RCBC

BELIEVE IN MOMENTUM

ANNUAL REPORT 2017

CONTENTS

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.

The RCBC Vision and Mission Statements

The RCBC Vision and Mission statements embodies the aspirations of the Bank and what it would like to accomplish in the mid-term or long-term future. It is intended to serve as a guide for choosing current and future courses of action. It is a written declaration of RCBC's core purpose and focus, a line encapsulating RCBC's vision not for itself, but for the people it serves.

The RCBC Brand

The Blue Hexagon is the corporate logo of the Yuchengco Group of Companies, of which RCBC is the financial servicing arm of the conglomerate. It was conceived with synergy in mind. Its six interlocking trapezoidal fields represent the conglomerate's founding businesses: life insurance, non-life insurance, banking and finance, investments, transportation and communication, and manufacturing and construction. The design gives the impression of a dynamo spinning on its hub—dynamic and ever-moving. The hexagon is viewed as a celestial sphere that radiates power, energy, and productivity.

For the past 56 years, RCBC has proudly used the Blue Hexagon to symbolize its union with the YGC conglomerate. However, the Bank recognizes that it needs to be a dynamic brand that will resonate not just with its traditional corporate clients, but with the retail consumers as well. Thus, in 2017, RCBC embarked on a brand refresh.

The new RCBC is anchored on the mission to maintain and further strengthen the Bank's relevance among Filipino depositors amidst the changing banking landscape and shifting dynamics. This is the Bank's way to refresh and reenergize its services to serve its loyal customers who have stood with them for all these years. At the same time, this was also RCBC's way to expand its presence and reach among the younger Filipino depositors.

Having built a solid foundation of service and trust through the years, these became the cornerstones in making the RCBC brand meaningful to consumers in the financial services sector. Bringing to life messages on customer service became central to the Bank's campaign, anchoring it in the reality that client relationships are at the heart of the RCBC brand.

This message ultimately found its expression in the tagline "We believe in you," a line encapsulating RCBC's vision not for itself, but for the people it serves. It became a clear message that this is not about the Bank, but what the Bank can do for you, it is rooted in a unique insight about what makes strong relationships. About how, working together with its clients, the Bank can be a strong partner in creating possibilities with them through its line-up of financial products and services.

"We Believe In You" is a statement inspired by hours and hours of talking to customers, and listening to their needs. It amplifies the importance that the Bank has put in building great customer relationships. It understands that every Filipino works hard in order to achieve their dreams. It is RCBC's commitment that it will be there to provide its clients with the right financial tools to help them achieve their dreams.

The RCBC Business Model

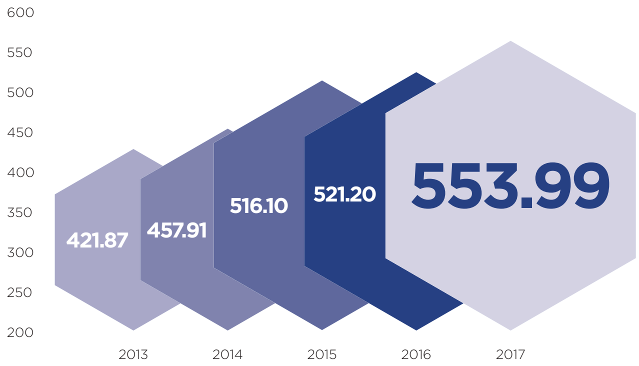
RCBC offers a wide range of financial services to both corporate and retail customers. The main source of funding of the Bank is from Customer Deposits accounting for 70.11% of the Total Resources. This is supported by Other Borrowings at 17.80% of Total Resources and Capital at 12.10% of Total Resources. The Bank's main source of revenue is from its Lending business, Loans account for 63.94% