly, as of December 31, 2016, the subscription to P500 worth of share of stock of RCBC LFC was reclassified to the related investment account.

12.2 Information About Investments in Associates

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI to commit and undertake to vote, as a unit, the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been considered by the Parent Company as an associate despite having only 12.88% ownership interest.

The table below presents the summary of the unaudited financial information of HCPI as of and for the years ended December 31:

	Resources		Liabilities		Revenues		Profit	
2016:								
HCPI	**P**	**5,921**	**P**	**3,090**	**P**	**16,231**	**P**	**718**
2015:								
HCPI	P	4,914	P	2,097	P	14,276	P	705

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2016 and 2015 are shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2016					
Cost	P 1,289	P 3,315	P 9,858	P 1,125	P 15,587
Accumulated depreciation and amortization	-	(1,226)	(5,460)	(25)	(6,711)
Net carrying amount	**P 1,289**	**P 2,089**	**P 4,398**	**P 1,100**	**P 8,876**
December 31, 2015					
Cost	P 1,297	P 3,239	P 7,946	P 1,015	P 12,638
Accumulated depreciation and amortization	-	(1,131)	(4,764)	-	(5,606)
Net carrying amount	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602
January 1, 2015					
Cost	P 1,297	P 3,070	P 7,291	P 979	P 12,637
Accumulated depreciation and amortization	-	(1,032)	(4,574)	-	(5,606)
Net carrying amount	P 1,297	P 2,038	P 2,717	P 979	P 7,031

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2016					
Cost	P 777	P 2,381	P 5,882	P 816	P 9,855
Accumulated depreciation and amortization	-	(933)	(3,731)	-	(4,664)
Net carrying amount	**P 777**	**P 1,449**	**P 2,151**	**P 816**	**P 5,192**
December 31, 2015					
Cost	P 786	P 2,308	P 5,378	P 748	P 9,220
Accumulated depreciation and amortization	-	(865)	(3,380)	-	(4,245)
Net carrying amount	P 786	P 1,443	P 1,998	P 748	P 4,975
January 1, 2015					
Cost	P 779	P 2,172	P 4,766	P 695	P 8,412
Accumulated depreciation and amortization	-	(798)	(3,127)	-	(3,925)
Net carrying amount	P 779	P 1,374	P 1,639	P 695	P 4,487

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2016 and 2015 is shown below.

	Group				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602
Additions	-	84	2,302	396	2,782
Reclassification from Investment Properties (see Note 14)	10	36	-	-	46
Disposals	(18)	(44)	(192)	(39)	(293)
Depreciation and amortization charges for the year	-	(95)	(894)	(272)	(1,261)
Balance at December 31, 2016, net of accumulated depreciation and amortization	**P 1,289**	**P 2,089**	**P 4,398**	**P 1,100**	**P 8,876**

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 1,297	P 2,038	P 2,717	P 979	P 7,031
Additions	4	143	1,515	299	1,961
Reclassification from Investment Properties (see Note 14)	12	71	-	-	83
Disposals	(16)	(9)	(220)	(26)	(271)
Depreciation and amortization charges for the year	-	(135)	(830)	(237)	(1,202)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602

	Parent Company				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 786	P 1,443	P 1,998	P 748	P 4,974
Additions	-	75	780	274	1,129
Reclassification from Investment Properties (see Note 14)	-	-	-	-	-
Disposals	(9)	(2)	(146)	(36)	(193)
Depreciation and amortization charges for the year	-	(68)	(481)	(170)	(719)

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 777	P 1,449	P 2,151	P 816	P 5,192
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 779	P 1,374	P 1,639	P 695	P 4,487
Additions	1	124	1,075	211	1,411
Reclassification from Investment Properties (see Note 14)	12	71	-	-	83
Disposals	(6)	(8)	(171)	-	(185)
Depreciation and amortization charges for the year	-	(118)	(545)	(158)	(821)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 786	P 1,443	P 1,998	P 748	P 4,975

In 2014, a portion of the RSB Corporate Center, a building owned by the Parent Company, including the land where it is located with gross amounts of P1,985 and P419, respectively, in the Parent Company's financial statements was reclassified to Investment Properties account following the commencement of operating leases for the significant portion of the property during that year, including leases to RSB. In the financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 was reclassified as part of the Investment Properties account in the 2014 statement of financial position (see Note 14). In 2015, due to the change in use of some portions of the RSB Corporate Center, building and land amounting to P71 and 12, respectively, were reclassified back from Investment Properties in the Group's and Parent Company's financial statements.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2016 and 2015, the Parent Company and its bank subsidiaries have satisfactorily complied with this BSP requirement.

The cost of the Group's and the Parent Company's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P4,174 and P3,637, respectively, as of December 31, 2016 and P3,825 and P3,342, respectively, as of December 31, 2015.

14. INVESTMENT PROPERTIES

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment and properties which are held for rental.

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2016 and 2015 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2016						
Cost	P 1,389	P 2,492	P 3,881	P 1,000	P 2,019	P 3,019
Accumulated depreciation	-	(618)	(618)	-	(203)	(203)
Accumulated impairment (see Note 16)	(34)	-	(34)	-	-	-
Net carrying amount	P 1,355	P 1,874	P 3,229	P 1,000	P 1,816	P 2,816

	Group			Parent Company		
	Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
December 31, 2015						
Cost	P 1,853	P 1,901	P 3,754	P 1,006	P 2,008	P 3,014
Accumulated depreciation	-	(314)	(314)	-	(131)	(131)
Accumulated impair ment (see Note 16)	(70)	-	(70)	-	-	-
Net carrying amount	P 1,783	P 1,587	P 3,370	P 1,006	P 1,877	P 2,883
January 1, 2015						
Cost	P 3,418	P 2,880	P 6,298	P 1,620	P 2,034	P 3,654
Accumulated depreciation	-	(615)	(615)	-	(82)	(82)
Accumulated impairment (see Note 16)	(319)	(9)	(328)	(146)	-	(146)
Net carrying amount	P 3,099	P 2,256	P 5,355	P 1,474	P 1,952	P 3,426

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2016 and 2015 follow:

		Group		Parent Company	
	Notes	**2016**	2015	**2016**	2015
Balance at January 1, net of accumulated depreciation and impairment		**P 3,370**	P 5,355	**P 2,883**	P 3,426
Additions		**559**	1,631	**46**	13
Reclassification from (to) Bank Premises	13	**(46)**	(83)	**-**	(83)
Reclassification to Assets Held-for-Sale and Disposal Group	15.1	**-**	(1,688)	**-**	(337)
Disposals/transfers		**(384)**	(1,445)	**(71)**	(84)
Impairment losses		**(34)**	(225)	**-**	-
Depreciation charges for the year		**(236)**	(175)	**(42)**	(52)
Balance at December 31, net of accumulated depreciation and impairment		**P 3,229**	P 3,370	**P 2,816**	P 2,883

As of December 31, 2016 and 2015, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totaling to P559 and P46, respectively, in 2016 and P1,631 and P13, respectively, in 2015 in settlement of certain loan accounts.

In September 2014, the Parent Company sold to a third party buyer a certain non-performing investment properties consisting of land and building with a total carrying amount of P774 for a total consideration of P740, consisting of P35 cash as down payment, P40 accounts receivable and P665 sales contract receivable with no interest and payable in staggered amount for a period of four years. This disposal resulted in a loss of P34 recognized as part of Others under the Miscellaneous Expenses account in the 2014 statement of profit or loss (see Note 25.2). The sales contract receivable was initially recognized at its fair value resulting in the recognition of a day-one loss amounting to P5 which is included as part of allowance for impairment.

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P120 and P139, respectively, in 2016, P281 and P162, respectively, in 2015, and P333 and P18, respectively, in 2014, which is presented as Gain on assets sold under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 Income and Expenses from Investment Properties Held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P400 and P399, respectively, in 2016, P310 and P330, respectively, in 2015, and P237 and P192, respectively, in 2014 [see Notes 25.1 and 28.5(a)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P25 and P18, respectively, in 2016, P17 and P15, respectively, in 2015, and P23 and P21, respectively, in 2014.

14.3 Valuation and Measurement of Investment Properties

In 2015, certain investment properties of the Group were written down to their carrying amount of P362 based on management's latest evaluation of recoverable amount computed based on fair value less costs of disposal. The recoverable amount of these properties were computed based on the latest available appraisal reports adjusted for the costs of disposal of 4% of the appraised amounts and/or estimated selling price.

The fair value of investment properties as of December 31, 2016 and 2015, based on the available appraisal reports, amounted to P9,658 and P7,994, respectively, for the Group; and, P5,799 and P5,702, respectively, for the Parent Company (see Note 7.4).

15. OTHER RESOURCES

Other resources consist of the following:

		Group		Parent Company	
	Notes	**2016**	2015	**2016**	2015 (As Restated - see Note 2.2)
Assets held-for-sale and disposal group	15.1	**P 3,888**	P 3,263	**P 1,515**	P 1,426
Creditable withholding taxes		**1,569**	1,219	**1,532**	1,191
Branch licenses	15.5	**1,005**	1,022	**1,005**	1,022
Software – net	15.2	**960**	936	**850**	786
Goodwill	15.3	**426**	426	**-**	-
Prepaid expenses		**457**	302	**295**	217
Refundable deposits		**304**	271	**198**	169
Inter-office float items		**112**	224	**123**	263
Sundry debits		**6**	176	**-**	148
Returned checks and other cash items		**220**	164	**203**	155
Unused stationery and supplies		**202**	158	**154**	109
Foreign currency notes		**52**	147	**45**	113
Margin deposits	15.4	**20**	42	**20**	42
Miscellaneous		**928**	686	**377**	147
		10,149	9,036	**6,317**	5,788
Allowance for impairment	15.3, 16	**(288)**	(240)	**(1)**	(8)
		P 9,861	P 8,796	**P 6,316**	P 5,780

15.1 Assets Held-for-Sale and Disposal Group

Assets held-for-sale represents real and other properties that are approved by management to be immediately sold. These mainly include real properties, automobiles and equipment foreclosed by the Parent Company, RSB and RCBC LFC in settlement of loans.

In 2015, RSB classified portion of its Investment properties amounting to P1,351 as assets held-for-sale (see Note 14) since the carrying amount of this properties will be recovered principally through a sale transaction. The properties are readily available for immediate sale in its present condition and that management believes that the sale is highly probable at the time of reclassification. In January 2017, the sale of such properties to a third party materialized, which resulted in a gain from sale amounting to P11.0 million.

In 2013, the Parent Company entered into a joint venture agreement to develop certain investment properties (see Note 14) for the purpose of recovering the cost through the eventual sale. Management reclassified these properties amounting to P337 as assets held-for-sale. This type of joint arrangement is accounted for as a jointly controlled operation. There was no separate entity created under this joint venture agreement. The joint venture agreement stipulates that the Parent Company shall contribute parcels of land and the co-venturer shall be responsible for the planning, conceptualization, design, construction, financing and marketing of units to be constructed on the properties. The Parent Company does not have outstanding commitments over the joint venture agreement as of December 31, 2016 and 2015.

In 2009, in accordance with the letter received by RSB from BSP dated March 26, 2009, RSB reclassified certain investment properties to equity investments as its investment in subsidiaries in its separate financial statements which resulted in the inclusion of the assets, liabilities, income and expenses of the SPCs of RSB in the Group's consolidated financial statements. The approval of the BSP through the MB is subject to the following conditions: (i) RSB should immediately dissolve the SPCs once the underlying dacioned real property assets were sold or disposed of; and, (ii) the equity investments in the SPCs shall be disposed of within a reasonable period of time.

In partial compliance with the requirements of BSP, the management of RSB resolved that certain SPCs be disposed of through the conversion of the SPCs' existing common shares into redeemable preferred shares which shall be subsequently redeemed. Accordingly, at their special meeting held on September 30, 2013, the respective BOD and the stockholders of the SPCs approved that a portion of the common shares of the SPCs owned by RSB shall be converted to redeemable preferred shares and that for such purpose, the Articles of Incorporation of the SPCs below have been amended. The amendment was approved by the SEC on November 28, 2013:

(a) Goldpath
(b) Eight Hills
(c) Crescent Park
(d) Niceview
(e) Lifeway
(f) Gold Place
(g) Princeway
(h) Greatwings
(i) Top Place
(j) Crestview
(k) Best Value

On December 23, 2013, the BOD of RSB approved the foregoing SPCs' redemption of the SPCs' respective preferred shares for a total consideration of P1,555. This transaction resulted in the recognition of a redemption loss by RSB amounting to P185 which is reported in the 2013 consolidated financial statements of the Group as part of Other Reserves account pending the eventual retirement of these redeemable preferred shares. On May 30, 2014 and on October 16, 2014, the retirement of the preferred shares were approved by the BOD and SEC, respectively; hence, the retirement of shares was executed by RSB. Consequently, the amount of the redemption loss was transferred directly to Surplus account from Other Reserves account as the redemption of shares of these SPCs is considered transaction between owners within the Group (see Note 23.4).

In relation to the SPCs disposal plan and to fully comply with the requirements of the BSP, the BOD of RSB has approved in its meeting held on May 30, 2014 the shortening of the corporate life of these SPCs until December 31, 2015 which was approved by the SEC in various dates during the last quarter of 2014. As the Group is in the process of liquidating the operations of those SPCs, which is expected to be completed within 2017, the carrying amounts of the real properties of those SPCs subject for liquidation are accounted for under PFRS 5; hence, classified as assets held-for-sale.

15.2 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2016 and 2015 is shown below.

	Group		Parent Company	
	2016	2015	**2016**	2015
Balance at beginning of year	**P 936**	P 822	**P 786**	P 664
Additions	**294**	348	**270**	243
Amortization	**(269)**	(234)	**(206)**	(121)
Balance at end of year	**P 960**	P 936	**P 850**	P 786

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Goodwill

The goodwill recognized by the Group as of December 31, 2016 and 2015 pertains to the following:

		2016		2015
RSB	**P**	**268**	P	268
Rizal Microbank		**158**		158
		426		426
Allowance for impairment	**(**	**158)**	(	158)
	P	**268**	P	268

RSB recognized goodwill arising from its acquisition of the net assets of another bank in 1998 from which it had expected future economic benefits and synergies that will result from combining the operations of the acquired bank with that of RSB.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2016 and 2015, RSB engaged a third party consultant to perform an independent impairment testing of goodwill.

On the basis of the report of the third party consultant dated January 30, 2017 and January 15, 2016 with valuation date as of the end of 2016 and 2015, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss.

In addition, the goodwill pertaining to the acquisition of Rizal Microbank was fully provided with impairment in 2011.

15.4 Margin Deposits

Margin deposits serve as security for outstanding financial market transactions and other liabilities. These are designed to provide additional credit risk protection for counterparty exposures.

15.5 Branch Licenses

Branch licenses represent the rights given to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country. This account also includes the excess of the total cost of investment over the allocated net assets acquired by the Parent Company from RCBC JPL.

16. ALLOWANCE FOR IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized as follows:

		Group				**Parent Company**			
	Notes		**2016**		2015		**2016**		2015
Balance at beginning of year									
Loans and receivables	11	**P**	**7,040**	P	6,457	**P**	**4,825**	P	4,605
Investment properties	14		**70**		328		**-**		146
Other resources	15		**240**		209		**8**		21
			7,350		6,994		**4,833**		4,772
Impairment losses during the year			**1,770**		2,350		**856**		1,150
Charge-offs and other adjustments during the year		**(**	**1,387)**	(	1,994)	**(**	**1,327)**	(	1,089)
		P	**383**	P	356	**(P**	**471)**	P	61

		Group				**Parent Company**			
	Notes		**2016**		2015		**2016**		2015
Balance at end of year									
Loans and receivables	11	**P**	**7,411**	P	7,040	**P**	**4,792**	P	4,825
Investment properties	14		**34**		70		**-**		-
Other resources	15		**288**		240		**1**		8
		P	**7,733**	P	7,350	**P**	**4,793**	P	4,833

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities (see also Note 28.2):

	Group		Parent Company	
	2016	2015	**2016**	2015
Demand	**P 42,053**	**P** 44,311	**P 33,027**	P 34,963
Savings	**162,926**	178,197	**140,921**	153,369
Time	**148,098**	119,854	**86,217**	75,738
	P 353,077	P 342,362	**P 260,165**	P 264,070

Included in the time deposits are the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of December 31, 2016 and 2015 as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2016	Outstanding Balance 2015
December 19, 2014	June 19, 2020	4.13%	**P 2,100**	P 2,100
November 14, 2013	May 14, 2019	3.25%	**2,860**	2,860
November 14, 2013	May 14, 2019	0.00%	**1,970**	1,903
May 7, 2012	November 7, 2017	5.25%	**1,150**	1,150
December 29, 2011	June 29, 2017	5.25%	**2,033**	2,033
December 29, 2011	June 29, 2017	0.00%	**1,768**	1,674
			P 11,881	P 11,720

The Parent Company's LTNCDs were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes.

The maturity profile of the deposit liabilities follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Within one year	**P 66,733**	P 68,132	**P 50,604**	P 45,096
Beyond one year but within five years	**10,523**	19,202	**9,786**	18,802
Non-maturing	**275,821**	255,028	**199,775**	200,172
	P 353,077	P 342,362	**P 260,165**	P 264,070

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.13% to 1.38% in 2016, 0.15% to 1.00% in 2015, and 0.25% to 0.88% in 2014. Deposit liabilities are stated at amounts they are to be paid which approximate the market value.

Under existing BSP regulations, non-FCDU deposit liabilities, including long-term tax exempt Negotiable Certificate of Time Deposits, of the Parent Company is subject to reserve requirement equivalent to 20% in 2016 and 2015, while RSB and Rizal Microbank are subject to reserve requirement equivalent to 8% in 2016 and 2015. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 6% in 2016 and 2015. As of December 31, 2016 and 2015, the Group is in compliance with such regulatory reserve requirements.

Under BSP Circular No. 753, cash in vault and regular reserve deposit accounts with BSP are excluded as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P54,069 and P46,112 for the Group and P38,071 and P39,026 for the Parent Company as of December 31, 2016 and 2015, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2016	2015	**2016**	2015
Foreign banks	**P 26,985**	P 33,965	**P 26,985**	P 33,965
Local banks	**10,548**	15,392	**4,723**	11,847
Others	**110**	47	**4**	4
	P 37,643	P 49,404	**P 31,712**	P 45,816

The maturity profile of bills payable follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Within one year	**P 15,180**	P 21,296	**P 10,748**	P 18,228
Beyond one year but within five years	**20,969**	17,339	**19,470**	16,819
More than five years	**1,494**	10,769	**1,494**	10,769
	P 37,643	P 49,404	**P 31,712**	P 45,816

Borrowings from foreign and local banks, which are mainly short-term in nature, are subject to annual fixed interest rates as follows:

	2016	2015	2014
Group			
Peso denominated	**0.88% - 2.98%**	0.02% - 2.00%	0.08% - 5.00%
Foreign currency denominated	**0.10% - 2.86%**	0.02% - 2.67%	0.08% - 3.13%
Parent Company			
Foreign currency denominated	**0.10% - 2.86%**	0.02% - 2.67%	0.08% - 3.13%

19. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)	Outstanding Balance 2016	Outstanding Balance 2015
November 2, 2015	February 2, 2021	3.45%	$ **320**	**P 15,869**	P 15,020
January 21, 2015	January 22, 2020	4.25%	**243**	**12,053**	11,398
January 30, 2012	January 31, 2017	5.25%	**275**	**13,673**	12,946
			$ 838	**P 41,595**	P 39,364

In November 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$320 bearing an interest of 3.45% per annum, payable semi-annually in arrears every May 2 and November 2 of each year. The Senior Notes, unless redeemed, will mature on February 2, 2021. As of December 31, 2016 and 2015, the peso equivalent of this outstanding bond issue amounted to P15,869 and P15,020, respectively.

In January 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$243 bearing an interest of 4.25% per annum, payable semi-annually in arrears every January 21 and July 21 of each year, which commenced on July 21, 2015. The Senior Notes, unless redeemed, will mature on January 22, 2020. As of December 31, 2016 and 2015, the peso equivalent of this outstanding bond issue amounted to P12,053 and P11,398, respectively.

In January 2012, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$275 bearing an interest of 5.25% per annum, payable semi-annually in arrears every January 18 and July 18 of each year, which commenced on July 18, 2012. As of December 31, 2016 and 2015, the peso equivalent of this outstanding bond issue amounted to P13,673 and P12,946, respectively. The Senior Notes matured on January 31, 2017.

In February 2010, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$250 bearing an interest of 6.25% per annum, payable semi-annually in arrears every February 9 and August 9 of each year, which commenced on August 9, 2010. The Senior Notes matured on February 9, 2015.

The interest expense incurred on these bonds payable amounted to P1,715 in 2016, P1,262 in 2015, and P1,333 in 2014. The Group recognized foreign currency exchange losses in relation to these bonds payable amounting to P516 in 2016, P24 in 2015, and P171, which are netted against Foreign exchange gains under Other Operating Income in the statements of profit or loss.

20. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7 billion Tier 2 Notes. The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10 billion, are as follows:

(a) The Tier 2 Notes shall mature on September 27, 2024, provided that they are not redeemed at an earlier date.

(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on September 26, 2019, and on any Interest Payment Date thereafter, redeem all of the outstanding Tier 2 Notes at redemption price equal to 100% of its face value together with accrued and unpaid interest thereon. The terms and conditions of the Tier 2 Notes also allow for early redemption upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event.

(c) The Tier 2 Notes shall initially bear interest at the rate of 5.375% per annum from and including June 27, 2014 to but excluding September 27, 2019 and shall be payable quarterly in arrears at the end of each interest period on March 27, June 27, September 27 and December 27 of each year.

(d) Unless the Tier 2 Notes are previously redeemed, the initial interest rate will be reset on September 26, 2019 at the equivalent of the five-year PDST-R2 or the relevant five-year benchmark plus the initial spread of 1.93% per annum. Such reset interest shall be payable quarterly in arrears commencing on September 27, 2019 up to and including September 27, 2024, if not otherwise redeemed earlier.

(e) The Tier 2 Notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions as set out in the terms and conditions of the notes, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. Upon the occurrence of a Non-Viability Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go as low as zero. A Non-Viability Write-Down shall have the following effects:

  (i) it shall reduce the claim on the notes in liquidation;
  (ii) reduce the amount re-paid when a call or redemption is properly exercised; and,
  (iii) partially or fully reduce the interest payments on the notes.

The total interest expense incurred by the Group on the notes amounted to P553 in 2016 and 2015.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Accrued expenses	**P 3,321**	P 3,112	**P 2,492**	P 2,342
Accrued interest	**1,263**	1,086	**1,023**	946
Taxes payable	**239**	255	**118**	116
	P 4,823	P 4,453	**P 3,633**	P 3,404

Accrued expenses represent mainly the accruals for utilities, employee benefits and other operating expenses. Accrued interest primarily includes unpaid interest on deposit liabilities, bills payable, bonds payable and subordinated debt at the end of each reporting period.

22. OTHER LIABILITIES

Other liabilities consist of the following:

	Notes	Group		Parent Company	
		2016	2015	**2016**	2015 (As Restated - see Note 2.2)
Accounts payable	28.5(a), 28.5(c)	**P 5,210**	P 6,124	**P 3,089**	P 3,951
Post-employment defined benefit obligation	24.2	**1,735**	1,274	**1,557**	1,139
Manager's checks		**1,108**	1,278	**586**	789
Outstanding acceptances payable		**822**	418	**822**	418
Bills purchased – contra		**721**	1,358	**718**	1,346
Derivative financial liabilities	10.1	**385**	265	**385**	265
Other credits		**342**	281	**232**	193
Deposit on lease contracts		**167**	161	**-**	-
Withholding taxes payable		**205**	166	**142**	110
Payment orders payable		**167**	117	**144**	104
Sundry credits		**82**	78	**80**	78
Guaranty deposits		**58**	156	**58**	156
Due to BSP		**33**	28	**30**	28
Miscellaneous		**935**	709	**845**	610
		P 11,970	P 12,413	**P 8,688**	P 9,187

Accounts payable is mainly composed of debit card balances of customers, settlement billing from credit card operations and Group's expenditure purchases which are to be settled within the next reporting period.

Miscellaneous liabilities include Pag-ibig, SSS and PhilHealth premiums, and other amounts due to local banks.

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock are as follows:

	Number of Shares		
	2016	2015	2014
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Balance at beginning of year	**310,145**	338,291	342,082
Conversion of shares during the year	**(16,158)**	(28,146)	(3,791)
Balance at end of year	**293,987**	310,145	338,291
Common stock – P10 par value			
Authorized – 1,400,000,000 shares			
Balance at beginning of year	**1,399,908,746**	1,275,659,728	1,275,658,638
Conversion of shares during the year	**3,718**	6,746	1,090
Issuances during the year	**-**	124,242,272	-
Balance at end of year	**1,399,912,464**	1,399,908,746	1,275,659,728

As of December 31, 2016 and 2015, there are 779 and 780 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% of the Parent Company's total issued and outstanding shares. Such listed shares closed at P33.55 per share and P33.00 per share as of December 31, 2016 and 2015, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505
Private placement	Cathay Life Insurance Corp.	April 2015	124,242,272

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE. Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month London Interbank Offered Rate (LIBOR) plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

Common shares may be transferred to local and foreign nationals and shall, at all times, not be less than 60% and not more than 40% of the voting stock, be beneficially owned by local nationals and by foreign nationals, respectively.

23.2 Purchase and Reissuance of Treasury Shares and Issuance of Common Shares

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

Also, on September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

In 2015, the Parent Company issued common shares to Cathay Life Insurance Corporation at P64 per share for a total issue price of P7,951. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709 reduced by the total issuance cost of P222. The acquisition involves Cathay: (i) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares at P64 per share, pursuant to a Sale and Purchase Agreement; (ii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund also at P64 per share, pursuant to a Sale and Purchase Agreement; and, (iv) entering into a shareholders agreement with PMMIC and the Parent Company.

23.3 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date Declared	Dividend Per Share	Dividend Total Amount	Record Date	Date Approved by BOD	Date Approved by BSP	Date Paid/Payable
October 29, 2013	0.0569	0.02	December 21, 2013	October 29, 2013	January 13, 2014	January 15, 2014
October 29, 2013	*	224.01	*	October 29, 2013	February 25, 2014	April 25, 2014
October 29, 2013	*	212.01	*	October 29, 2013	September 15, 2014	October 24, 2014
January 27, 2014	0.0562	0.02	March 21, 2014	January 27, 2014	February 25, 2014	March 27, 2014
March 31, 2014	1.0000	1,275.66	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
March 31, 2014	1.0000	0.34	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
April 28, 2014	0.0570	0.02	June 21, 2014	April 28, 2014	July 25, 2014	July 30, 2014
July 28, 2014	0.0536	0.02	September 30, 2014	July 28, 2014	September 15, 2014	October 10, 2014
October 27, 2014	0.0564	0.02	December 21, 2014	October 27, 2014	December 19, 2014	January 28, 2015
October 27, 2014	*	221.57	*	October 27, 2014	March 20, 2015	April 27, 2015
January 26, 2015	0.0564	0.02	March 21, 2015	January 26, 2015	March 20, 2015	March 27, 2015
March 30, 2015	0.6000	839.95	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
March 30, 2015	0.6000	0.19	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
April 27, 2015	0.0567	0.02	June 21, 2015	April 27, 2015	September 11, 2015	September 22, 2015
July 27, 2015	0.0583	0.02	September 21, 2015	July 27, 2015	September 11, 2015	September 24, 2015
November 4, 2015	0.0593	0.02	December 21, 2015	November 4, 2015	**	December 22, 2015
January 25, 2016	0.6495	0.02	March 21, 2016	January 25, 2016	**	March 23, 2016
April 25, 2016	0.0660	0.02	June 21, 2016	April 25, 2016	June 16, 2016	June 21, 2016
April 25, 2016	0.7200	1,007.94	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
April 25, 2016	0.7200	0.21	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
July 25, 2016	0.0676	0.02	September 21, 2016	July 25, 2016	September 16, 2016	October 11, 2016
November 2, 2016	0.0724	0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017

** Pertains to cash dividends on hybrid perpetual securities*
*** Not applicable, BSP approval not anymore required*

In 2015, the BSP, through the Monetary Board, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability and that it be disclosed in the statement of changes in equity.

A portion of the Parent Company's surplus corresponding to the equity in net earnings of certain subsidiaries and associates totalling P7,999 and P6,705 as of December 31, 2016 and 2015, respectively, is not currently available for distribution as dividends.

23.4 Other Reserves

On December 23, 2013, the SPCs' BOD approved the redemption of the SPCs' respective preferred shares for a total consideration of P1,555. As a result thereof, the Group incurred a redemption loss amounting to P185 and is presented as part of Other Reserves account in the 2013 statement of financial position. On May 30, 2014 and on October 16, 2014, the BOD and SEC approved the execution of the retirement of the preferred shares resulting from the SPC's redemption on December 31, 2014. Consequently, the amount of the redemption loss of P185 previously recognized in the 2013 consolidated statement of changes in equity of the Group, as part Other Reserves account, was transferred directly to Surplus (see Note 15.1).

As of December 31, 2016 and 2015, this account consists of reserves arising from the acquisition of RCBC LFC and Rizal Microbank for a total of P86 and P11, respectively.

23.5 Hybrid Perpetual Securities

On October 30, 2006, the Parent Company received the proceeds from the issuance of Non-Cumulative Step-Up Callable Perpetual Securities ("Perpetual Securities") amounting to US$98 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 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 in the Singapore Exchange Securities Trading Limited ("SGX-ST") was done on November 1, 2006. The Perpetual Securities were issued pursuant to BSP Circular No. 503 dated December 22, 2005 allowing the issuance of perpetual, non-cumulative securities up to US$125 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:

(a) Interest (effectively dividends) will be paid from and including October 27, 2006 (the "issue date") to (but excluding) October 27, 2016 (the "First Optional Redemption Date") at a rate of 9.875% per annum payable semi-annually in arrears from April 27, 2007 and, thereafter at a rate reset and payable quarterly in arrears, of 7.02% per annum above the then prevailing LIBOR for three-month US dollar deposits;

(b) Except as described below, interest (dividends) will be payable on April 27 and October 27 in each year, commencing on April 27, 2007 and ending on the First Optional Redemption Date, and thereafter (subject to adjustment for days which are not business days) on January 27, April 27, July 27, October 27 in each year commencing on January 27, 2016;

(c) The Parent Company may, in its absolute discretion, elect not to make any interest (dividends) payment in whole or in part if the Parent Company has not paid or declared a dividend on its common stocks in the preceding financial year; or determines that no dividend is to be paid on such stocks in the current financial year. Actual payments of interest (dividends) on the hybrid perpetual securities are shown in Note 23.3;

(d) The rights and claims of the holders will be subordinated to the claims of all senior creditors (as defined in the conditions) and the holders of any priority preference stocks (as defined in the conditions), in that payments in respect of the securities are conditional upon the Parent Company being solvent at the time of payment and in that no payments shall be due except to the extent the Parent Company could make such payments and still be solvent immediately thereafter;

(e) The Perpetual Securities are not deposits of the Parent Company and are not guaranteed or insured by the Parent Company or any party related to the Parent Company or the 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;

(f) The Parent Company undertakes that, if on any Interest Payment Date, payment of all Interest Payments scheduled to be made on such date is not made in full, it shall not declare or pay any distribution or dividend or make any other payment on, any junior share capital or any parity security, and it shall not redeem, repurchase, cancel, reduce or otherwise acquire any junior share capital or any parity securities, other than in the case of any partial interest payment, pro rata payments on, or redemptions of, parity securities the dividend and capital stopper shall remain in force so as to prevent the Parent Company from undertaking any such declaration, payment or other activity as aforesaid unless and until a payment is made to the holders in an amount equal to the unpaid amount (if any) of interest payments in respect of interest periods in the twelve months including and immediately preceding the date such interest payment was due and the BSP does not otherwise object; and,

(g) The Parent Company, at its option, may redeem the Perpetual Securities at the fixed or final redemption date although the Parent Company may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and the Holders, redeem all (but not some only) of the securities: (i) on the first optional redemption date; and (ii) on each interest payment date thereafter, at an amount equal to the liquidation preference plus accrued interest.

On March 30, 2015, the Parent Company's BOD approved the redemption of its hybrid perpetual securities at a premium amounting to P723 million.

23.6 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account are shown below.

	Group			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustment on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2016	P 689	P 61	(P 1,268)	(P 518)
Fair value gain on financial assets at FVOCI	1,442	-	-	1,442
Translation adjustments on foreign operation	-	25	-	25
Actuarial losses on defined benefit plan	-	-	(325)	(325)
Other comprehensive income (loss)	1,442	25	(325)	1,142
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2016	**P 2,128**	**P 86**	**(P 1,593)**	**P 621**
Balance at January 1, 2015	P 835	P 71	(P 224)	P 682
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
Translation adjustments on foreign operation	-	(10)	-	(10)
Actuarial losses on defined benefit plan	-	-	(1,045)	(1,045)
Share in actuarial gains on defined benefit plan of associates	-	-	1	1
Other comprehensive loss	(143)	(10)	(1,044)	(1,197)
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2015	P 689	P 61	(P 1,268)	(P 518)
Balance at January 1, 2014	P 689	P 98	(P 225)	P 540
Fair value gains on financial assets at FVOCI	118		-	118
Translation adjustments on foreign operation	-	(5)	-	(5)
Actuarial gains on defined benefit plan	-	-	(35)	(35)
Share in actuarial losses on defined benefit plan of associates	-	-	(34)	(34)
Other comprehensive income (loss)	118	(5)	1	114
Transfer from fair value losses on financial asset at FVOCI to Surplus	28	-	-	28
Balance as of December 31, 2014	P 835	P 71	(P 224)	P 682

	Parent			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustment on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2016	P 581	P 61	(P 1,160)	(P 518)
Fair value gains on financial assets at FVOCI	1,442	-	-	1,442
Actuarial losses on defined benefit plan	-	-	(325)	(325)
Translation adjustments on foreign operation	-	25	-	25
Other comprehensive income (loss)	1,442	25	(325)	1,142
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(- 3)
Balance as of December 31, 2016	**P 2,020**	**P 86**	**(P 1,485)**	**P 621**
Balance at January 1, 2015	P 727	P 71	(P 116)	P 682
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
Actuarial losses on defined benefit plan	-	-	(1,044)	(1,044)
Translation adjustments on foreign operation	-	(10)	-	(10)
Other comprehensive loss	(143)	(10)	(1,044)	(1,197)
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2015	P 581	P 61	(P 1,160)	(P 518)
Balance at January 1, 2014	P 581	P 76	(P 117)	P 540
Fair value gains on financial assets at FVOCI	118	-	-	118
Actuarial gains on defined benefit plan	-	-	1	1
Translation adjustments on foreign operation	-	(5)	-	(5)
Other comprehensive income (loss)	118	(5)	1	114
Transfer from fair value losses on financial asset at FVOCI to Surplus	28	-	-	28
Balance as of December 31, 2014	P 727	P 71	(P 116)	P 682

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are shown below.

	Group		
	2016	2015	2014
Short-term employee benefits	**P 5,039**	P 4,370	P 3,731
Post-employment defined benefits	**369**	361	333
	P 5,408	P 4,731	P 4,064

	Parent Company		
	2016	2015	2014
Short-term employee benefits	**P 3,386**	P 2,924	P 2,494
Post-employment defined benefits	**280**	266	254
	P 3,666	P 3,190	P 2,748

24.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by the Parent Company's and RSB's Trust Departments, covering all regular full-time employees. The Parent Company's and RSB's Trust Departments manage the fund in coordination with the Parent Company's Retirement Committee, Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to 1.25 to 2 months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2016 and 2015.

The amounts of post-employment benefit obligation recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Present value of the obligation	**P 4,953**	P 4,859	**P 4,156**	P 4,037
Fair value of plan assets	**3,218**	3,585	**2,599**	2,898
Deficiency of plan assets	**P 1,735**	P 1,274	**P 1,557**	P 1,139

The Group's and Parent Company's post-employment defined benefit obligation as of December 31, 2016 and 2015 are included as part of Other Liabilities account in the statements of financial position (see Note 22).

The movements in the present value of the defined benefit obligation follow:

	Group		Parent Company	
	2016	2015	**2016**	2015
Balance at beginning of year	**P 4,859**	P 4,525	**P 4,037**	P 3,813
Current service cost	**369**	361	**280**	266
Interest expense	**241**	227	**208**	181
Remeasurements – actuarial losses (gains) arising from changes in:				
Financial assumptions	**(73)**	(73)	**(63)**	(68)
Demographic assumptions	**(6)**	(22)	**-**	-
Experience adjustments	**2**	127	**18**	57
Benefits paid by the plan	**(439)**	(286)	**(324)**	(212)
Balance at end of year	**P 4,953**	P 4,859	**P 4,156**	P 4,037

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Balance at beginning of year	**P 3,585**	P 4,228	**P 2,898**	P 3,667
Interest income	**179**	278	**148**	176
Return on plan assets (excluding amounts included in net interest)	**(402)**	(1,013)	**(394)**	(998)
Contributions paid into the plan	**295**	378	**271**	265
Benefits paid by the plan	**(439)**	(286)	**(324)**	(212)
Balance at end of year	**P 3,218**	P 3,585	**P 2,599**	P 2,898

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	Group		Parent Company	
	2016	2015	**2016**	2015
Cash and cash equivalents	**P 226**	P 379	**P 72**	P 153
Debt securities:				
Government bonds	**114**	84	**4**	11
Corporate debt securities	**291**	269	**51**	51
Equity securities:				
Quoted equity securities				
Financial intermediaries	**1,900**	1,863	**1,900**	1,863
Transportation and communication	**194**	315	**192**	290
Electricity, gas and water	**119**	112	**115**	97
Diversified holding companies	**31**	19	**16**	19
Others	**58**	113	**1**	3
Unquoted long-term equity investments	**171**	330	**168**	330
UITF	**94**	17	**76**	74
Loans and receivables	**15**	77	**-**	1
Investment properties	**4**	1	**4**	6
Other investments	**1**	6	**-**	-
	P 3,218	P 3,585	**P 2,599**	P 2,898

The fair values of the above debt securities and quoted equity securities are determined based on market prices in active markets. Long-term equity investments represent investment in corporations not listed in active and organized markets. Fair values are determined based on the book value per share based on latest audited financial statements of the investee company. The fair value of the UITF is determined based on the net asset value per unit of investment held in the fund.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for long-term equity investments, loans and receivables, investment properties and other investments which are at Level 3.

The returns on plan assets are as follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Interest income	**P 179**	P 278	**P 148**	P 176
Actuarial losses	**(402)**	(1,013)	**(394)**	(998)
Actual returns	**(P 223)**	(P 1,291)	**(P 246)**	(P 824)

The amounts of post-employment benefit expense recognized in the statements of profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined as follows:

	Group		
	2016	2015	2014
Reported in profit or loss:			
Current service cost	**P 369**	P 361	P 333
Net interest expense (income)	**62**	(51)	4
	P 431	P 310	P 337

	Group		
	2016	2015	2014
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 73**	P 73	P 5
Demographic assumptions	**6**	22	-
Experience adjustments	**(2)**	(127)	(6)
Effect of asset ceiling test	**-**	-	1
Return on plan assets (excluding amounts included in net interest)	**(402)**	(1,013)	35
	(P 325)	(P 1,045)	P 35

	Parent Company		
	2016	2015	2014
Reported in profit or loss:			
Current service costs	**P 280**	P 266	P 254
Net interest expense	**60**	5	4
	P 340	P 271	P 258
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 63**	P 68	P 32
Experience adjustments	**(18)**	(57)	4
Changes in effect of asset ceiling	**-**	-	2
Return on plan assets (excluding amounts included in net interest)	**(394)**	(998)	42
	(P 349)	(P 987)	P 80

Current service costs, including the effect of curtailment and past service cost, form part of Employee Benefits under the Other Operating Expenses account, while net interest expense (income) is presented as part of Interest Expense – Bills Payable and Other Borrowings (Interest Income – Others) in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment obligation, the following ranges of actuarial assumptions were used:

	2016	2015	2014
Group			
Discount rates	**5.00% - 5.60%**	5.05% - 5.15%	4.52% - 4.98%
Expected rate of salary increases	**3.00% - 11.00%**	5.00% - 10.00%	5.00% - 8.00%
Parent Company			
Discount rates	**5.53%**	5.15%	4.76%
Expected rate of salary increases	**5.00%**	5.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 1994 GAM table, set back 6 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan assets of the Group are significantly invested in equity and debt securities, while the Group also invests in cash and cash equivalents and other investments. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment plan are described in the succeeding pages.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2016 and 2015:

	Group		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2016:			
Discount rate	**+/- 1%**	**(P 166)**	**P 92**
Salary growth rate	**+/- 1%**	**186**	**(71)**
2015:			
Discount rate	+/- 1%	(P 311)	P 359
Salary growth rate	+/- 1%	322	(285)

	Parent Company		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2016:			
Discount rate	**+/- 1%**	**(P 153)**	**P 172**
Salary growth rate	**+/- 1%**	**147**	**(133)**
2015:			
Discount rate	+/- 1%	(P 161)	P 181
Salary growth rate	+/- 1%	152	(138)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation at the end of each reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Retirement Plan Committee in coordination with the Group's Trust Departments, ensures that the investment positions are managed considering the computed retirement obligations under the retirement plan. This strategy aims to match the plan assets to the retirement obligations due by investing in assets that are easy to liquidate (i.e., government securities, corporate bonds, equities with high value turnover). As the Group's retirement obligations are in Philippine peso, all assets are invested in the same currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, various investments are made in a portfolio that may be liquidated within a reasonable period of time.

A large portion of the plan assets as of December 31, 2016 and 2015 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P1,735 and P1,557 for the Group and Parent Company based on the latest funding actuarial valuations in 2016 and 2015.

The maturity profile of undiscounted expected benefit payments from the plan within 10 years from the end of each reporting period follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Less than one year	**P 139**	P 204	**P 75**	P 162
More than one year to five years	**1,068**	773	**888**	770
More than five years to ten years	**1,970**	1,698	**1,752**	1,598
	P 3,177	P 2,675	**P 2,715**	P 2,530

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.8 years to 22 years for the Group and 5.8 years for the Parent Company.

The Group and Parent Company expects to contribute P479 and P395, respectively, to the plan in 2017.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group		
		2016	2015 (As Restated - see Note 2.2)	2014 (As Restated - see Note 2.2)
Rentals	14.2	**P 614**	P 355	P 243
Dividend income	10.2	**449**	237	285
Recoveries from written-off assets		**161**	169	137
Gains on assets sold	14.1	**120**	281	333
Others		**286**	174	207
		P 1,630	P 1,216	P 1,205

	Notes	Parent Company		
		2016	2015 (As Restated - see Note 2)	2014 (As Restated - see Note 2)
Rentals	14.2, 28.5(a)	**P 407**	P 375	P 197
Dividend income	10.2, 12	**307**	87	107
Gains on assets sold	14.1	**139**	162	18
Others		**263**	215	245
		P 1,116	P 839	P 567

25.2 Miscellaneous Expenses

	Notes	Group 2016	2015	2014
Insurance		**P 738**	P 656	P 614
Credit card-related expenses		**667**	600	524
Communication and information services		**450**	443	463
Management and other professional fees		**408**	529	444
Litigation/assets acquired expenses		**385**	247	222
Advertising and publicity		**276**	289	269
Transportation and travel		**206**	295	404
Banking fees		**194**	190	176
Stationery and office supplies		**132**	129	127
Other outside services		**126**	112	104
Representation and entertainment		**45**	94	152
Donations and charitable contributions		**38**	61	55
Membership fees		**21**	19	18
Commissions		**-**	45	27
Others	14.1, 29.6	**1,750**	966	1,005
		P 5,470	P 4,675	P 4,604

	Notes	Parent Company 2016	2015	2014
Credit card related expenses		**P 663**	P 584	P 511
Service processing fees	28.5(c)	**594**	527	479
Insurance		**501**	511	484
Communication and information services		**281**	258	288
Management and other professional fees		**217**	175	220
Advertising and publicity		**206**	191	182
Litigation/assets acquired expense		**181**	81	73
Banking fees		**144**	141	133
Other outside services		**113**	100	92
Transportation and travel		**93**	159	238
Stationery and office supplies		**86**	81	85
Donations and charitable contributions		**35**	56	50
Membership fees		**18**	15	14
Representation and entertainment		**13**	41	72
Others	29.6	**1,411**	476	561
		P 4,556	P 3,396	P 3,482

The Group's other expenses are composed of freight, employee activities expenses, fines and penalties, and seasonal giveaways. The Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P52, P54 and P48 in 2016, 2015 and 2014, respectively (see Note 28.5).

26. INCOME AND OTHER TAXES

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST). In 2003, the Parent Company and its financial intermediary subsidiaries were subjected to VAT instead of GRT. However, effective January 1, 2004 as prescribed under RA No. 9238, the Parent Company and certain subsidiaries were again subjected to GRT instead of VAT.

RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

The recognition of liability of the Parent Company and certain subsidiaries for GRT is based on the related regulations issued by the tax authorities.

Income taxes include the regular corporate income tax (RCIT) of 30%, and final tax paid at the rate of 20%, which represents the final withholding tax on gross interest income from government securities and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to certain percentage of interest income subjected to final tax. Minimum corporate income tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against regular income tax liability in the next three consecutive years. In addition, the Group's net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three consecutive years.

Effective May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% gross income tax.

Interest income on deposits with other FCDUs and offshore banking units is subject to 7.5% final tax.

In 2016, 2015 and 2014, the Group opted to continue claiming itemized deductions.

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

26.1 Current and Deferred Taxes

The tax expense (income) as reported in the statements of profit or loss consists of:

	Group		
	2016	2015	2014
Current tax expense:			
Final tax	**P 156**	P 326	P 434
RCIT	**435**	459	382
Excess MCIT over RCIT	**190**	46	122
	781	831	938
Application of MCIT	**-**	-	1
	781	831	937
Deferred tax income relating to origination and reversal of temporary differences	**(955)**	(1,138)	(23)
	(P 174)	(P 307)	P 914

	Parent Company		
	2016	2015	2014
Current tax expense:			
Final tax	**P 173**	P 254	P 391
RCIT	**140**	161	77
Excess MCIT over RCIT	**190**	46	120
	503	461	588
Deferred tax income relating to origination and reversal of temporary differences	**(842)**	(443)	-
	(P 339)	P 18	P 588

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

	Group		
	2016	2015	2014
Tax on pretax profit at 30%	**P 1,109**	P 1,446	P 1,597
Adjustments for income subjected to lower income tax rates	**(180)**	(142)	(174)
Tax effects of:			
Recognition of previously unrecognized deferred tax asset	**(865)**	(992)	-
Non-taxable income	**(845)**	(539)	(967)
Utilization of NOLCO	**374**	(443)	-
Non-deductible expenses	**520**	356	202
Unrecognized temporary differences	**97**	129	456
FCDU income	**(388)**	(125)	(214)
Utilization of MCIT	**-**	-	(1)
Others	**4**	3	15
Tax expense (income)	**(P 174)**	(P 307)	P 914

	Parent Company		
	2016	2015	2014
Tax on pretax profit at 30%	**P 1,059**	P 1,544	P 1,500
Adjustments for income subjected to lower income tax rates	**(118)**	(108)	(118)
Tax effects of:			
Recognition of previously unrecognized deferred tax asset	**(797)**	(443)	-
Utilization of NOLCO	**374**	(443)	-
Non-deductible expenses	**420**	423	130
Non-taxable income	**(889)**	(548)	(796)
Unrecognized temporary differences	**-**	(282)	86
FCDU income	**(388)**	(125)	(214)
Tax expense	**(P 339)**	P 18	P 588

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2016 and 2015 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		Statements of Profit or Loss	
	2016	2015	**2016**	2015
Allowance for impairment	**P 1,619**	P 752	**P 867**	P 695
Excess MCIT	**356**	-	**356**	-
Provision for credit card reward payments	**105**	-	**105**	-
Post-employment benefit obligation	**60**	21	**39**	-
Deferred rent – PAS 17	**17**	1	**16**	-
NOLCO	**-**	443	**(443)**	443
Others	**20**	5	**15**	-
Deferred tax assets	**P 2,177**	P 1,222		
Deferred tax income – net			**P 955**	P 1,138

In 2015, the Parent Company recognized deferred tax asset amounting to P443 on a portion of its unutilized NOLCO amounting to P1,476. The total unutilized NOLCO amounted to P1,823 as of December 31, 2015. In 2016, the Parent Company utilized a portion of the remaining NOLCO amounting to P1,246, while the balance of P577 expired. The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2016 and 2015 relate to the operations of the Parent Company as shown below.

	Statements of Financial Position		Statements of Profit or Loss	
	2016	2015	**2016**	2015
Allowance for impairment	**P 780**	P -	**P 780**	P -
Excess MCIT	**356**	-	**356**	-
Provision for credit card reward payments	**105**	-	**105**	-
Post-employment benefit obligation	**18**	-	**18**	-
Deferred rent – PAS 17	**17**	-	**17**	-
NOLCO	**-**	443	**(443)**	443
Others	**9**	-	**9**	
Deferred tax assets	**P 1,285**	P 443		
Deferred tax income – net			**P 842**	P 443

The Parent Company and certain subsidiaries have not recognized deferred tax assets on certain temporary differences since management believes that the Parent Company and certain subsidiaries may not be able to generate sufficient taxable profit in the future against which the tax benefits arising from those deductible temporary differences, NOLCO and other tax credits can be utilized.

The unrecognized deferred tax assets relate to the following:

	Group		Parent Company	
	2016	2015	**2016**	2015
Allowance for impairment	**P 2,169**	P 1,538	**P 629**	P 1,450
Excess MCIT	**6**	314	**-**	310
NOLCO	**77**	137	**-**	104
Post-employment benefit obligation	**18**	45	**-**	25
Advance rental	**2**	2	**-**	2
	P 2,272	P 2,036	**P 629**	P 1,891

Consequently, deferred tax liabilities were also not recognized on certain taxable temporary differences as the settlement of those can be offset by the available deductible temporary differences in the future.

In addition, deferred tax liabilities on accumulated translation adjustments, particularly those relating to its foreign subsidiaries, were not recognized since their reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

The breakdown of the Group's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred and within five years from the year SPC losses were incurred, is shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2016	P 190	P -	P -	P 190	2019
2014	67	-	-	67	2017
2013	1,865	1,246	619	-	
	P 2,122	**P 1,246**	**P 619**	**P 257**	

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 is shown below.

Inception Year	Amount	Utilized	Expired	Balance
2013	P 3,299	P 2,722	P 577	P -

As of December 31, 2016 and 2015, the Group has MCIT of P356 and P314, respectively, that can be applied against RCIT for the next three consecutive years after the MCIT was incurred.

The breakdown of the Group's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2016	P 194	P -	P -	P 194	2019
2015	46	-	-	46	2018
2014	122	-	-	122	2017
2013	147	(1)	(146)	-	
	P 509	**(P 1)**	**(P 146)**	**P 362**	

The breakdown of the Parent Company's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2016	P 190	P -	P -	P 190	2019
2015	46	-	-	46	2018
2014	120	-	-	120	2017
2013	144	-	(144)	-	
	P 451	**P -**	**(P 144)**	**P 356**	

26.2 Supplementary Information Required Under RR 15-2010 and RR 19-2011

The BIR issued RR 15-2010 and RR 19-2011 on November 25, 2010 and December 9, 2011, respectively, which require certain tax information to be disclosed as part of the notes to financial statements. Such supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering form and content of financial statements under the Securities Regulation Code Rule 68, as amended.

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

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company and RSB in fiduciary or agency capacities for their respective customers are not included in the financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P84,804 and P86,963 as of December 31, 2016 and 2015, respectively. The Parent Company's total trust resources amounted to P61,260 and P65,841 as of December 31, 2016 and 2015, respectively (see Note 29.1).

In connection with the trust opera tions of the Parent Company and RSB, time deposit placements and government securities with a total face value of P953 (Group) and P704 (Parent Company); and P930 (Group) and P685 (Parent Company) as of December 31, 2016 and 2015, respectively, are deposited with the BSP in compliance with existing trust regulations. The time deposit placements and government securities are presented in the statements of financial position under Due from BSP (see Note 9) and Trading and Investment Securities (see Note 10), respectively.

In compliance with existing BSP regulations, 10% of the Parent Company's and RSB's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserve for trust business equals 20% of the Parent Company's and RSB's regulatory capital. The surplus reserve is shown as Reserve for Trust Business in the statements of changes in equity.

The Group and the Parent Company transferred from Surplus to Reserve for Trust Business P27 and P22, respectively, in 2016; P22 and P15, respectively, in 2015; and, P18 and P14, respectively, in 2014.

28. RELATED PARTY TRANSACTIONS

The Group and Parent Company's related parties include its ultimate parent company (PMMIC), subsidiaries, entities under common ownership, key management personnel and others.

A summary of the Group's and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2016 and 2015 is presented below.

		Group			
		2016		2015	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Stockholders					
Loans and receivables	28.1	**(P 426)**	**P -**	(P 537)	P 426
Deposit liabilities	28.2	**(1,785)**	**1,231**	1,545	3,018
Issuance of shares of stock	23.2	**-**	**-**	7,729	-
Interest income from loans and receivables	28.1	**21**	**-**	29	-
Interest expense on deposits	28.2	**6**	**-**	5	-
Associates					
Deposit liabilities	28.2	**(53)**	**11**	(60)	65
Interest expense on deposits	28.2	**5**	**-**	3	-
Dividend	12	**124**	**-**	76	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	**(541)**	**-**	(1,966)	541
Deposit liabilities	28.2	**(2,124)**	**156**	(596)	2,282
Interest income from loans and receivables	28.1	**19**	**-**	35	-
Interest expense on deposits	28.2	**15**	**-**	10	-
Occupancy and equipment-related expense	28.5(a)	**926**	**-**	829	9
Miscellaneous expenses – others	25.2	**52**	**-**	54	-
Key Management Personnel					
Loans and receivables	28.1	**(1)**	**1**	(3)	4
Deposit liabilities	28.2	**67**	**243**	(287)	176
Interest income from loans and receivables	28.1	**-**	**-**	-	-
Interest expense on deposits	28.2	**1**		3	-
Salaries and employee benefits	28.5(d)	**376**	**-**	356	-
Other Related Interests					
Loans and receivables	28.1	**2,855**	**4,541**	(249)	1,686
Deposit liabilities	28.2	**(361)**	**115**	78	601
Interest income from loans and receivables	28.1	**567**	**-**	103	-
Interest expense from deposits	28.2	**3**	**-**	2	-

		Parent Company			
		2016		2015	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Stockholders					
Loans and receivables	28.1	**(P 426)**	**P -**	(P 537)	P 426
Deposit liabilities	28.2	**(1,785)**	**1,231**	1,545	3,018
Issuance of shares of stock	23.2	**-**	**-**	7,729	-
Interest income from loans and receivables	28.1	**21**	**-**	29	-
Interest expense on deposits	28.2	**6**	**-**	5	-
Subsidiaries					
Loans and receivables	28.1	**-**	**222**	142	222
Deposit liabilities	28.2	**533**	**2,598**	26	2,065
Interest income from Loans and receivables	28.1	**-**	**-**	3	-
Interest expense on deposits	28.2	**5**	**-**	6	-
Dividend	12	**1,406**	**-**	602	-
Rental income	28.5(a), 28.5(b)			175	6
Occupancy and equipment-related expense	28.5(a)	**186**	**-**	153	3
Service processing fees	28.5(c)	**460**	**29**	410	33
Sale of investments securities	28.3	**912**	**-**	1,287	-
Purchase of investments securities	28.3	**1,151**	**-**	751	-
Capital subscriptions	12.1	**-**	**-**	750	500
Assignment of receivables	11, 28.1	**(20)**	**202**	222	222
Associates					
Deposit liabilities	28.2	**(53)**	**11**	(60)	65
Interest expense on deposits	28.2	**5**	**-**	3	-
Dividend	12	**124**	**-**	76	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	**(541)**	**-**	(1,966)	541
Deposit liabilities	28.2	**(2,124)**	**156**	(596)	2,282
Interest income from loans and receivables	28.1	**19**	**-**	35	-
Interest expense on deposits	28.2	**15**	**-**	10	-
Occupancy and equipment-related expense	28.5(b)	**926**	**-**	829	9
Miscellaneous expenses – others	25.2	**52**	**-**	54	-
Key Management Personnel					
Loans and receivables	28.1	**(1)**	**1**	(5)	2
Deposit liabilities	28.2	**67**	**243**	(287)	176
Interest income from loans and receivables	28.1	**-**	**-**	-	-
Interest expense on deposits	28.2	**1**		3	-
Salaries and employee benefits	28.5(d)	**271**	**-**	221	-
Other Related Interests					
Loans and receivables	28.1	**2,855**	**4,541**	63	1,686
Deposit liabilities	28.2	**(361)**	**115**	-	476
Interest income from loans and receivables	28.1	**567**	**-**	103	-
Interest expense from deposits	28.2	**3**	**-**	2	-

28.1 Loans and Receivables

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2016 and 2015 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2016:				
Stockholders	P -	P 426	P 21	P -
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,332	4,476	567	4,541
	P 7,333	**P 5,445**	**P 607**	**P 4,542**
2015:				
Stockholders	P -	P 537	P 29	P 426
Related parties under common ownership	40	2,006	35	541
Key management personnel	2	5	-	4
Other related interests	400	649	103	1,686
	P 442	P 3,197	P 167	P 2,657

	Parent Company			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2016:				
Stockholders	P -	P 426	P 21	P -
Subsidiaries	1,276	1,276	-	202
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,332	4,476	567	4,541
	P 8,609	**P 6,721**	**P 607**	**P 4,764**
2015:				
Stockholders	P -	P 536	P 29	P 426
Subsidiaries	5,754	5,612	3	222
Related parties under common ownership	40	2,006	35	541
Key management personnel	-	5	-	2
Other related interests	400	337	103	1,686
	P 5,972	P 8,496	P 170	P 2,877

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

Under current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Group and Parent Company and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Group and Parent Company. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2016 and 2015, the Group and the Parent Company is in compliance with these regulatory requirements.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	Group		Parent Company	
	2016	2015	**2016**	2015
Total outstanding DOSRI loans	**P 587**	P 1,143	**P 553**	P 1,125
Unsecured DOSRI	**60**	62	**49**	62
Past due DOSRI	**-**	1	**-**	1
Non-accruing DOSRI	**-**	1	**-**	1
Percent of DOSRI loans to total loan portfolio	**0.23%**	0.44%	**0.24%**	0.49%
Percent of unsecured DOSRI loans to total DOSRI loans	**10.22%**	5.46%	**8.86%**	5.51%
Percent of past due DOSRI loans to total DOSRI	**0.05%**	0.08%	**0.04%**	0.08%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.05%**	0.08%	**0.04%**	0.08%

The Group and Parent Company did not recognize any impairment loss on these loans in 2016 and 2015.

28.2 Deposit Liabilities

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2016 and 2015 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Associates	35,592	35,645	9	11
Related parties under common ownership	1,287,730	1,289,854	15	156
Key management personnel	4,365	4,298	1	243
Other related interests	1,054,105	1,036,476	3	115
	P 2,418,310	**P 2,404,576**	**P 34**	**P 1,754**

	Group			
Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
2015:				
Stockholders	P 49,928	P 48,383	P 5	P 3,018
Associates	20,098	20,158	3	65
Related parties under common ownership	121,273	121,869	10	2,282
Key management personnel	4,635	4,922	3	176
Other related interests	54,586	54,508	3	601
	P 250,520	P 249,840	P 24	P 6,142

Related Party Category	Parent Company Deposits	Withdrawals	Interest Expense	Outstanding Balance
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Subsidiaries	974,281	973,748	5	2,598
Associates	35,592	35,645	9	11
Related parties under common ownership	1,287,730	1,289,854	15	156
Key management personnel	4,365	4,298	1	243
Other related interests	1,036,115	1,036,476	3	115
	P 3,374,601	**P 3,378,324**	**P 38**	**P 4,356**
2015:				
Stockholders	P 49,928	P 48,383	P 5	P 3,018
Subsidiaries	1,342,248	1,342,222	6	2,065
Associates	20,098	20,158	3	65
Related parties under common ownership	121,273	121,869	10	2,282
Key management personnel	4,635	4,922	3	176
Other related interests	54,508	54,508	2	476
	P 1,592,690	P 1,592,062	P 29	P 8,082

Deposit liabilities transactions with related parties have similar terms with other counterparties.

28.3 Sale and Purchase of Securities

The Parent Company's and certain subsidiaries engage into trading of investment securities. These transactions are priced similar to transactions with other counterparties.

28.4 Retirement Fund

The Parent Company's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the Parent Company's and RSB's Trust Departments in accordance with the respective trust agreements covering the plan.

The retirement funds have transactions with the Group and Parent Company as of December 31, 2016 and 2015 as follows:

Nature of Transactions	Group Net Amount of Transaction	Group Outstanding Balance	Parent Company Net Amount of Transaction	Parent Company Outstanding Balance
2016:				
Investment in common shares of Parent Company	**P -**	**P 1,863**	**P -**	**P 1,863**
Investment in corporate debt securities	**(5)**	**50**	**-**	**49**
Deposits with the Parent Company	**75**	**201**	**72**	**72**
Fair value gains	**31**	**-**	**31**	**-**
Interest income	**3**	**-**	**3**	**-**

Nature of Transactions	Group: Net Amount of Transaction	Group: Outstanding Balance	Parent Company: Net Amount of Transaction	Parent Company: Outstanding Balance
2015:				
Investment in common shares of Parent Company	(P 853)	P 1,863	(P 853)	P 1,863
Investment in corporate debt securities	(5)	50	-	49
Deposits with the Parent Company	19	126	-	-
Fair value losses	(849)	-	(849)	-
Interest income	5	-	3	-

The carrying amount and the composition of the plan assets as of December 31, 2016 and 2015 are disclosed in Note 24.2. Investment in corporate debt securities include long-term negotiable certificates of deposit issued by the Parent Company.

The information on the Group's and Parent Company's contributions to the retirement fund and benefit payments through the fund are disclosed in Note 24.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.

28.5 Other Related Party Transactions

(a) Lease Contracts with RRC and Sublease Agreement with Subsidiaries

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC [see Note 29.7(b)]. Rental expense incurred by the Group related to this lease arrangement is included as part of Occupancy and Equipment-related account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2015. The agreement was renewed for another five years until December 31, 2020. The outstanding payable on the lease contract is presented as part of Accounts payable under Other Liabilities in the 2016 and 2015 statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

The Parent Company entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza. Rental income by Parent Bank related to these sublease arrangements is included as part of Rentals under the Miscellaneous income account in the statements of profit or loss (see Notes 14.2 and 15.1). The outstanding receivable on the lease contracts is presented as part of Accounts receivable under Loans and Receivables in the statements of financial position (see Note 11). The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that the receivables on the sublease agreements are fully recoverable.

(b) Lease Contract on RSB Corporate Center

In October 2013, the Parent Company and RSB entered into a lease agreement covering certain office and parking spaces of RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties. The outstanding receivable on the lease contract is presented as part of Accounts receivable under Loans and Receivables in the statements of financial position (see Note 11). The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that receivable from the lease contract is fully recoverable.

(c) Service Agreement with RBSC

In December 2013, RBSC entered into a Special Purchase Agreement (the Purchase Agreement) with Bankard, Inc. to transfer Bankard, Inc's credit card servicing operations to RBSC. In accordance with the Purchase Agreement, the BOD of the Parent Company approved the assignment of the Service Agreement (the Agreement) previously with Bankard, Inc. to RBSC. Under the Agreement, RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. The total service processing fees incurred by the Parent Company is recognized as part of the Service processing fees under the Miscellaneous Expenses account in the statements of profit or loss (see Note 25.2). The outstanding payable on the service agreement is presented as part of Account payable under Other Liabilities in the statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

(d) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2016	2015	2014
Short-term employee benefits	**P 361**	P 338	P 313
Post-employment defined benefits	**15**	18	14
	P 376	P 356	P 327

	Parent Company		
	2016	2015	2014
Short-term employee benefits	**P 271**	P 221	P 193
Post-employment defined benefits	**-**	-	-
	P 271	P 221	P 193

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from off-statement of financial position items at their equivalent peso contractual amounts as of December 31, 2016 and 2015:

	Group		Parent Company	
	2016	2015	**2016**	2015
Trust department accounts	**P 84,804**	P 86,963	**P 61,260**	P 65,841
Derivative liabilities	**27,256**	32,102	**27,256**	32,102
Derivative assets	**32,172**	30,822	**32,172**	30,822
Outstanding guarantees issued	**31,828**	29,210	**31,828**	29,210
Unused commercial letters of credit	**10,783**	12,574	**10,724**	12,508
Spot exchange sold	**5,455**	2,346	**5,452**	2,346
Spot exchange bought	**5,452**	2,343	**5,455**	2,343
Inward bills for collection	**540**	1,861	**540**	1,861
Late deposits/payments received	**2,169**	511	**2,048**	477
Outward bills for collection	**84**	84	**84**	84
Others	**17**	5	**17**	5

29.2 Poverty Eradication and Alleviation Certificates Bonds

In October 2011, the Parent Company filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Parent Company subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 in October 2011 from the Parent Company on the interest on its PEACe bonds holdings. The amount was recognized and is presented as part of Accounts Receivables under the Loans and Receivables account in the statements of financial position (see Note 11.2).

On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. On March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration, seeking the exclusion of the PEACe Bonds from the definition of “deposit substitutes” since there was only one lender at the primary market, and the subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax.

The Parent Company also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital/Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed.

The Parent Company also reiterated its arguments that the tax imposed on the PEACe Bonds constitutes double taxation, that it violates the non-impairment clause of the Constitution, and is a breach of the obligations of the Bureau of Treasury when it issued the PEACe Bonds. The Office of the Solicitor General (OSG) also filed a Motion for Reconsideration and Clarification, reiterating the BIR’s right to withhold 20% as final withholding tax and asking for clarification on the effect of the ruling on other government securities.

In a Resolution dated October 5, 2016, the Supreme Court partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as “deposit substitutes”, the phrase “at any one time” in relation to “20 or more lenders” should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCBC Capital which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. On the other hand, in November 2016, the Supreme Court denied the Motion for Reconsideration and Clarification filed by the OSG. The Supreme Court likewise held that due to the continued refusal of the Bureau of Treasury to release the amount of P4,966 million which it withheld upon maturity of the PEACe Bonds, even as it could have deposited the said amount in escrow as early as October 19, 2011, in compliance with the orders it had issued, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of P4,966 million counted from the aforesaid date of October 19, 2011, until full paid.

29.3 Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased Iligan Plant Assets (Plant Assets) of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Parent Company and RCBC Capital, to deliver the Plant Assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant Assets and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80 million, as and by way of lost opportunity to make profits and (b) P1,403 representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI filed an appeal on September 1, 2014.

In the meantime, the secured creditors' application for the issuance of consequential orders relating to the discharge of the injunction, costs and other matters, the purpose of which is to allow the secured creditors to obtain complete relief from the SIAC Partial Award, was heard and granted by the Singapore High Court on November 17, 2014. In particular, the Singapore High Court confirmed that the injunctions issued in 2008 and that embodied in the Partial Award have been discharged, so that the secured creditors may now compel GSPI and GIHI to comply with their obligations under the Omnibus Agreement/Asset Purchase Agreement and take legal action upon GSPI's and GIHI's failure to do so. The Singapore High Court likewise granted the secured creditors' claim for the payment of legal costs, the amount of which shall be subject to further submissions. As a result of the ruling of the Singapore High Court that the injunctions previously issued have been discharged, the secured creditors, applying the principle of legal set-off, directed the release of GSPI and GIHI's installment payment by the Facility Agent. Accordingly, the Parent Company and RCBC Capital received their respective share in the funds previously held in escrow.

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

On August 12, 2015, the Singapore Court of Appeals heard the oral arguments of the parties on the following issues: (a) the remand of the case to the Arbitral Tribunal or a new Arbitral Tribunal, as prayed for by GSPI and GIHI, so it can present evidence on their lost opportunity to make profit, and (b) the costs to be awarded to the NSC Liquidator and the Secured Creditors, which have been the subject of the submissions of the parties. On November 27, 2015, the Singapore Court of Appeals held that under the International Arbitration Act (IAA) of Singapore (based on the UNCITRAL Model Law on International Commercial Arbitration of 1985), which governed the proceedings between the parties, the remission or remand of the issue of GSPI and GIHI's lost opportunity to make profit to the Arbitral Tribunal, or to a new Arbitral Tribunal for that matter, is not allowed as remission under the IAA was conceived as an alternative to a setting aside action, and cannot be availed of where an award has been set aside by the courts. Likewise, the doctrines of *res judicata* and *abuse of process* also operate to preclude the reopening of this issue. However, as to the issue of the Lost Land Claims, the Singapore Court of Appeals opined that the Arbitral Tribunal never engaged with the merits of secured creditors' claim that the award to GSPI and GIHI of the amount of P1,403 million is premature. Thus, this issue, covering the Billet Shop Land of 3.4071 hectares (as set out in Schedule VI of the APA), may be the subject of a fresh arbitration proceedings before a new arbitral tribunal. The Singapore Court of Appeals likewise awarded litigation costs to the Liquidator but none to the secured creditors.

The Parent Company's exposure is approximately P263 in terms of estimated property taxes and transfer costs due on the Plant Assets, while it has a receivable from GSPI and GIHI of P486 taking into consideration the P49 installment payment it had received from the funds previously in escrow. The Parent Company has fully provisioned the receivable, which is classified in the books of the Parent Company as UDSCL with zero net book value. The Parent Company's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries), now that all pre-closing taxes on the Plant Assets sold to GSPI and GIHI, covering the period 1999 to October 14, 2004, are deemed paid, following the denial with finality of the City of Iligan's Petition for Review by the Supreme Court and the issuance of an Entry of Judgment on March 16, 2016.

In defiance, however, of the aforesaid final and executory ruling, the City of Iligan (a) issued a Notice of Delinquency against NSC, seeking to collect the tax arrears covering the period 1999 to 2016, (b) levied the NSC properties, and (c) set the same for public auction on October 19, 2016, which proceeded even as the LGU received the October 18, 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57, directing it to (a) comply with the valid and binding Tax Amnesty Agreement dated 13 October 2004, and (b) afford NSC relief from the payment of interests and penalties. On November 3, 2016, the Iligan City police took possession of the NSC Plant compound. On November 4, 2016, the NSC, through the Liquidator, filed an Omnibus Motion praying that (a) the City of Iligan, the Sangguniang Panlunsod and City Treasurer be directed to show cause why they should not be held in contempt, and (b) the Auction Sale of the NSC properties held on October 19, 2016 be nullified.

29.4 Verotel Merchant Services B.V. Case

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

On December 4, 2014, Judge Bruguera of the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive or clearance from her court. The case was subsequently raffled to Judge Mitchell Beckloff, who heard and denied the Parent Company and Bankard's Motion to Vacate the orders of Judge Bruguera, who had earlier denied the Parent Company and Bankard's motions for summary judgment. Judge Beckloff ruled that there are material facts in dispute which will require a full-blown trial. Due to the reassignment of Judge Beckloff to another court county effective September 14, 2015, the case was heard in January 2016 by a new judge, Judge Michael J. Raphael.

Trial before Judge Raphael transpired from January 13 to 26, 2016, where the issues on prescription, VII's lack of capacity to sue and VMS's lack of standing to sue were reserved for Judge Raphael's disposition. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. However, recognizing that his disposition of the Parent Company and Bankard's pending motion for nonsuit (which cited, among others, the ruling of the California Supreme Court in the case of *Greb v. Diamond International Corp.* (56 Cal. 4th 243 [2013]), will impact the jury verdict, Judge Raphael, on his own, deferred the entry of such jury verdict until after the March 10, 2016 hearing on the Parent Company and Bankard's motion for nonsuit.

On March 10, 2016, the Parent Company and Bankard informed Judge Raphael that they will, instead, be filing a motion for judgment notwithstanding verdict (JNOV) and motion for new trial, as these are more appropriate to address the fact that, not only was the litigated claim time-barred, and VII/VMS do not have the capacity and standing to sue, respectively, the very evidence presented by VII/VMS showed that (a) the monetary claim arose from transactions involving websites not owned by VII/VMS, (b) these have been registered under another merchant, and (c) therefore, the website are not covered by VII's Tripartite Merchant Agreement with Bankard. On April 11, 2016, the Parent Company and Bankard timely filed their motions for JNOV and new trial where they likewise assailed the many misleading statements made by the counsel for VII/VMS in his closing argument, which incited the passion and prejudice of the jurors. On April 27, 2016, the Parent Company and Bankard likewise timely filed their Reply to the Oppositions filed by VII/VMS.

On May 12, 2016, Judge Raphael heard, and partially granted, the Parent Company and Bankard's Motion for JNOV by deleting the US$7.5 million punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Parent Company/Bankard knew of, authorized, or ratified Janet Conway's fraudulent acts, and (b) Conway was a managing agent of the Parent Company/Bankard within the meaning of the California Civil Code Section 3294(b). However, Judge Raphael ruled that Conway was an agent of the Parent Company/ Bankard for some purposes. Thus, he deemed the statute of limitation equitably tolled during that time Conway represented that she was negotiating to recover the funds from the defendants, as an alternative to filing a lawsuit, and sustained the award of US$1.5 million. Judge Raphael likewise deemed the issue of VII's lack of capacity to sue mooted as the jury did not award any damages thereto, and held that VMS has standing to bring its tort claims as it was allegedly established that VMS had a business relationship with the Parent Company/ Bankard. As for the Motion for New Trial, Judge Raphael ruled that (a) he cannot conclude that the conduct of plaintiffs and their counsel during the trial resulted in a miscarriage of justice, and (b) at any rate, the deletion of the punitive damages mooted the issue. Judge Raphael likewise heard, and partially granted, plaintiffs' motion for interest and awarded VMS prejudgment interest in the amount of US$0.5 million.

On July 11, 2016, the Parent Company and Bankard (a) timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and (b) received a copy of the Notice of Appeal solely filed by VMS on July 8, 2016. On July 21, 2016, the Parent Company/Bankard timely posted the amount of US$3.1 million, as and by way of security to stay the enforcement of the Amended Judgment rendered by Judge Raphael.

On July 29, 2016, VMS filed an Application to File Certificate of Interested Parties Under Seal, which the Parent Company and Bankard opposed, pointing out that the identities subject of the disclosure were publicly disclosed in the trial proceedings and was, in fact, a central issue in this case and appeal as it relates to whether VMS has standing in this case and is entitled to any damages. In an Order dated August 30, 2016, the California Court of Appeals sustained the Parent Company and Bankard and directed VMS to file its Certificate of Interested Persons, not under seal; which VMS complied with on September 8, 2016. In an Order dated November 16, 2016 and filed on the same date, the California Court of Appeals adopted the briefing sequence of the Parent Company and Bankard. As such, the Parent Company/Bankard's deadline for the filing of their Opening Brief is set on March 6, 2017.

29.5 Applicability of RR 4-2011

On March 15, 2011, the BIR issued Revenue Regulations No. 4-2011 (RR 4-2011) which prescribed that for income tax reporting purposes, banks and other financial institutions must (a) report costs and expenses either under RBU or FCDU/EFCDU or OBU if specifically identified as such; or (b) allocate such cost and expenses, which cannot be specifically identified, based on percentage share of gross income earnings of a unit.

The BIR, however, issued assessment notices to banks and other financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU and within FCDU.

On April 6, 2015, Petitioner-Banks, including the Parent Company, filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Preliminary Injunction, with the Regional Trial Court (RTC) of Makati. Further, in Civil Case No. 15-287, the petitioner Banks assailed the validity of RR 4-2011 on various grounds including but not limited to (a) that the said RR was issued and implemented in violation of the petitioner-banks' substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; and, (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation.

On April 8, 2015, Makati City RTC issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, Makati City RTC issued a Writ of Preliminary Injunction (WPI) enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the Petitioner-Banks, including the issuance of Preliminary Assessment Notice or Final Assessment Notice, as the case may be, based on the revenue regulations, pending litigation, unless sooner dissolved.

On June 10, 2015, Makati City RTC issued a Confirmatory Order which confirms the effects of the TRO and WPI, that the writ of preliminary injunction currently in effect includes a prohibition against the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as Petitioner-Banks are concerned. The Pre-Trial Conference of the case began on August 2, 2016.

29.6 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, there was an alleged unauthorized transfer of funds from the Bank of Bangladesh to four accounts in the Parent Company, which were eventually transferred to various accounts outside of the Parent Company. In August 2016, the Monetary Board of the BSP approved the imposition of supervisory action on the Parent Company to pay the amount of P1.0 billion in relation to the completed special examination. There may be other cases arising from these events. The Parent Company has fully recognized in the 2016 statement of profit or loss the P1.0 billion supervisory action as part of Miscellaneous Expenses under Other Operating Expenses (see Note 25.2). On August 12, 2016, the Parent Company already paid the BSP P500 million of the penalty with the remaining balance due in August 2017, in accordance with the terms set by the BSP. The Parent Company does not expect this imposition of supervisory action to affect its ability to perform its existing obligations or unduly hamper its operations.

There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Parent Company's operational performance and ability to service obligations.

Except for the above-mentioned proceedings, the Parent Company is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely would have a material effect on its financial position or operating results.

29.7 Lease Commitments

(a) Parent Company as a Lessor

In October 2013, the Parent Company has entered into a five-year lease agreement with RSB for the latter's lease of certain office and parking spaces in RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. Rental income recognized by the Parent Company in 2014 amounted P95 and is presented as part of Rental under the Other Operating Income account in the 2014 statement of profit or loss [(see Notes 14.2, 25.1 and 28.5(b)].

The Parent Company's future minimum rental receivables under this non-cancellable operating lease arrangement are as follows:

	2016		2015	
Within one year	**P**	**294**	P	280
After one year but not more than five years		**1,331**		1,267
	P	**1,625**	P	1,547

(b) Group as Lessee

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices [see Note 28.5(a)] and branches/business centers. The Group's rental expense (included as part of Occupancy and Equipment-related account in the statements of profit or loss) amounted to P977, P742 and P754 in 2016, 2013 and 2014, respectively. The lease periods are from one to 25 years. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

As of December 31, 2016, future minimum rental payables under these non-cancellable operating leases follow:

	Group		**Parent Company**	
Within one year	P	853	P	605
After one year but not more than five years		2,600		2,246
More than five years		228		193
	P	**3,681**	**P**	**3,044**

30. EARNINGS PER SHARE

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

	Group					
	2016		2015		2014	
Basic and Diluted EPS						
a. Net profit attributable to Parent Company's shareholders	**P**	**3,868**	P	5,129	P	4,411
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends		**-**	(	219)	(	442)
b. Adjusted net profit before capital redemption		**3,868**		4,910		3,969
Redemption premium on HT1		**-**	(	723)		-
c. Adjusted net profit	**P**	**3,868**	P	4,187	P	3,969
d. Weighted average number of outstanding common stocks		**1,400**		1,362		1,276
EPS before capital redemption (b/d)	**P**	**2.76**	P	3.60	P	3.11
Basic and diluted EPS (c/d)	**P**	**2.76**	P	3.07	P	3.11

	Parent Company		
	2016	2015 (As Restated - see Note 2.2)	2014 (As Restated - see Note 2.2)
Basic and Diluted EPS			
a. Net profit attributable to Parent Company's shareholders	**P 3,868**	P 5,129	P 4,411
Allocated for preferred and HT 1 dividends	**-**	(219)	(442)
b. Adjusted net profit before capital redemption	**3,868**	4,910	3,969
Redemption premium on HT1	**-**	(723)	-
c. Adjusted net profit	**P 3,868**	P 3,326	P 3,969
d. Weighted average number of outstanding common stocks	**1,400**	1,362	1,276
EPS before capital redemption (b/d)	**P 2.76**	P 3.60	P 3.11
Basic and diluted EPS (c/d)	**P 2.76**	P 3.07	P 3.11

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented.

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2016	2015	2014
Return on average equity:			
Net profit / Average total equity	**6.42%**	9.33%	9.23%
Return on average resources:			
Net profit / Average total resources	**0.77%**	1.09%	1.04%
Net interest margin:			
Net interest income / Average interest earning resources	**4.06%**	4.15%	4.30%
Profit margin:			
Net profit / Revenues	**16.95%**	23.07%	19.98%
Debt-to-equity ratio:			
Total liabilities / Total equity	**7.39**	7.88	7.62
Resources-to-equity ratio:			
Total resources / Total equity	**8.39**	8.88	8.62
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**1.50**	1.81	2.02

	Parent Company		
	2016	2015 (As Restated - see Note 2.2)	2014 (As Restated - see Note 2.2)
Return on average equity:			
Net profit / Average total equity	**6.43%**	9.34%	9.26%
Return on average resources:			
Net profit / Average total resources	**0.93%**	1.30%	1.23%
Net interest margin:			
Net interest income / Average interest earning resources	**3.47%**	3.62%	3.71%
Profit margin:			
Net profit / Revenues	**22.67%**	32.32%	26.41%
Debt-to-equity ratio:			
Total liabilities / Total equity	**5.73**	6.40	6.22
Resources-to-equity ratio:			
Total resources / Total equity	**6.73**	7.40	7.23
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**1.60**	2.06	2.14

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AMBASSADOR ALFONSO T. YUCHENGCO†
(Until Apr. 15, 2017)

Chairperson
HELEN Y. DEE

Corporate Vice Chairman
CESAR E. A. VIRATA

Presidents and Chief Executive Officers
LORENZO V. TAN
(Until May 5, 2016)

GIL A. BUENAVENTURA
(Starting July 1, 2016)

Corporate Secretaries
GEORGE GILBERT G. DELA CUESTA
First Senior Vice President
Head, Legal Affairs Group
(Starting Nov. 29, 2016)

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MA. ROMINA C. MERESEN
Division Head, Retail Collections and Payments Services

MARIE RORECEJACK R. MESINA
Relationship Manager, Corporate Banking Segment, Division 1

LINDA D. MINA
Business Relationship Manager, Mandaluyong Branch

MARIETA O. MIRANDA
Head, Financial Management/Accounting and Control Division

HELEN F. MORALES
Regional Sales Director, Central Metro Manila

JAEHOON OH
Head, Korean Business Relationship Office

GWENDOLYN S. PADILLA
Head, Legal Documentation Department

CRISELDA Y. PASTORAL
Head, Trust Retail Marketing Division

MARICEL ELENA M. PERALEJO
Head, Fixed Income Sales Department

HONORATA V. PO
Regional Sales Director, South Luzon

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IT Head, ADD3 – Head Office Systems

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MARIA EVANGELINE T. REYES
Head, Remittance and Payments Services Division

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Head, Capital Market Services Division

RACELIS S. SAMSON
IT Head, Shared Technology Services

CHRISTIAN D. SAN JUAN
Head, Credit and Risk Division

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District Sales Director, Manila/CAMANAVA

YVONNE B. SASIN
District Sales Director, Southern Mindanao

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Relationship Manager 3, Corporate Banking Segment, Division 1

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Head, Retail Lending and Credit Division

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LOLITO S. VELASQUEZ
Head, Account Management Department 2

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District Sales Director, North East Metro Manila

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Relationship Manager 3, Wealth Management Division 2

STEPHANIE S. ABENDAÑO
Relationship Manager 3, Wealth Management Division 3

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District Service Head, South Metro Manila 1

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JENNY O. BAYLON
Relationship Manager 3, Wealth Management Division 3

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IT Director, Network and Communications

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Business Relationship Manager, Greenbelt Branch

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District Sales Director, North East Mindanao

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Business Relationship Manager, Malabon Branch

MARY CATHERINE T. BUNTUA
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Regional Relationship Manager, South Luzon

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Product Development Officer, Trust and Investments Group

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Business Relationship Manager, Del Monte Branch

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Business Relationship Manager, Ermita Branch

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Head, Fx Desk Department

ROMEO R. COMABIG
Business Relationship Manager, Guadalupe Branch

CYNTHIA T. CRUZ
District Sales Director, Bulacan-Bataan-Zambales

ROSE ANNE M. CRUZ
Business Relationship Manager, Alabang Branch

LILIAN B. CRUZ
IT Head ADD 1 – Core Banking Systems

ANNA MYCHELLE C. CRUZADO
Senior Banker, Global and Ecozone Segment, Division 1

MERCI F. CUARESMA
Head, Trade Services Department

MELITA R. DARLINGTON
Head, Audit Analytics

DENNIS I. DE VERA
Head, Credit Appraisal and Investigation Division

MA. DIVINA GRACIA C. DELA CRUZ
Head, Operations Risk Department

NORLABEL P. DELA CRUZ
Head, Compensation and Benefits Department

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District Sales Director, Pasig and Taguig

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Business Relationship Manager, Batangas Branch

PAULINO G. ERJAS
Division Head, Trust Operations

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Business Relationship Manager, Bacolod - Main Branch

LANIE B. FERNANDEZ
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IT Head, ADD 2 - ATM and Card Systems

JOSEPH G. GENTOLIA
Head, ATM Settlement and Administration Department

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Swap Trader, Fx Swaps and Forward Desk

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Project Director, ADD 2 - ATM and Card Systems

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Business Relationship Manager, Pasong Tamo Branch

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IT Manager and Head, Data Center Operations Department

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Head, Business Development Division

MA. RUBY B. SAN JOAQUIN
Head, Management Accounting Department

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District Service Head, North Metro Manila 8

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NESTOR L. VALENCIA
District Sales Director, South Bay Metro Manila

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Relationship Manager, South Luzon Lending Center

SUBSIDIARIES

Domestic

MERCHANTS SAVINGS AND LOAN ASSOCIATION, INC.
(Rizal Microbank -Thrift Bank)

Chairman
GIL A. BUENAVENTURA

Vice Chairman
JOHN THOMAS G. DEVERAS

President
RAYMUNDO C. ROXAS

NIYOG PROPERTY HOLDINGS, INC.

Chairman and President
JOHN THOMAS G. DEVERAS

Vice President
EVELYN NOLASCO

Controller and Treasurer
FLORENTINO M. MADONZA

Corporate Secretary
ATTY. ELSIE S. RAMOS

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Credit and Administration

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Account Officer, Investment Banking

MICHAEL FRANCIS G. ZAPATA
Account Officer, Investment Banking

XAVIER Y. ZIALCITA
Account Officer, Investment Banking

Corporate Secretary
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Subsidiaries

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First Vice Presidents
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Head, Business Intelligence

MYLENE J. BICO
Head, Portfolio Analytics and Business Development

MA. ANGELA C. MIRASOL
Head, Marketing

KATRINA JOY G. CRUZ
Head, Operations

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Head, Merchant Business and Head, Sales and Distribution

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Head, Credit Policy

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JUANITA L. BAYUDAN
Division Head, IT Operations

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Channel Head, Sales and Distribution

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Director/Treasurer
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Director
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Director/Corporate Secretary
KENNETH MARK F. GARCIA

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Chief Operating Officer, Operations and Technology Group
(Seconded from RCBC)

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Head, Credit Management Group

GERARDO G. MIRAL
Head, Consumer Lending Group
(Seconded from RCBC)

JOSEPH COLIN B. RODRIGUEZ
Head, Treasury Group
(Seconded from RCBC)

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Head, SME Business Development Division

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Head, Trust Services Division

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Regional Sales Director, North Metro Manila and North Luzon

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Head, Acceptance Division

ENRIQUE G. LLAGAS
Head, Property Management and Sales Division

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Head, Operations and Technology Group

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CONRADO B. ALUNAN
Regional Head, Visayas Provincial Lending Center

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Head, Advisory and Documentation Department

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Chief Compliance Officer, Compliance Division

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Lending Center Head, Cabanatuan Provincial Lending Center

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Head, Asset Channels and Product Marketing Department

MANUEL R. DELIZO
Chief Security Officer, Security Office

JOHN FRANCIS A. DELOS REYES
Head, Direct Marketing Department

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CORA M. GOYAL
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GENEVIEVE P. ICASIANO
Regional Sales Director, South Metro Manila

SIGFREDO N. JAYME
Head, ADD 3, Information Management Division

MICHELLE Y. LOPINTO
Head, Controllership and Support Services Division

JOHN LYNDON O. LUDOVICE
Head, Strategic Services Division

JAYZEL A. MARCIAL
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RICHARD M. PERALTA
National Service Head, North Metro Manila Region

JOSELITO M. PERLADA
Head, General Services Department

CARMELO B. PITUC
Head, Liabilities Department

MARIA SARAH V. PREPEÑA
Head, Central Sales Support Division

VICENTE H. PURIFICACION, JR.
Head, ADD 2 - Information Management Division

DON S. SALDAÑA
Head, Sales Distribution Channel

RAYMOND JOEL B. SIASAT, JR.
Regional Head, Mindanao Provincial Lending Center

CAESAR O. TAGLE
Head, Collection and Remedial Division

CRISTINA F. VILLALOBOS
Head, Head Office Operations Division

MARIA ELIZABETH S. YAP
Head, Human Resource Division

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ALFONSO C. TANSECO

Senior Vice President
MARNEL R. VIDOLA
Head, Compliance

Vice Presidents
MICHAELA C. SISON
Marketing Head, Metro Manila

RAUL M. CABATINGAN
Marketing Head, Visayas and Mindanao

NORBERTO DAWA
Head, Operations

REY JOSE Q. BUMANGLAG
Head, Treasury

Corporate Secretary
ATTY. JENNIFER M. BALBA

Subsidiary

RCBC RENTAL CORP.

President and Chief Executive Officer
ALFONSO C. TANSECO

Corporate Secretary
ATTY. JENNIFER M. BALBA

International

RCBC INTERNATIONAL FINANCE LTD.

Chairman
GIL A. BUENAVENTURA

General Manager and Director
FEDERICO E. AGUS, JR.

Accountant and Company Secretary
LIU YUEN SHEUNG

RCBC TELEMONEY EUROPE SpA.[1]

Chairman
LORENZO V. TAN
(Until May 6, 2016)

Managing Director
ARIEL N. MENDOZA

Operations Manager
LAUREN E. OCAMPO

Associates

HONDA CARS PHILIPPINES, INC.

President and General Manager
TOSHIO KUWAHARA

Executive Vice President and Head, Manufacturing Div.
KATSUNORI ISHII

Vice President
KAZUHITO TAMURA

Treasurer
VICENTA BALARBAR

Corporate Secretary
PRISCILLA B. VALER

ISUZU PHILIPPINES CORPORATION

President
HAJIME KOSO

Executive Vice President and Treasurer
SHOJIRO SHAKODA

Vice Presidents
AKIRA OKUMURA
Administration

DAISUKE INABA
Sales

KOJI HANAWA
After-Sales Service

Corporate Secretary
CECILLE M.E. CARO-SELVAGGIO

LUISITA INDUSTRIAL PARK CORPORATION

Chairman
AMBASSADOR ALFONSO T. YUCHENGCO†
(Until Apr. 15, 2017)

President
RAMON S. BAGATSING, JR.

Treasurer
ELENA F. TRAJANO

Corporate Secretary
ATTY. SAMUEL V. TORRES

YGC CORPORATE SERVICES, INC.

Chairman
AMBASSADOR ALFONSO T. YUCHENGCO†
(Until Apr. 15, 2017)

President
HELEN Y. DEE

Executive Vice President and Chief Operating Officer
LIWAYWAY F. GENER

Vice President
ALBERT S. YUCHENGCO

Treasurer
FLOR BELLA MONINA MARAÑON

Corporate Secretary
ATTY. SAMUEL V. TORRES

[1]Ceased operations on March 4, 2016

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Tel. Nos.: 364-8651; 366-7265

AGUIRRE – BF HOMES
290 Aguirre Ave., BF Homes
Paranaque City
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5102 Bridgeway Ave., Filinvest Corporate City
Alabang, Muntinlupa City
Tel. Nos.: 556-3416 to 17; 556-3419; 666-2953
Fax No.: 556-3507

ANNAPOLIS-GREENHILLS
G/F Platinum 2000, 7 Annapolis St.
San Juan, Metro Manila
Tel. Nos.: 941-7416; 941-7418; 941-7420; 941-7496
Fax No.: 941-7421

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

ARNAIZ
843 G/F B and P Realty, Inc. Bldg.
Arnaiz Ave., Legaspi Village, Makati City
Tel. Nos.: 869-0306; 869-0314; 869-0430; 869-9613
Fax No.: 869-9859

ARRANQUE
1001 Orient Star Bldg.
cor. Masangkay and Soler Sts.
Binondo, Manila
Tel. Nos.: 245-7055; 244-8443 to 244-8444;
244-8438

AURORA BLVD.-MADISON
101 cor. Aurora Blvd and Madison St.
Quezon City
Tel. Nos.: 531-9357 to 58; 531-9360
Fax No.: 531-9363

AYALA
Unit 709, Tower One
Ayala Triangle and Exchange Plaza Bldg.
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

BAYANI ROAD
37 Bayani Rd., AFPOVAI Subd.
Fort Bonifacio, Taguig City
Tel. Nos.: 808-7436; 856-0156
Fax No.: 808-7435

BEL-AIR
Unit 101 Doña Consolacion Bldg.
122 Jupiter St., Bel-Air
Makati City
Tel. Nos.: 553-4142 to 43; 519-7744; 551-7711
Fax No.: 478-0798

BETTER LIVING
14 Doña Soledad, Better Living Subd.
Parañaque City
Tel. Nos.: 828-2174; 828-3095; 828-3478; 828-4810
Fax No.: 828-9795

BF HOMES
Unit 101 Centermall Bldg.
President Ave., BF Homes
Parañaque City
Tel. Nos.: 842-1554; 807-8761 to 63
Fax No.: 842-1553

BINONDO
Yuchengco Tower
500 Q. Paredes St., Binondo
Manila
Tel. Nos.: 241-2491; 242-5933 to 52

BONI AVE.- SAN RAFAEL
503 cor. Boni Ave. and San Rafael St.
Mandaluyong City
Tel. Nos.: 534-6307; 534-7074; 534-7533; 534-7594
Fax No.: 534-7696

BONI AVE.
617 Boni Ave., Mandaluyong City
Tel. Nos.: 532-5532; 533-0280; 533-6335; 533-6337
Fax No.: 533-6336

BUENDIA
Grepalife Bldg.
219 Sen. Gil J. Puyat Ave., Makati City
Tel. Nos.: 844-1896; 845-6411; 810-3674; 845-6412
Fax No.: 844-8868

BUENDIA-TECHZONE
Techzone Philippines Bldg.
213 Sen. Gil Puyat Ave., Brgy. San Antonio
Makati City
Tel. Nos.: 802-2700 to 01; 802-2704; 802-2719;
802-2720; 802-2723
Fax No.: 802-2721

CAINTA
Multicon Bldg., FP Felix Ave.
Cainta, Rizal
Tel. Nos.: 645-6703 to 04; 645-6710; 645-6713;
645-6716
Fax No.: 645-6704

CARLOS PALANCA
G/F BSA Suites
Carlos Palanca St., Legaspi Village
Makati City
Tel. Nos.: 888-6701 to 03; 888-6939
Fax No.: 888-6704

COMMONWEALTH
G/F Verde Oro Bldg.
535 Commonwealth Ave., Diliman
Quezon City
Tel. Nos.: 931-2309; 931-2375; 931-2319; 931-5242;
931-5251
Fax No.: 931-2328

CONCEPCION MARIKINA
21 Bayan-Bayanan Ave.
Brgy. Concepcion Uno, Marikina City
Tel. Nos.: 384-3973; 571-4607; 948-4002
Fax No.: 942-6368

CONGRESSIONAL AVENUE
188 cor. Congressional Ave. and Sinagtala St.
Brgy. Bahay Toro, Quezon City
Tel. Nos.: 288-5022; 288-5024 to 25; 288-5029;
288-5015
Fax No.: 288-5023

CONNECTICUT/GREENHILLS
51 Connecticut St.
Northeast Greenhills, San Juan
Tel. Nos.: 722-4424; 721-4495; 726-9793; 744-6348
Fax No.: 722-4424

CUBAO
Space 37/38 Shopwise Arcade
Times Square Ave., Araneta Center
Cubao, Quezon City
Tel. Nos.: 911-0870; 911-2527; 912-8127; 913-6163
Fax No.: 911-2535

D. TUAZON
G/F Academe Foundation Bldg.
47 D. Tuazon St., Sta. Mesa Heights
Quezon City
Tel. Nos.: 731-7261; 731-7290; 731-5805 to 07
Fax No.: 731-7262

DEL MONTE
180 Del Monte Ave., Quezon City
Tel. Nos.: 712-9456 to 57; 712-7567
Fax No.: 741-6010

DELA ROSA
G/F Sterling Center
cor. Ormaza and Dela Rosa Sts.
Legaspi Village, Makati City
Tel. Nos.: 893-4216; 893-6828; 893-9050
Fax No.: 893-5039

DELTA
Delta Bldg., cor. Quezon Ave. and West Ave.
Quezon City
Tel. Nos.: 352-8113; 352-8115
Fax No.: 352-8112

DILIMAN
cor. Matalino St. and Kalayaan Ave.
Diliman, Quezon City
Tel. Nos.: 925-2148 to 49; 924-3627; 924-3629
Fax No.: 924-3628

DIVISORIA
New Divisoria Condominium
628 Sta. Elena, Divisoria, Manila
Tel. Nos.: 241-7884; 242-9082; 241-7847; 241-7853

E. RODRIGUEZ-DOÑA JOSEFA
59 E. Rodriguez Sr. Ave.
Brgy. Doña Josefa, Quezon City
Tel. Nos.: 521-6455; 521-6452 to 53

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 KALOOKAN
520 E. Delos Santos Ave., Kalookan City
Tel. Nos.: 990-3651 to 53
Fax No.: 990-3654

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
676 cor. Elcano and Lavezares Sts.
Binondo, Manila
Tel. Nos.: 242-8684 to 85; 242-3643; 242-3598
Fax No.: 242-3649

ERMITA
550 United Nations Ave.
Ermita, Manila
Tel. Nos.: 525-5238; 523-2948; 523-2983; 525-5219
Fax No.: 524-1021

F. BLUMENTRITT-R. PASCUAL
158 cor. F. Blumentritt and Pascual Sts.
Brgy. Batis, San Juan City
Tel. Nos.: 941-7408 to 11; 941-7414
Fax No.: 941-7413

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 Cmpd.
Brgy. Ugong, Pasig City
Tel. Nos.: 706-4721; 706-4724 to 26
Fax No.: 706-4723

GARNET
Unit No. 106 Parc Chateau Condominium
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.: 845-4051; 845-4881; 845-4883; 844-1829
Fax No.: 845-4883

GREENHILLS
Unit MA-103 McKinley Arcade
Greenhills Shopping Center, San Juan City
Tel. Nos.: 721-3552; 721-2120 to 23; 721-6388
Fax No.: 727-2884

HERMOSA – LIMAY
Cor. Hermosa and Limay Sts.
Tondo, Manila
Tel. Nos.: 247-7301; 251-2410; 251-2414; 251-2407
Fax No.: 273-3511

J.P. RIZAL
773 J.P. Rizal St.
Brgy. Poblacion, Makati City
Tel. Nos.: 815-2251; 815-2325; 815-2493; 815-2320
Fax No.: 815-2356

KALOOKAN
259 Rizal Ave. Extn., Kalookan City
Tel. Nos.: 361-0406; 361-1593 to 94; 361-1597
Fax No.: 361-1598

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
First Global Bldg.
cor. Salcedo and Gamboa Sts.
Legaspi Village, Makati City
Tel. Nos.: 812-4893; 817-2664; 818-4919; 8172689
Fax No.: 813-5287

LEVISTE-SALCEDO
cor. LP Leviste and San Agustin Sts.
Salcedo, Makati City
Tel. Nos.: 802-0373 to 75
Fax No.: 802-0372

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

LUCKY CHINATOWN MALL
Unit 3-1A, 3F Lucky Chinatown Mall
cor. Regina Regente and De La Reina Sts.
Binondo, Manila
Tel. Nos.: 256-8029; 554-6337; 554-6348;
554-6334; 521-8323; 554-6339

MACAPAGAL AVE.-PEARL DRIVE
Scape Bldg., Cor. Macapagal Ave. and Pearl Drive
Mall of Asia, Pasay City
Tel. Nos.: 0906-2019072; 0939-9299089

MAGALLANES
G/F BMG Centre
Paseo De Magallanes, Makati City
Tel. Nos.: 808-7604; 815-7536; 815-6613; 815-7635
Fax No.: 818-7877

MAKATI AVE.
G/F Executive Bldg. Center Inc.
369 cor. Sen. Gil Puyat Ave. and Makati Ave.
Makati City
Tel. Nos.: 897-9384; 890-7023; 890-7025; 895-9578; 895-7024
Fax No.: 890-7026

MAKATI RADA
One Legaspi Park
121 Rada St., Legaspi Village
Makati City
Tel. Nos.: 915-2046; 909-5203; 909-5201
Fax No.: 909-5204

MALABON
685 Rizal Ave., 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.: 516-4687; 516-4690; 516-4695
Fax No.: 516-4694

MALAYAN PLAZA
Unit G3 and G4, G/F Malayan Plaza
cor. ADB Ave. and Opal Rd., Pasig City
Tel. Nos.: 635-5164; 634-7491 to 93
Fax No.: 635-5166

MANDALUYONG
Unit 102 G/F, EDSA Central Square
Greenfield District, Mandaluyong City
Tel. Nos.: 631-5851 to 52; 633-9585; 637-5381; 631-5804
Fax No.: 631-5803

MARIKINA
cor. Gil Fernando Ave. and Sta. Ana Extn.
Marikina City
Tel. Nos.: 681-6673 to 74; 646-6270; 681-6669
Fax No.: 681-1717

MCKINLEY HILLS
G/F Two World Hill Bldg.
Upper Mckinley Rd., McKinley Town Center
Fort Bonifacio, Taguig City
Tel. Nos.: 403-1516; 401-6165; 401-6102
Fax No.: 856-1239

MERALCO AVE.
G/F Regency Bldg.
cor. Meralco Ave. and Exchange Rd.
Ortigas, Pasig City
Tel. Nos.: 666-6125; 401-6166

MINDANAO AVE.-TANDANG SORA
G/F 003 McSquare Bldg.,
cor. Mindanao Ave. and Tandang Sora
Quezon City
Tel. Nos.: 277-3656 to 57; 277-3750; 277-3534; 277-3779
Fax No.: 802-4381

MISSOURI-GREENHILLS
8 Missouri St., Northeast Greenhills
San Juan City
Tel. Nos.: 546-3688; 894-9000 loc. 5252

MOONWALK-PARAÑAQUE
2 Armstrong St., Moonwalk Village
Parañaque City
Tel. Nos.: 865-6612 to 16; 865-6609
Fax No.: 865-6614

MORAYTA
828 Nicanor Reyes Sr. St.
Sampaloc, Manila
Tel. Nos.: 736-2478; 735-1387; 735-4465; 736-2477
Fax No.: 736-0568

N. DOMINGO-PASADENA
LHK Bldg., 288 N. Domingo St.
Brgy. Pasadena, San Juan City
Tel. Nos.: 997-2801; 997-2805; 997-2808 to 09

NAVOTAS
551 M. Naval St.
Brgy. Bangkulasi, Navotas City
Tel. No.: 332-1648

NEW MANILA
U/G Level, Hemady Square Bldg.
86 Doña Hemady St., New Manila
Quezon City
Tel. Nos.: 727-6010; 727-6012
Telefax Nos.: 727-6013; 725-6021

NEWPORT CITY
G/F 150 Plaza 66 Bldg., Newport City
Manlunas St., Villamor, Pasay City
Tel. Nos.: 542-2978; 556-7645 to 47
Fax No.: 556-7648

NOVALICHES
882 Quirino Highway and Nitang St.
Novaliches, Quezon City
Tel. Nos.: 936-8677 to 936-8678; 930-6191; 930-6188
Fax No.: 936-8676

ORTIGAS AVE.
Unit 104 Grace Bldg., Ortigas Ave.
Greenhills, San Juan
Tel. Nos.: 941-0885; 941-2093; 941-2247; 941-2473
Fax No.: 941-1475

OTIS
Isuzu Manila, 1502 Paz M. Guanzon St.
Paco, Manila
Tel. Nos.: 561-7262; 564-5367 to 68
Fax No.: 561-7272

P. OCAMPO – FB HARRISON
488 P. Ocampo Ave., Near cor. FB Harrison Ave.
Malate, Manila
Tel. Nos.: 251-7569 to 70; 251-7576 to 77
Fax No.: 251-7573

PABLO OCAMPO-VENECIA
G/F Savanna Commercial Center Bldg.
1201 Pablo Ocampo-Venecia
Brgy. Sta. Cruz, Makati City
Tel. Nos.: 802-4743; 802-4746; 802-4749; 802-4750 to 51
Fax No.: 802-4744

PACO-A. LINAO
1662 and 1664, A. Linao St.
Paco, Manila
Tel. Nos.: 521-8223; 521-8268; 521-8300; 521-8247

PADRE RADA
649 Padre Rada St., Tondo, Manila
Tel. Nos.: 245-0250; 245-0082
Fax No.: 245-0241

PALANAN-BAUTISTA
G/F Shalimar Bldg.
3696 Bautista St., Palanan
Makati City
Tel. Nos.: 846-4468; 846-4424; 846-4399; 846-4329
Fax No.: 846-4328

PASAY
San Bell Bldg., 2015
cor. Sen. Gil Puyat Ave. Extn. and Leveriza St.
Pasay City
Tel. Nos.: 846-6281 to 83; 846-6285; 846-6288
Fax No.: 846-6284

PASEO DE ROXAS
8747 G/F Lepanto Bldg.
Paseo De Roxas, Makati City
Tel. Nos.: 403-7151; 403-7153; 403-7157 to 58
Fax No.: 403-7159

PASIG
92 cor. Dr. Sixto Ave. and C. Raymundo St.
Pasig City
Tel. Nos.: 641-0640; 641-7914; 641-7993; 641-6259
Fax No.: 641-0639

PASIG KAPITOLYO
G/F Ace Suites Plaza (Ace Water Spa)
cor. United and Brixton Sts.
Brgy. Kapitolyo, Pasig City
Tel. Nos.: 654-4423; 654-4437; 654-4428

PASIG TOBY'S C. RAYMUNDO AVE.
Lot1 and 2A, Good Harvest Complex
C. Raymundo Ave., Caniogan, Pasig City
Tel. No.: 651-7765

PASIG WESTLAKE
Unit A G/F Westlake Bldg.
Pasig Blvd., Brgy. Bagong Ilog
Pasig City
Tel. Nos.: 706-4616; 706-4322; 706-3363; 706-6322
Fax No.: 706-4599

PASONG TAMO
2283 cor. Pasong Tamo Extn. and Lumbang St.
Makati City
Tel. Nos.: 898-5977; 893-5978; 813-3348; 813-3442; 813-3369
Fax No.: 893-5976

PASONG TAMO-BAGTIKAN
1173 Don Chino Roces Ave.
Brgy. San Antonio, Makati City
Tel. Nos.: 802-1629; 802-1624 to 26
Fax No.: 802-1631

PASONG TAMO-EDSA
Wilcon IT Hub
2251 Chino Roces Ave., Makati City
Tel. Nos.: 802-4297; 802-4571; 802-4570; 802-4302
Fax No.: 802-4381

PRESIDENT'S AVE. – PARAÑAQUE
Lot 22 Block 09, President's Ave.,
Sucat, Parañaque City
Tel. Nos.: 398-1740; 398-2442; 398-6921; 398-7824
Fax No. 423 -2066

QUEZON AVE.
1405 Quezon Ave., Quezon City
Tel. Nos.: 371-8178; 373-3551 to 52; 373-4224; 371-8184
Fax No.: 373-3554

QUEZON AVE.-ROOSEVELT
Lower G/F 1, Fisher Mall Heroes Hill,
Brgy. Sta. Cruz
cor. Quezon Ave. and Roosevelt Ave., Quezon City
Tel. Nos.: 277-3394 to 98

QUIRINO AVE.
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
653 cor. Gonzalo Puyat and Sales St.
Quiapo, Manila
Tel. Nos.: 733-1661; 7331655 to 54; 733-1657
Fax No.: 733-1662

RCBC PLAZA
Main Office Branch
G/F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel. Nos.: 878-3307; 894-9072; 894-9082; 894-1207; 878-3313

REMEDIOS-TAFT
1853 Taft Ave., Malate, Manila
Tel. Nos.: 256-9427; 256-9425; 256-9419
Fax No.: 256-9421

ROCKWELL
G/F, Phinma Plaza, Hidalgo St.
Rockwell Center, Makati City
Tel. Nos. 898-1502; 898-1505; 898-2049 to 50
Fax No.: 898-1503

ROOSEVELT
300 Roosevelt Ave., San Francisco Del Monte
Quezon City
Tel. Nos.: 372-2412 to 13; 372-2415 to 16
Fax No.: 372-2417

ROOSEVELT-PITIMINI
205 cor. Roosevelt Ave. and Pitimini St.
Quezon City
Tel. Nos.: 277-1882 to 83; 277-1887; 277-1879; 277-1891

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

ROXAS BLVD.-ARQUIZA
cor. Roxas Blvd. and Arquiza St.
Ermita, Manila
Tel. Nos.: 663-0563; 573-9783; 573-7687
Fax No.: 662-0324

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 and R Bldg.
A. S. Arnaiz Ave., Makati City
Tel. Nos.: 843-8196; 816-2506; 844-7822; 843-1342
Fax No.: 843-3242

SHAW BLVD. LAWSON
G/F, SCT Bldg.
143 cor. Shaw Blvd. and Lawson St.
Mandaluyong City
Tel. Nos.: 535-1641; 535-2615; 535-2516; 535-2610

SOUTH HARBOR
Harbor Centre I
cor. Chicago and 23Rd Sts.
Port Area, Manila
Tel. Nos.: 527-6486; 527-7311 to 12; 527-6481
Fax No.: 527-7310

STA. LUCIA EAST
G2-25 G/F Level, Bldg. 2, Sta. Lucia Mall
cor. Marcos Highway and Felix Ave.
Cainta, Rizal
Tel. No.: 645-3686; 645-7911; 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

STO. DOMINGO-QUEZON AVE.
4 Sto. Domingo Ave., Quezon City
Tel. Nos.: 242-4983; 242-4985; 242-4988 to 89

SUCAT
2F Santana Grove
cor. Dr. A. Santos Ave. and Soreena St.
Sucat, Parañaque City
Tel. Nos.: 828-6719; 828-5761; 828-9813; 666-6122
Fax No.: 828-5615

T. ALONZO
1461-1463 Soler St.
Sta Cruz, Manila
Tel. Nos.: 733-7863 to 65; 734-6034 to 35
Fax No.: 733-7862

TAYTAY
Manila East Rd., Brgy. Dolores
Taytay, Rizal
Tel. Nos.: 286-0658; 286-0490; 286-3465; 658-0637
Fax No.: 658-0636

TAYTAY EXTENSION OFFICE
Rizal Ave., Cuatro Cantos
Brgy. San Juan, Taytay, Rizal
Tel. Nos.: 570-7400; 570-4701; 570-4699

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 BEACON MAKATI
The Beacon, Roces Tower
G/F Don cor. Chino Roces Ave. and Arnaiz Ave.
Brgy. Pio Del Pilar, Makati City
Tel. Nos.: 893-4293; 893-1607; 893-0076
Fax No.: 893-3021

THE FIRM
CVC Law Center
cor. 11th Ave. and 39th St.
Fort Bonifacio, Taguig City
Tel. Nos.: 519-7090; 519-6880; 519-6870; 519-7690
Fax No.: 519-7693

THE FORT JY CAMPOS
JY Campos Centre
9th Ave., Bonifacio Global City, Taguig City
Tel. Nos.: 815-0003; 808- 9854; 808- 9732; 808-9757; 808-9865
Fax No.: 815-0085

THE FORT SAPPHIRE RESIDENCES
G/F Sapphire Residences
cor. 31st St. and 2nd Ave.
Cresent Park Global City, Taguig City
Tel. Nos.: 519-5771; 519-7243; 519-1553; 519-5709
Fax No.: 519-5758

THE FORT SUNLIFE
G/F, Sunlife Bldg., cor. 5th Ave. and Rizal Drive
Bonifacio Global City, Taguig City
Tel. Nos.: 553-6310; 553-7152; 478-8213; 808-7527
Fax No.: 808-7525

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

TORDESILLAS
G/F Metropole Bldg.
cor. Tordesillas and Gil Puyat Ave.
Makati City
Tel. Nos.: 808-2080; 808-1059; 808-1396; 808-2378
Fax No.: 808-2378

TRINOMA
Space P015B Level 1, Trinoma
cor. EDSA and North Ave.
Quezon City
Tel. Nos.: 474-0192; 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

VALENZUELA
231 McArthur Highway, Karuhatan, Valenzuela City
Tel. Nos.: 291-6592; 291-6593; 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

WEST AVE.
Unit 101, 135 West Ave.
Brgy. Bungad, Dsitrict 5
Quezon City
Tel. Nos.: 294-3439; 294-5494; 262-8602
Fax No.: 254-5283

WILSON-GREENHILLS
G Square Bldg., Upper G/F
Units 4 and 5, Wilson St.
Greenhills, San Juan City
Tel. Nos.: 706-4073 to 75; 706-4074; 706-4071
Fax No.: 706-4076

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) 626-2060 to 61; 626-2120; 322-7222
Fax No.: (045) 887-2811

APARRI
108 J.P. Rizal St., Brgy. Centro 14
Aparri, Cagayan
Tel. Nos.: (078) 888-0347; 888-0349 to 50; (02) 894-9000 Loc. 5386
Fax No.: (078) 888-0348

BACAO EXTENSION OFFICE
Yokota Commercial Bldg.
Bacao Rd., Brgy. Bacao 2
Gen. Trias, Cavite
Tel. No.: (046) 437-6125
Telefax No.: (046) 437-6127

BACOOR
Maraudi Bldg.
Gen. E. Aguinaldo Highway, Brgy. Niog
Bacoor Cavite
Tel. Nos.: (046) 417-7662; 417-7454; 417-0736; (02) 529-8969

BAGUIO
RCBC Bldg., 20 Session Rd.
Baguio City
Tel. Nos.: (074) 442-5345 to 46; 442-2077
Fax No.: (074) 442-3512

BALAGTAS
McArthur Highway, Borol 1st
Balagtas, Bulacan
Tel. Nos.: (044) 693-1350 to 51
Fax No.: (044) 693-1351

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
01 cor. JP Rizal and S. Tagle Sts.
Baliwag, Bulacan
Tel. Nos.: (044) 766-2643; 766-3530
Fax No.: (044) 766-2642

BATAAN
RCBC Bldg., Afab
Mariveles, Bataan
Tel. Nos.: (047) 935-4021 to 23
Fax No.: (045) 935-4020

BATAC
Marcos Blvd., Brgy. 10 Lacub
Batac, Ilocos Norte
Tel. Nos.: (077) 617-1631; 670-1812
Fax No.: (077) 792-3126

BATANGAS
17 cor. Rizal Ave. and P. Gomez St.
Batangas City
Tel. Nos.: (043) 723-7870; 723-7720; 723-3104 to 723-3105
Fax No.: (043) 723-1802

BAUAN EXTENSION OFFICE
JP Rizal St., Poblacion
Bauan Batangas
Tel. No.: (043) 727-2715
Fax No.: (043)727-2738

BIÑAN
G/F Admin. Bldg.,
Laguna International Industrial Park.
Mamplasan, Biñan, Laguna
Tel. Nos.: (049) 539-0167; (02) 520-9174
Fax No.: (049) 539-0177

BOAC EXTENSION OFFICE
D. Reyes St., Brgy. San Miguel
Boac, Marinduque
Tel. No.: (042) 332-0320
Telefax No.: (042) 332-0319

CABANATUAN
1051 Burgos Ave., Cabanatuan City
Nueva Ecija
Tel. Nos.: (044) 463-5359; 463-8420; 464-7473
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
McArthur Highway, Carmen Rosales, Pangasinan
Tel. Nos.: (075) 564-4228; 582-2657
Fax No.: (075) 564-3912

CARMONA
People's Technology Complex (SEZ)
Governor's Drive, Carmona, Cavite
Tel. Nos.: (046) 430-1401; 430-1402
Fax Nos.: (046) 430-1490; (02) 520-8093

CAUAYAN
Central Store Bldg.
Roxas St., Cauayan, Isabela
Tel. Nos.: (078) 652-1157; 897-1509
Fax No.: (078) 652-2371

CAVITE CITY
P. Burgos Ave., Caridad, Cavite City
Tel. Nos.: (046) 431-2242; 431-5951; (02) 529-8503
Fax No.: (046) 431-2398

CLARK
Bldg. N4033, C.M. Recto Highway
Clark Freeport Zone
Tel. Nos.: (045) 599-3058; 499-3029
Fax No.: (045) 599-3057

CLARK 2
RCBC Clark 2, Pavillion XV, Berthaphil 3
Jose Abad Santos Ave., Clark Freeport Zone,
Pampanga
Tel. Nos.: (045) 499-1168; 499-2162
Fax No.: (045) 499-1167

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; 522-0303;
522-0828 to 29
Fax No.: (075) 515-6584

DASMARIÑAS
RCBC Bldg., FCIE Cmpd.
Governor's Drive, Langkaan
Dasmarinas, Cavite
Tel. Nos.: (046) 402-0031 to 33; (02) 529-8118
Fax No.: (046) 402-0034

DASMARIÑAS PALA-PALA
Dasmariñas Commercial Complex
Pala-Pala, Governor's Drive
Dasmariñas, Cavite
Tel. Nos.: (046) 686-1673 to 74; 686-7840

DASMARIÑAS-MANGUBAT DRIVE
Heritage Bldg., Mangubat Drive
Dasmariñas, Cavite
Tel. Nos.: (046) 416-6698; 416-6865; 850-0830;
(02) 529-8133
Telefax No.: (046) 416-6865

DMIA EXTENSION OFFICE
Clark International Airport
Passenger Terminal Bldg., Arrival Area
Angeles City, Pampanga
Tel. No.: (045) 477-8292

FIRST PHILIPPINE INDUSTRIAL PARK
Units 1 and 2, Oasis Commercial Center,
R.S. Diaz Ave. First Philippine Industrial Park,
Sta. Anastacia, Sto. Tomas, Batangas
Tel. Nos.: 0933-461 0907; 0928-223 6288

GAPAN
Maharlika Highway, Sto. Nino
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

GATEWAY EXTENSION OFFICE
G/F Samantha's Place Commercial Bldg.
Governor's Drive, Manggahan
General Trias, Cavite
Tel. Nos.: (046) 402-3008 to 10

GMA, CAVITE
CITI Appliance Bldg.
Brgy. San Gabriel, Governor's Drive
GMA, Cavite
Tel. No.: (046) 972-0317
Fax No.: (046) 890-2365

GUIMBA
Afan Salvador St., Guimba, Nueva Ecija
Tel. No.: (044) 611-1060
Fax No.: (044) 943-0020

HACIENDA LUISITA
Plaza Luisita, San Miguel, Tarlac
Tel. Nos.: (045) 985-1545 to 46
Fax No.: (045) 985-1544

ILAGAN, ISABELA
RCK Bldg., Calamagui 2nd
Maharlika Rd., Ilagan, Isabela
Tel. Nos.: (078) 624-1168; 622-3158
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; 424-3346 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
Fax No.: (02) 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 Nos.: (052) 480-6416; (02) 429-1812

LIMA
Lima Technology Center, Malvar, Batangas
Tel. Nos.: (043) 981-1846; 981-1847
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

LISP III EXTENSION OFFICE
Science Park III, Admin. Bldg.
Millenium Drive, Sto. Tomas
Batangas City
Tel. Nos.: (049) 530-9612; 530-9614; 530-9619
Fax No.: (049) 530-9604

LUCENA
cor. Quezon Ave. and M.L. Tagarao St., Lucena City
Tel. Nos.: (042) 710-4086; 710-6461; (02) 250-8208
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
cor. Zurbito and Domingo (Tara) Sts.
Masbate City
Tel. No.: (056) 333-2269
Fax No.: (056) 333-2885

MEYCAUAYAN
VD and S Bldg., McArthur Highway
Calvario, Meycauayan City
Bulacan
Tel. Nos.: (044) 769-6121; 769-6290

MEYCAUAYAN EXTENSION OFFICE
Sterling Square, Sterling Industrial Cmpd.
Iba Malhacam National Highway, Meycauayan City
Bulacan
Tel. No.: 894-9000 loc. 5314

NAGA
G/F, Crown Hotel Bldg.
Peñafrancia Ave., Naga City
Tel. Nos.: (054) 473-9114; 811-9115
Fax Nos.: (054) 811-9116; (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

PALAWAN NATIONAL HIGHWAY
Lustre Arcade, National Highway
Brgy. Tiniguiban, Puerto Princesa City
Tel. Nos.: (048) 723-0358 to 60

ROSARIO
Cavite Export Processing Zone
Rosario, Cavite
Tel. Nos.: (046) 437-6549 to 50; 437-6255; 437-6260; 971-0586; (02) 529-8829 to 30
Fax No.: (046) 971-0587

SAN FERNANDO
G/F Hiz-San Bldg., McArthur Highway
Brgy. Dolores, City of San Fernando, Pampanga
Tel. Nos.: (045) 963-4757 to 59; 963-4761
Fax No.: (045) 963-4760

SAN FERNANDO JASA
Unit 3 and 4, G/F Kingsborough Commercial Center
Jose Abad Santos Ave., 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, NUEVA ECIJA
Mokara Bldg., Maharlika Highway
Abar 1st, San Jose City, Nueva Ecija
Tel. Nos.: (044) 511-1408; 958-5090
Fax No.: (044) 958-5097

SAN PABLO
Ultimart Shopping Plaza
M. Paulino St., San Pablo City
Tel. No.: (049) 562-0782
Fax No.: (049) 562-0781

SAN PEDRO
EM Arcade, Brgy. Poblacion
National Highway, San Pedro, Laguna
Tel. Nos.: 847-5685; 868-9459 to 60
Fax No.: 847-5683

SANTIAGO
26 Maharlika Rd., Aveles Bldg.
Victory Norte, Santiago City, Isabela
Tel. No.: (078) 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 JP Rizal Ave., National Highway
Solano, Nueva Vizcaya
Tel. Nos.: (078) 326-6678; 326-5569
Fax No.: (078) 326-5559

STA. CRUZ
cor. A. Regidor and Burgos Sts.
Sta. Cruz, Laguna
Tel. Nos.: (049) 501-2136; 501-3538; (02) 520-8318

STA. CRUZ EXTENSION OFFICE
Teoxan Bldg., Sitio Narra
Brgy. Labuin, Sta. Cruz, Laguna
Tel. No.: (049) 501-2136
Fax No.: (049) 501-2136

STA. MARIA
39 J.P. Rizal St., Poblacion
Sta. Maria, Bulacan
Tel. Nos.: (044) 641-0251; 641-5371; 641-4845
Fax No.: (044) 288-2694

STA. ROSA BALIBAGO-WALTERMART EXTENSION OFFICE
Upper G/F Waltermart Center
Sta. Rosa, Laguna
Tel. No.: (049) 530-2507
Telefax No.: (049) 530-2508

STA. ROSA SOLENAD 2 EXTENSION OFFICE
Unit M20 Bldg. 2, Nuvali Solenad 2
National Rd., Brgy. Sto Domingo
Sta. Rosa, Laguna
Tel. No.: (049) 530-1281
Telefax Nos.: (049) 530-1482; 530-1384

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

STARMALL DAANG HARI
Starmall Prima, cor. Daang Hari and Molino Rd.
Brgy. Molino 4, Bacoor, Cavite
Tel. No.: (046) 686-1671

SUBIC FREEPORT ECOZONE
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) 487-7042; 830-0112; (02) 429-1808
Fax No.: (02) 429-1808

TAGAYTAY
Unit 1 Olivarez Plaza
Emilio Aguinaldo Highway, Tagaytay City
Tel. Nos.: (046) 483-0540 to 43; (02) 845-3302
Fax No.: (046) 483-0542

TARLAC
F. Tañedo St., Tarlac City
Tel. Nos.: (045) 982-0820 to 21; 982-3389
Fax No.: (045) 982-1394

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; 846-2845
Fax No.: (078) 844-1926

URDANETA
E.F. Square Bldg., McArthur Highway
Urdaneta City, Pangasinan
Tel. Nos.: (075) 656-2289; 568-2090; 568-8436
Fax No.: 568-2925

VISAYAS REGION

ANTIQUE
cor. Solana and T. Fornier Sts.
San Jose, Antique
Tel. Nos.: (036) 540-8191 to 92; 540-7025
Fax No.: (036) 540-8191

BACOLOD LACSON
Lourdes C. Centre II
14th Lacson St., Bacolod City
Tel. Nos.: (034) 432-3189; 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
Fax No.: (034) 433-0828

BALAMBAN
D.C. Sanchez St., Balamban, Cebu
Tel. Nos.: (032) 465-3451 to 52; 266-9127
Telefax No.: (032) 465-3450

BANILAD
A. S. Fortuna St., Banilad, Cebu City
Tel. Nos.: (032) 346-3891 to 92; 346-3894; 346-5431
Fax No.: (032) 346-7083

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
Fax No.: (055) 533-9013

CATARMAN
Ange Ley Bldg., JP 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
Fax No.: (055) 543-9062

CATICLAN EXTENSION OFFICE
Jetty Port, Brgy. Caticlan
Malay, Aklan
Tel. No.: (036) 288-7644

CEBU - 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

CEBU - STO. NINO
Belmont Hardware Depot Bldg.
cor. P. Burgos and Legaspi Sts.
Bgy. San Roque, Cebu City
Tel. Nos.: (032) 253-6028; 256-0173
Telefax No.: (032) 255-8256

CEBU BUSINESS PARK
Lot 1, Block 6, Mindanao Ave.
cor. Siquijor Rd., Cebu Business Park
Cebu City
Tel. Nos.: (032) 238-6923; 233-6229; 416-3708
Fax No.: (032) 233-5450

CEBU IT PARK
S-04 G/F Skyrise 4 Bldg.
Cebu IT Park, Lahug, Cebu City
Tel. Nos.: (032) 260-0511; 260-0515; 260-0526; 260-0491
Fax No.: (032) 260-0526

CEBU MANALILI
Tan Sucheng 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

CONSOLACION
Admin. Bldg., National Highway
Consolacion, Cebu
Tel. Nos.: (032) 564-2052; 564-2014; 423-9335; 564-2049

DUMAGUETE
Dr. V. Locsin St., Dumaguete City, Negros Oriental
Tel. Nos.: (035) 225-1349; 422-8153; 422-8096
Fax No.: (035) 422-8422

FUENTE OSMEÑA
Grepalife Tower, Fuente Osmeña
Rotonda, Cebu City
Tel. Nos.: (032) 255-4886; 253-2560; 255-3326; 255-3566; 255-9864
Fax No.: (032) 253-0018

GUADALUPE
63M. Velez St., 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. No.: (034) 391-2322
Fax No.: (034) 391-2323

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; 335-1056
Fax No.: (033) 337-8100

ILOILO MABINI
Go Pun Bldg.
cor. Mabini and Delgado Sts., Iloilo City
Tel. Nos.: (033) 509-1732; 336-6616
Fax No.: (033) 336-3728

ILOILO-LEDESMA
Cor. Ledesma and Quezon Sts., Iloilo City
Tel. Nos.: (033) 508-6019; 338-4370
Telefax No.: (033) 338-4369

JARO
cor. E. Lopez and Seminario Sts.
Jaro, Iloilo City
Tel. Nos.: (033) 320-4074; 320-4077
Fax No.: (033) 320-4075

JCENTRE MALL
Lower G/F, J Centre Mall
165 A.S. Fortuna St., Bakilid
Mandaue City, Cebu
Tel. Nos.: (032) 520-3263; 520-3258; 520-3260
Fax No.: (032) 520-3260

KABANKALAN
Guanzon St., Kabankalan City
Negros Occidental
Tel. Nos.: (034) 471-2316; 471-2516
Fax No.: (034) 471-2516

KALIBO
Lu Bldg., Roxas Ave.
Kalibo, Aklan
Tel. No.: (036) 262-3474
Fax No.: (036) 268-5108

MACTAN
RCBC Bldg., MEPZ 1
Mactan, Lapu-Lapu City
Tel. Nos.: (032) 340-1853; 340-1726; 340-2955; 340-0750; 340-1282; 340-0737; 340-1810
Fax No.: (032) 340-0737

MANDAUE
A.C. Cortes St., Ibabao, Mandaue City
Tel. Nos.: (032) 346-1283; 346-0025; 346-1727; 345-5561
Fax No.: (032) 346-0948; 345-5561

MEPZ 2 EXTENSION OFFICE
Pueblo Verde, Mactan Economic Zone II
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. JL Briones St. and J. Luna Ave.
North Reclamation Area, Cebu City
Tel. Nos.: (032) 231-7044 to 45; 231-9975
Fax No.: (032) 231-7042

ORMOC
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

ROXAS CITY
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
Fax No.: (034) 495-1990

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; 325-7326; 523-4167
Fax Nos.: (053) 523-4167; 523-1930

TAGBILARAN
RCBC Bldg, C.P.G. Ave., Tagbilaran City
Tel. Nos.: (038) 412-3583; 412-3555; 501-7536
Fax No.: (038) 411-5874

TALISAY EXTENSION OFFICE
South Central Square, Lawaan III
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 REGION

ATENEO DE DAVAO EXTENSION OFFICE
F-106 G/F Finster Bldg.
Ateneo De Davao University Main Campus
cor. CM Recto Ave. and Roxas Ave., Davao City
Tel. Nos.: (082) 295-3127; 295-2707; 295-3784

BUTUAN
FSUU Bldg., cor. E. Luna and P. Burgos Sts.
Butuan City, Agusan Del Norte
Tel. Nos.: (085) 342-8923; 341-5267; 342-7551; 341-8829
Fax No.: (085) 341-9093

BUTUAN EXTENSION OFFICE
Brgy. Tandang Sora, J.C. Aquino Ave.
Butuan City
Tel. No.: (085) 342-7663
Fax No.: (085) 342-7661

CALINAN EXTENSION OFFICE
National Highway, Poblacion
Calinan, Davao City
Tel. Nos.: (082) 284-1443; 284-1445

CARRASACAL EXTENSION OFFICE
National Highway, Gamuton Carrascal
Surigao Del Sur
Tel. No.: (086) 212-8031
Fax No.: (086) 212-8030

CDO LAPASAN
Lapasan Highway, Lapasan
Cagayan de Oro City
Tel. Nos.: (088) 856-1888; 856-3888; (08822) 728-447
Fax No.: (08822) 722-448

CDO LIMKETKAI
Gateway Tower 1, Limketkai Center
Cagayan De Oro City
Tel. Nos.: (088) 856-3707; 852-1291
Telefax No.: (088) 856-3708

CDO MASTERSON
Xavier Estates, Masterson Ave.
Upper Balulang, Cagayan de Oro City
Tel. No.: (088) 8590-0526
Fax No.: (088) 859-0258

CDO OSMEÑA
Simplex Bldg., Osmeña St.
Cagayan de Oro City
Tel. Nos.: (088) 857-1888; (08822) 726-754
Telefax No.: (088) 856-2888

CDO VELEZ
cor. A. Velez and Cruz Taal St.
Cagayan de Oro City
Tel. Nos.: (088) 856-4982; (08822) 727-964; 726-057
Telefax No.: (088) 856-8888

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) 552-3034

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
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

DAVAO BAJADA
cor. JP Laurel Ave. and Villa Abrille St., Davao City
Telefax No.: (082) 225-1112; 305-5231

DAVAO-QUIRINO
E. Quirino Ave., Davao City
Tel. Nos.: (082) 221-4912; 221-4909
Fax No.: (082) 300-4288

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. General Luna and Balintawak Sts.
Dipolog City
Tel. No.: (065) 212-2543
Telefax No.: (065) 212-2542

DOLE EXTENSION OFFICE
Dole Phils Pavillion, Polomolok, South Cotabato
Tel. Nos.: (083) 500-2643; 500-2500 local 3627
Fax No.: (083) 500-2643

GENSAN
RGH Bldg., J. Catolico 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) 221-5443; 221-5449; 223-8333
Telefax No.: (063) 221-3006

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
Telefax No.: (064) 471-0233

KABACAN
Poblacion, National Highway
Kabacan, Cotabato Province
Tel. No.: (064) 248-2207
Telefax No.: (064) 248-2058

KIDAPAWAN
KMCC Bldg., Dayao St.
Kidapawan City, North Cotabato
Tel. No.: (064) 288-1572
Fax No.: (064) 288-1573

MALAYBALAY
Tiongson Bldg., 8 Don Carlos St.
Malaybalay City, Bukidnon
Tel. Nos.: (088) 813-3565 to 66
Telefax No.: (088) 813-3564

MARAMAG EXTENSION OFFICE
Fibeco Cmpd., Sayre Highway Anahawon
Maramag, Bukidnon
Tel. No.: (088) 238-5591
Fax No.: (088) 238-5589

MARANDING EXTENSION OFFICE
National Highway, Maranding
Lala, Lanao Del Norte
Tel. No.: (063)388-7003
Fax No.: (063)388-7045

MARBEL
cor. General Santos Drive and Roxas Sts.
Koronadal City, South Cotabato
Tel. Nos.: (083) 228-2331; 520-1378
Fax No.: (083) 228-2333

MARBEL EXTENSION OFFICE
Kobe Bldg., NDMU Cmpd., Alunan Ave.
Koronadal City, South Cotabato
Tel. No.: (083) 228-7914

NABUNTURAN
SMPTC Bldg., Tirol and Calamba Purok 7
Lauro Arabejo St., Poblacion
Nabunturan, Compostela Valley Province
Tel. Nos.: (084) 376-0216; 376-0731

NCCC MALL DAVAO
Crossing McArthur Highway and Ma-A Rd.
Matina, Davao City
Tel. Nos.: (082) 297-1247; 299-3974; 299-3976

OZAMIS
cor. Don Anselmo Bernard Ave and Mabini Sts.
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 No.: (062) 214-1781; 9250-397

PANABO
Greatsun Plaza Bldg.
Prk. Atis, Brgy. Sto. Niño
National Highway, Panabo City
Tel. Nos.: (084) 822-1192; 822-1320; 645-0002
Fax No.: (084) 822-1192

POLOMOLOK
B-French St., Polomolok, South Cotabato
Tel. Nos.: (083) 225-2148 to 49
Telefax No.: (083) 500-9161

R. CASTILLO DAVAO EXTENSION
Office Techno Trade Corporate Bldg.
164 R. Castillo St., Agdao, Davao City
Tel. Nos.: (082) 234-0137; 234-0135

ROADWAY INN EXTENSION OFFICE
Roadway Inn, J.P. Laurel Ave.
Bajada, Davao City
Tel. Nos.: (082) 222-0198; 222-0207

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, ACYAP Enterprises Inc. Bldg.
cor. Alunan Highway and Magsaysay Ave.
Tacurong City
Tel. Nos.: (064) 200-3189
Fax No.: (064) 477-0250

TAGUM
RCBC Bldg., cor. Pioneer Ave. and Quirante II Sts.
Tagum City, Davao Del Norte
Tel. Nos.: (084) 655-6341 to 42; 400-3113
Fax No.: (084) 400-1006

TANDAG
Pimentel Bldg., Doñasco St.
Tandag, Surigao Del Sur
Tel. Nos.: (086) 211-3066; 211-3065
Fax No.: (086) 211-3063

TORIL
G/F Felcris Supermarket
McArthur Highway (Toril District)
Tel. Nos.: (082) 295-1600; 295-1700
Fax No.: (082) 295-2800

VALENCIA
Marchedon Bldg., Sayre National Highway
Valencia , Bukidnon
Tel. Nos.: (088) 828-2166 to 67
Fax No.: (088) 828-2166

VICTORIA PLAZA
Victoria Plaza Mall, J.P. Laurel Ave., Davao City
Tel. Nos.: (082) 221-8580 to 83
Fax No.: (082) 221-8581

ZAMBOANGA
Sia Bldg., Tomas Claudio St., Zamboanga City
Tel. Nos.: (062) 991-2048; 991-0753; 991-0754
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

RCBC SAVINGS BANK BRANCH DIRECTORY

AGUSTIN
G/F Agustin 1 Bldg., Ruby Rd.
Ortigas Center, Pasig City
Tel. Nos.: 631-2031; 631-2027

AMPID
122 Gen. Luna St., Ampid 1
San Mateo, Rizal
Tel. Nos.: 997-3761; 998-2799; 941-7788

ANGONO
Quezon Ave., San Pedro
Angono, Rizal
Tel. Nos.: 651-0731; 451-0456

ANONAS
cor. 69 Anonas and Chico St.
Project 2, Quezon City
Tel. Nos.: 928-9762; 925-1319 to 20

ANTIPOLO LORES
G/F Lores Country Plaza
M.L. Quezon Extn., San Roque
Antipolo City, Rizal
Tel. Nos.: 696-9130; 696-9133 to 34

ANTIPOLO LORES EXTENSION (Mille Luce)
G/F Mille Luce Village Center
Dalig, Antipolo City, Rizal
Tel. Nos.: 571-7862; 570-2992; 555-8700 loc 5813

ANTIPOLO TAYTAY
Palmera Hills 300, Ortigas Extn.
Dolores, Taytay, Rizal
Tel. Nos.: 660-3858; 660-3854

AYALA ALABANG
G/F Sycamore Bldg.
cor. Alabang-Zapote Rd. and Buencamino St.
Alabang, Muntinlupa City
Tel. Nos.: 850-8825 to 26; 850-9712

AYALA AVENUE
8767 G/F Philamlife Tower
Paseo de Roxas, Makati City
Tel. Nos.: 893-7265 to 66; 812-4066

BACLARAN
cor. 3916 Quirino Ave. and Aragon St.
Baclaran, Parañaque City
Tel. Nos.: 853-9692 to 93; 551-1593

BARANGKA
84 Riverbanks Center, A. Bonifacio Ave.
Barangka, Marikina City
Tel. Nos.: 948-1093; 997-5442

BETTERLIVING
133 Doña Soledad St., Parañaque City
Tel. Nos.: 824-0175; 823-9232; 659-6204

BINANGONAN
cor. M.L. Quezon and P. Zamora St., Libid
Binangonan, Rizal
Tel. Nos.: 652-0082; 652-1177

BINANGONAN EXTENSION
1003 Perez Cmpd., Highway Calumpang
Binangonan, Rizal
Tel. Nos.: 584-5587; 555-8700 loc 5172

BINONDO
Unit 2 G/F & 2/F One Binondo Place Tower
cor. San Nicolas and Ilang Ilang St.
Binondo, Manila
Tel. Nos.: 241-0991; 256-0108

BLUMENTRITT
1876 cor. Blumentritt and Andrade Sts.
Santa Cruz, Manila
Tel. Nos.: 781-8342; 743-1316

C. RAYMUNDO
Unit G/H & G/F JG Bldg.
C. Raymundo Ave., Maybunga
Rosario, Pasig City
Tel. Nos.: 570-2779; 570-4651; 571-3580

CAMARIN
cor. Susano Rd. and Palmera Spring
Camarin, Caloocan City
Tel. Nos.: 961-7239; 939-7283; 442-3619

COGEO
Lot 64-66 Cogeo Trade Hall
Sitio Kasapi, Bagong Nayon
Antipolo City, Rizal
Tel. Nos.: 654-1654; 654-1656

COMMONWEALTH
L43 B3 Commonwealth Ave.
Matandang Balara, Quezon City
Tel. Nos.: 931-4404; 931-0718; 434-39-65

E. RODRIGUEZ
444 E. Rodriguez, Sr.
Doña Aurora, Quezon City
Tel. Nos.: 740-4954; 743-1953; 711-1920

ERMITA
1127 A. Mabini St., Ermita, Manila
Tel. Nos.: 526-7988; 526-7990; 353-4952

FELIX AVE.
Phase 2, Dela Paz, Pasig City
Tel. Nos.: 681-7565; 681-4836; 646-5739; 681-4845

FORT BONIFACIO
Unit 1-D Crescent Park Residences
2nd Ave., Burgos Circle
Fort Bonifacio, Taguig City
Tel. Nos.: 816-3938; 816-3930

GREENHILLS
G/F Ongpauco Bldg.
cor. Wilson and P. Guevarra Sts.
Greenhills, San Juan
Tel. Nos.: 724-9368; 724-2521

J.P. RIZAL
G/F MTC Bldg.
cor. J.P. Rizal and Makati Ave.
Poblacion, Makati City
Tel. Nos.: 899-7551; 899-7537; 899-7489

KALENTONG
49 C & D Arañez Bldg., New Panaderos St.
Kalentong, Sta. Ana, Manila
Tel. Nos.: 533-6590; 533-4420

KAPITOLYO
615 Shaw Blvd., Pasig City
Tel. Nos.: 631-8178 to 79; 635-5437

KATIPUNAN
321 G/F Torres Bldg., Katipunan Ave.
Loyola Heights, Quezon City
Tel. Nos.: 929-8469; 929-8418

LA HUERTA
G/F de Los Santos Bldg.
1003 Quirino Ave., La Huerta, Parañaque City
Tel. Nos.: 829-6022 to 23; 820-7606

LAGRO
Km 22 Quirino Highway, Greater Lagro,
Quezon City
Tel. Nos.: 417-8996; 921-3472; 936-0158

LAS PIÑAS
G/F Elena Bldg., Alabang-Zapote Rd.
Pamplona Tres, Las Piñas City
Tel. Nos.: 872-6822; 874-5341; 478-4421

MAIN OFFICE
G/F RCBC Savings Bank Corporate Center
26th and 25th Sts., Fort Bonifacio, Taguig City
Tel. Nos.: 843-3035; 843-3049; 843-3051;
843-3054 to 55

MALABON
143 M. H. del Pilar St., Tugatog. Malabon City
Tel. Nos.: 961-6181; 961-6562

MALANDAY
614 McArthur Highway,
Malanday, Valenzuela City
Tel. Nos.: 277-0211 to 12

MANUELA EDSA
444 cor. EDSA and Shaw Blvd., Mandaluyong City
Tel. Nos.: 718-2491 to 92; 724-3547

MARULAS
McArthur Highway, Marulas, Valenzuela City
Tel. Nos.: 293-9408 to 09

MASINAG
259 Sumulong Highway, Mayamot
Antipolo City, Rizal
Tel. Nos.: 645-5575; 645-1969

MENDIOLA
163 cor. E. Mendiola and Concepcion Aguila St.
San Miguel, Manila
Tel. Nos.: 734-0452; 734-9587

METROPOLIS
G/F Starmall Alabang
South Superhighway, Muntinlupa City
Tel. Nos.: 809-8604; 809-8568

MONTALBAN
cor. J. Rizal and Linco Sts., Balite
Montalban(Rodriguez), Rizal
Tel. Nos.: 948-1385; 942-2472

MORONG
T. Claudio St., San Juan, Morong, Rizal
Tel. Nos.: 653-0289; 691-5245

MUNTINLUPA
National Highway, Putatan, Muntinlupa City
Tel. Nos.: 862-0034; 862-0737; 403-7137

NAVOTAS
cor. Estrella and Yangco St.
Navotas East, Navotas City
Tel. Nos.: 282-4392; 283-0820

N.K.T.I.
National Kidney Transplant Institute
East Ave., Diliman, Quezon City
Tel. Nos.: 376-1059 to 60

NORTHBAY
G/F Melandrea III Bldg.
Northbay Blvd., Navotas City
Tel. Nos.: 983-0697; 983-0914

NOVALICHES
917 Bo. Gulod, Quirino Highway, Quezon City
Tel. Nos.: 936-8811; 418-0213; 937-1326

ORTIGAS EXTENSION
G/F Prudentialife Bldg., Ortigas Ave. Extn.
Brgy. Sta. Lucia, Pasig City
Tel. Nos.: 656-1329; 656-1956; 655-0886; 477-3314

P.TUAZON
cor. 12th Ave. and P. Tuazon, Quezon City
Tel. Nos.: 913-3118; 912-0816; 913-3112

PACIFIC PLACE
G/F Pacific Place Condominium
Pearl Drive, Ortigas Center
San Antonio, Pasig City
Tel. Nos.:636-6617; 635-6604; 634-1563

PANTOK
Evermore Bldg., National Rd.
Pantok, Binangonan, Rizal
Tel. Nos.: 570-3868; 570-0367

PASAY
cor. 2350 Taft Ave. and Libertad St., Pasay City
Tel. Nos.: 804-0333; 831-3418; 833-8925

PASIG TOWN
5 Dr. Sixto Antonio Ave., Kapasigan, Pasig City
Tel. Nos.: 641-0783; 640-0972; 570-8887

PASONG TAMO
2178 G/F Matrinco Bldg., Pasong Tamo St.,
Pio del Pilar, Makati City
Tel. Nos.: 840-5224; 840-5226; 403-7810

PATEROS
54 M. Almeda St., Bo. San Roque, Pateros
Tel. Nos.: 641-9081; 641-6201

RIZAL AVENUE
440 G/F Eleongsin Bldg., Rizal Ave., Caloocan City
Tel. Nos.: 361-1354; 361-1244; 361-1109

SAN JOAQUIN
227 M Concepcion St., San Joaquin, Pasig City
Tel. Nos.: 640-0154 to 55; 570-7563

SAN MATEO
323 Gen. Luna St., Guitnangbayan II
San Mateo, Rizal
Tel. Nos.: 948-0199; 942-6969; 941-6388

SAN ROQUE
319 J. P. Rizal St., San Roque, Marikina City
Tel. Nos.: 682-6453; 646-2131; 681-3490

SANGANDAAN
cor. A. Mabini and Plaridel St.
Poblacion, Caloocan City
Tel. Nos.: 288-8238; 288-7723

STA. MESA
4463 Old Sta. Mesa, Brgy. 587, Zone 58
Sta. Mesa, Manila
Tel. Nos.: 716-0631; 716-0685

SUCAT
Unit 3 Virramall Bldg., Dr. A. Santos Ave.
Sucat Rd., San Dionisio, Parañaque City
Tel. Nos.: 828-8236; 828-8238; 659-7130

TAFT REMEDIOS
1932 Taft Ave. Malate, Manila
Tel. Nos.: 536-6510 to 11; 526-7094

TANAY
cor. J.P. Laurel and M.H. del Pilar Sts.
Tanay, Rizal
Tel. Nos.: 654-3126; 693-1267

TERESA
RCF Bldg., R. Magsaysay Ave.
San Gabriel, Teresa, Rizal
Tel. Nos.: 668-5298; 666-5391

TIMOG
88 G/F Picture City Center
Timog Ave., Quezon City
Tel. Nos.: 410-7126; 929-1260
Fax No.: 929-1254

TOMAS MORATO
169 cor. Tomas Morato and Scout Castor,
Quezon City
Tel. Nos.: 355-7066; 374-0744
Fax No.: 413-1134

VISAYAS AVENUE
6 Visayas Ave., Bahay Toro, Quezon City
Tel. Nos.: 929-8962; 924-8753

Luzon

ALAMINOS
cor. Marcos Ave. and Montemayor St.
Poblacion, Alaminos City, Pangasinan
Tel. No.: (075) 551-2587

ANDALUSIA (SAN FERNANDO EXTENSION)
G/F Vistamall, Paseo de Andalusia
San Agustin, San Fernando, Pampanga
Tel. Nos.: (045) 455-1195; 455-2568

ANGELES
810 Henson St., Lourdes Northwest.
Angeles City, Pampanga
Tel. Nos.: (045) 625-9363; 625-9395

APALIT
McArthur Highway, San Vicente
Apalit, Pampanga
Tel. Nos.: (045) 879-0095; 879-0045; 302-6274

BACOOR
333 E. Aguinaldo Highway
Bacoor City, Cavite
Tel. Nos.: (046) 529-8965; 471-7131; 471-3670

BAGUIO
G/F GP Shopping Arcade, Upper Mabini St.
Baguio City, Benguet
Tel. Nos.: (074) 444-2366; 444-2368

BALER
cor. Quezon and Bonifacio Sts.
Poblacion, Baler, Aurora
Tel. Nos.: (042) 722-0001; 722-0003

BALIBAGO
Sta. Rosa Commercial Complex
F. Canicosa Ave., Balibago
Santa Rosa City, Laguna
Tel. Nos.: (049) 520-8426; 530-0793; 530-0795

BATANGAS
131 D. Silang St., Brgy.15
Batangas City
Tel. Nos.: (043) 723-1229; 723-2394; 722-2334

BINAKAYAN
Tirona Highway, Binakayan, Kawit, Cavite
Tel. Nos.: (046) 434-3382; 434-3060; (02) 529-8728

BIÑAN
126 A. Bonifacio St., Canlalay
Biñan City, Laguna
Tel. Nos.: (049) 429-4833; 511-9826

BOCAUE
249 Biñang 2nd, McArthur Highway
Bocaue, Bulacan
Tel. Nos.: (044) 692-0053; 7695027 to 28; 273-7511

CABANATUAN
cor. Maharlika Highway and Paco Roman Extn.
Cabanatuan City, Nueva Ecija
Tel. Nos.: (044) 463-8640 to 41

CABUYAO
cor. J.P. Rizal Ave. and Del Pilar St.
Cabuyao City, Laguna
Tel. Nos.: (049) 520-8920; 531-2021

CALAMBA
National Rd., Real, Calamba City, Laguna
Tel. Nos.: (049) 545-6031; 520-8825

CALAPAN
Homemark Commercial Bldg., J.P. Rizal St.
Calapan, Oriental Mindoro
Tel. Nos.: (043) 441-0602 to 03; 288-1909

CANDON
National Highway, San Jose
Candon City, Ilocos Sur
Tel. Nos.: (077) 742-5575; 644-0102

DAGUPAN
Unit 101 & 102, RVR Bldg., Tapuac Dist.
Dagupan City, Pangasinan
Tel. No.: (075) 523-6599

DASMARIÑAS
E. Aguinaldo Highway, San Agustin
Dasmariñas City, Cavite
Tel. Nos.: (046) 529-8119; 416-0351

DINALUPIHAN
G/F NEJ Bldg., National Highway
San Ramon, Dinalupihan, Bataan
Tel. Nos.: (047) 633-4511 to 12

G.M.A
Blk 2 Lot 10, San Gabriel
General Mariano, Alvarez, Cavite
Tel. Nos.: (046) 520-8710; 890-2672

GEN. TRIAS
61 Gov. Luis Ferrer Ave., Malabon
Gen. Trias, Cavite
Tel. Nos.: 437-7348; 437-1508

IMUS
Nuevo Ave., Tansang Luma
Imus City, Cavite
Tel. Nos.: (046) 519-4447; 471-3989; 471-4097

LEGAZPI
G/F Delos Santos Commercial Bldg.
Legazpi City, Albay
Tel. Nos.: (052) 742-4695; 742-4697 to 98

LEMERY
Ilustre Ave., Lemery, Batangas
Tel. Nos.: (043) 409-1572; 411-0901

LINGAYEN
G/F Columbian Plaza Bldg.
Avenida Rizal St., Poblacion
Lingayen, Pangasinan
Tel. Nos.: (075) 542-3142; 653-0083

LIPA
Trinity Business Centre
JP Laurel, Ayala Highway
Lipa City, Batangas
Tel. Nos.: (043) 756-6357 to 59; 723-6959

LIPA EXTENSION
Mezzanine, Southern Twin Tower Bldg.
cor. V. Malabanan and P. Torres St., Brgy. 5
Lipa City, Batangas
Tel. Nos.: (043) 404-8067; (043) 404-8053

LUCENA
82 Quezon Ave., Lucena, Quezon
Tel. Nos.: (042) 795-0075; 373-4346; 373-1537

MAGSAYSAY, NAGA
G/F Sarap Realty Bldg., Magsaysay Ave.
Balatas, Naga City
Tel. Nos.: (054) 884-9904; 884-9147

MALOLOS
Paseo del Congreso, Catmon
Malolos, Bulacan
Tel. Nos.: (044) 791-5989; 791-3953

MEYCAUAYAN
831 McArthur Highway, Meycauayan City, Bulacan
Tel. Nos.: (044) 228-2241; 796-0530

MOLINO
RFC Mall, Molino 2
Bacoor City, Cavite
Tel. Nos.: (046) 477-2278; (02) 529-8967

MUZON, SJDM
Diaz Bldg., Muzon
San Jose Del Monte City, Bulacan
Tel. No.: (044) 893-4928

NAGA
G/F Annelle Bldg., cor. Biak Na Bato and PNR Rd.
Tabuc, Tabuco, Naga City, Camarines Sur
Tel. Nos.: (054) 473-7788; 472-5588

NAIC
Capt. C. Nazareno St., Poblacion
Naic, Cavite
Tel. Nos.: (046) 412-03-91; 507-01-83

NASUGBU
RSAM Bldg., JP Laurel St.
Brgy. 9 Poblacion, Nasugbu, Batangas
Tel. Nos.: (043) 741-0394; 741-0396 to 97

NOVELETA
Magdiwang Highway, Noveleta, Cavite
Tel. Nos.: (046) 438-1056; 438-2571; 438-8411

PADRE GARCIA
A. Mabini St., Padre Garcia, Batangas
Tel. Nos.: (043) 436-0215 to 16; 515-7177

PLARIDEL
Cagayan Valley Rd., Banga I,
Plaridel, Bulacan
Tel. Nos.: (044) 795-0688; 670-2289

PUERTO PRINCESA
175 G/F Pacific Plaza Bldg., Rizal Ave., Palawan
Tel. Nos.: (048) 433-0364; 433-0367

SAN CARLOS
G/F Roper Bldg., Palaris St.
Poblacion, San Carlos City, Pangasinan
Tel. No.: (075) 632-2469

SAN FERNANDO
G/F Emerald Business Center, Dolores
San Fernando City, Pampanga
Tel. Nos.: (045) 961-7614 to 15; 961-4505

SAN FERNANDO, LA UNION
G/F Chimes Bldg., Brgy. Parian
San Fernando City, La Union
Tel. Nos.: (072) 888-0732; 888-0755

SAN ILDEFONSO
Cagayan Valley Rd., Poblacion
San Ildefonso, Bulacan
Tel. Nos.: (044) 797-0521; 797-0523

SAN JOSE
Cameco Bldg.
cor. Makalintal Ave. and J.A. De Villa St.
San Jose, Batangas
Tel. Nos.: (043) 726-0022; 726-0052 to 53

SAN NICOLAS
Brgy. 2, San Baltazar
San Nicolas, Ilocos Norte
Tel. No.: (077) 677-1122

SAN PEDRO
National Highway, Nueva
San Pedro, Laguna
Tel. Nos.: 520-1788; 808-4608

SANTIAGO
29 City Rd., Centro West.
Santiago City, Isabela
Tel. Nos.: (078) 305-2056 to 57; 305-5149

STA. ROSA
cor. J. Rizal Blvd. and Tagapo
Santa Rosa City, Laguna
Tel. Nos.: (049) 520-8190; 534-3207

STA. ROSA EXTENSION
Unit 10 & 11, G/F DDC Garden Plaza
Santa Rosa City, Laguna
Tel. No.: (049) 530-3815

STARMALL, SJDM
Northwinds, Kaypian
San Jose Del Monte City, Bulacan
Tel. No.: (044) 797-0275

TANAUAN
G/F Reyes Commercial Bldg.
JP Laurel Ave., Poblacion 4
Tanauan City, Batangas
Tel. Nos.: (043) 778-3600; 778-3700

TANZA
A. Soriano Highway, Daang Amaya 1
Tanza, Cavite
Tel. Nos.: (046) 437-1507; 437-7715; 437-7081

TARLAC
McArthur Highway, Sto. Cristo
Tarlac City
Tel. Nos.: (045) 982-3700; 982-9133

TRECE MARTIRES
San Agustin, Trece Martires, Cavite
Tel. Nos.: (046) 419-3270; 419-2671; 419-2602

TUGUEGARAO
48 Balzain Rd., Balzain East
Tuguegarao City, Cagayan
Tel. Nos.: (078) 844-0885; 844-0879

URDANETA
McArthur Highway, San Vicente
Urdaneta City, Pangasinan
Tel. No.: (075) 568-4941

VIGAN
Unit 1 Plaza, Maestro Annex
Brgy. 1, Vigan, Ilocos Sur
Tel. No.: (077) 632-0221

VISAYAS

BASAK
Cebu North Rd., Basak
Mandaue City, Cebu
Tel. Nos.: (032) 268-5469; 344-8155

DUMAGUETE
cor. Real and San Juan St., Dumaguete City,
Negros Oriental
Tel. Nos.: (035) 422-8452; 225-6848; 225-1177

ESCARIO
N. Escario St., Capitol Site
Cebu City
Tel. Nos.: (032) 254-7165; 255-6404; 412-6943

F CABAHUG
G/F Pacific Square Bldg., F.Cabahug St.
Mabolo, Cebu
Tel. Nos.: (032) 505-5801; 505-5805

JALANDONI, ILOILO
Jalandoni St.. San Agustin
Iloilo City
Tel. Nos.: (033) 338-0212; 338-2065; 337-4785

LA PAZ, ILOILO
Calle Luna, Bantud, Iloilo
Tel. Nos.: (033) 329-1203 to 04

LACSON
Lacson St., Mandalagan
Bacolod City, Negros Occidental
Tel. Nos.: (034) 434-4689 to 91; 709-8101

LAPU LAPU
GF Hotel Europa, Basak, Mercado
Lapu-Lapu (Oson) City, Mactan, Cebu
Tel. Nos.: (032) 520-6520 to 21

LOPUE'S EAST
Lopue's East Bldg.
cor. Burgos St. and Carlos Hilado
National Highway, Villamonte
Bacolod City, Negros Occidental
Tel. Nos.: (034) 435-1026; 435-1030

LUZURIAGA
Golden Heritage Bldg. 1
cor. San Juan and Luzuriaga Sts.
Bacolod City, Negros Occidental
Tel. No.: (034) 432-1543 to 45

MAASIN
Abgao Tomas Oppus St., Maasin City,
Southern Leyte
Tel. Nos.: (053) 381-3854; 570-8282

MANDAUE
Highway Seno, Mandaue City, Cebu
Tel. Nos.: (032) 345-8063; 345-8065

OTON
Madr & Sons Arcade, JC Zulueta St.
Poblacion, South Oton, Iloilo
Tel. Nos.: (033) 336-0306 to 07; 510-8870

P DEL ROSARIO
G/F RCBC Savings Bank Bldg., P. Del Rosario St.
Kamagayan, Cebu City
Tel. Nos.: (032) 255-6182; 255-6702

TAGBILARAN
cor. CPG Ave. and H. Grupo St., Poblacion 2
Tagbilaran City, Bohol
Tel. Nos.: (038) 412-0083 to 85

TALAMBAN
G/F Eco Trade Bldg., J. Panos St.
Talamban, Cebu City
Tel. Nos.: (032) 343-7992; 412-1620

TALISAY
South Rd., Bulacao
Talisay City, Cebu
Tel. Nos.: (032) 272-2701; 272-2833

MINDANAO

AGORA
D2 A-One Business Center, Gaabucayan St.
Agora, Lapasan, Cagayan De Oro
Tel. Nos.: (088) 880-7892 to 93; 231-2098 to 99

BOLTON
Bolton St., Davao City
Tel. Nos.: (082) 221-0251; 222-4428; 222-4430

BUHANGIN
2010 Santos Bldg., Diversion Rd.
National Highway, Davao City
Tel. Nos.: (082) 241-0459; 241-2425; 241-0725

BUTUAN
G/F RT Bldg.
cor. J.C. Aquino Ave and Bonbon Rd.
Butuan City
Tel. Nos.: (085) 815-2050; 815-2053

CARMEN
Fabe Bldg., cor. Waling-Waling and Ferrabel Sts.
Carmen, Cagayan de Oro City
Tel. Nos.: (088) 858-5793; 858-6248

GEN. SANTOS
Pioneer Ave., General Santos City, South Cotabato
Tel. Nos.: (083) 553-8196 to 98

JP LAUREL
G/F Ana Socorro Bldg.
JP Laurel Ave., Bajada, Davao City
Tel. Nos.: (082) 222-2803 to 04

MONTEVERDE
Door 5 & 6 Veterans Bldg., Tomas Monteverde Ave.
Davao City
Tel. Nos.: (082) 222-0115; 221-9590; 227-0858

VELEZ
Velez St., Cagayan de Oro City
Tel. Nos.: (088) 856-2460 to 65; 272-9274; 272-5810

ZAMBOANGA
G/F Jesus Wee Bldg., Gov. Lim Ave.
Zamboanga City
Tel. Nos.: (062) 991-0814; 991-0817

RCBC SUBSIDIARIES AND ASSOCIATES*

DOMESTIC

RCBC SAVINGS BANK
Corporate Center, 25th and 26th Streets,
Bonifacio Global City
Taguig City 1634
Tel No.: (02) 555-8700
PRESIDENT & CEO: ROMMEL S. LATINAZO

MERCHANTS SAVINGS AND LOAN ASSOCIATION, INC.
(RIZAL MICROBANK-THRIFT BANK)
cor. J.P. Laurel Ave. (Acacia Section) and
Villa Abrille St., Davao City
Tel. Nos.: (082) 222-3948; 222-2438
PRESIDENT: RAYMUNDO C. ROXAS

RCBC CAPITAL CORPORATION
21F Tower II, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. No.: (632) 894-9000
Fax No.: (632) 845-3457
PRESIDENT & CEO: JOSE LUIS F. GOMEZ

RCBC BANKARD SERVICES CORPORATION
30F Robinson-Equitable Tower
cor. ADB Ave. and Poveda St.
Ortigas Center, Pasig City
Tel. No.: (632) 688-1888
PRESIDENT & CEO: SIMON JAVIER A. CALASANZ

RCBC SECURITIES, INC.
21F Tower II, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. No.: (632) 894-9000 loc 1681
Fax No.: (632) 889-7643
PRESIDENT & CEO: GERALD O. FLORENTINO

RCBC FOREX BROKERS CORPORATION
8F, Yuchengco Tower, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. No.: (632) 844-8920
Fax No.: (632) 894-9080
PRESIDENT & CEO: CHESTER Y. LUY

NIYOG PROPE RTY HOLDINGS, INC.
12F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel Nos.: (632) 894-9413; 894-9092
PRESIDENT: JOHN THOMAS G. DEVERAS

RCBC-JPL HOLDING CO., INC. (JP LAUREL BANK)
2F President Laurel Bldg.
Pres. Jose P. Laurel Highway
Tanauan City, Batangas
Tel. No.: (043) 778-4444
PRESIDENT & CEO:
CLARO PATRICIO L. CONTRERAS

RCBC LEASING AND FINAN CE CORPORATION
2F Grepalife Bldg.
221 Sen. Gil Puyat, Ave., Makati City
Tel. No.: (632) 810-9660
PRESIDENT & CEO: ALFONSO C. TANSECO

RCBC RENTAL CORPORATION
2F Grepalife Bldg.
221 Sen. Gil Puyat, Ave., Makati City
Tel. Nos.: (632) 810-9660
PRESIDENT & CEO: ALFONSO C. TANSECO

HONDA CARS PHILIPPINES, INC.*
105 South Main Ave., Laguna Technopark
Brgy. Don Jose, City of Sta. Rosa, Laguna
Tel. Nos.: Makati Line (632) 857-7200; 541-1411
PRESIDENT & GM: TOSHIO KUWAHARA

LUISITA INDUSTRIAL PARK CORPORATION*
48F Yuchengco Tower, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. No.: (632) 894 9559
PRESIDENT: RAMON S. BAGATSING, JR.

YGC CORPORATE SERVICES, INC.*
5/F Grepalife Bldg.
221 Sen. Gil Puyat Ave., Makati City
Tel. No.: (632) 894-2887
Fax No.: (632) 894-2923
EVP & COO: LIWAYWAY F. GENER

INTERNATIONAL

RCBC INTERNATIONAL FINANCE LIMITED CENTRAL OFFICE
Unit A 18F Li Dong Bldg.
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Tel Nos.: (852) 2167-7400; 2167-7471
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Shop 221, Lik Sang Plaza
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New Territories, Hong Kong
Tel No.: (852) 2492-9747
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Email: rcbchktw@biznetvigator.com
CONTACT PERSON:
MR. ARTEMIO ROY R. PANES

WORLD – WIDE HOUSE
Shop 129 1F, Worldwide Plaza
19 Des Voeux Road, Central Hong Kong
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CONTACT PERSON:
MR. FEDERICO E. AGUS, JR.

RCBC TELEMONEY EUROPE, SPA.[1]
Via Principe Amedeo, 7/b-c
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Fax No.: (39) 06 4823615
E-mail Address: rome.rcbc@gmail.com
MANAGING DIRECTOR: ARIEL N. MENDOZA

MILAN BRANCH[1]
Via Speronari No. 6
20123 Milan, Italy
Tel. Nos.: (39) 02 72094109; (39) 02 80509274
Fax No.: (39) 02 72094092
E-mail Address: milan.rcbc@gmail.com

[1]ceased operations on March 4, 2016

PRODUCTS AND SERVICES

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

In 2016, the following additional products and electronic services were introduced:

Time Deposit
- Peso 5-Year Time Deposit (RCBC Savings)
- US Dollar Time Deposit
  - 2 Year USD TD
  - 3 Year USD TD
  - 4 Year USD TD
  - 5 Year USD TD

Savings Account
- e Passbook Premium Plus

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

Checking Account
- Checking Account with Interest
- eVIP Deposit Pick Up (RCBC Savings)
- eLite 5000 (RCBC Savings)

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

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

Listed below are the products and services of RCBC:

A. DEPOSITS

Peso Deposits
- Checking Accounts
  - Regular Checking
  - SuperValue Checking
  - eWoman Checking
  - Rizal Enterprise Checking
  - eLite Checking
  - eVIP Checking
  - Dragon Checking
- Savings Accounts
  - Regular Savings
  - iSave
  - Dragon Savings
  - Super Earner Loyalty Plus
  - eWoman Savings
  - ePassbook Savings
  - ePassbook Premium Plus
  - SSS Pensioner
  - Payroll Savings
  - WISE Savings
- Time Deposits
  - Regular Time Deposit
  - Special Time Deposit
  - Time Deposit 2 Year, 3 Year, 4 Year, 5 Year

Foreign Currency Deposits
- Savings Accounts
  - Regular Savings
  - US Dollar
  - Japanese Yen
  - Euro
  - British Pounds
  - Canadian Dollar
  - Chinese Yuan
  - Australian Dollar
  - Swiss Franc
  - Dollar Dragon Savings
- Time Deposits
  - US Dollar
  - Japanese Yen
  - Euro Dollar
  - British Pounds
  - Canadian Dollar
  - Australian Dollar
  - Swiss Franc

B. CASH CARDS

RCBC MyWallet

RCBC Savings Bank MyWallet

RCBC WOW MyWallet

RCBC MyWallet Visa

RCBC MyWallet Co-branded Cards

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

C. ELECTRONIC BANKING CHANNELS

Automated Teller Machines

Bills Payment Machines

RCBC AccessOne
- RCBC Access One Personal
  - Internet Banking
  - Mobile Banking
  - Phone Banking
  - E-Shop
- RCBC Access One Corporate

BancNet POS System

TouchQ

D. REMITTANCE SERVICES

RCBC TeleMoney Products and Services
- RCBC TeleRemit (Cash Pick-Up)
- RCBC TeleCredit (Credit to a Bank Account)
- RCBC TeleDoor2Door (Cash Delivery)
- RCBC TelePay (International Bills Payment)

E. CREDIT CARDS

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

F. LOANS

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

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

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

G. PAYMENT AND SETTLEMENT SERVICES

Check Clearing

Domestic Letters of Credit

Fund Transfers
Collection Services
Cash Card
Checkwriting Services
Demand Drafts (Peso and Dollar)
Gift Checks
Manager's Checks
Payroll Services
Telegraphic Transfers
Traveler's Checks

International Trade Settlements
Import/Export Letters of Credit
Documents Against Payment/Acceptance
Open Account Arrangements

Overseas Workers Remittances

Securities Settlement

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

H. TREASURY AND GLOBAL MARKETS

Foreign Exchange
Foreign Exchange Spot
Foreign Exchange Forwards
Foreign Exchange Swaps

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

Derivatives
Interest Rate Swaps
Cross Currency Swaps
Asset Swaps

Advisory Services

I. TRUST SERVICES

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

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

Unit Investment Trust Funds
Rizal Peso Money Market Fund
Rizal Peso Cash Management Fund
Rizal Peso Bond
Rizal Balanced Fund
Rizal Equity Fund
Rizal Dollar Money Market Fund
Rizal Dollar Bond Fund
Rizal Global Equity Feeder Fund

J. CORPORATE CASH MANAGEMENT

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

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

Government Payment
Payment Gateway

Third Party Services
Payment Management Services
BancNet EDI-SSSNet
Bancnet eGov - SSS/PAg-Ibig/Philhealth

K. 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

L. 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

RCBC
We believe in you.

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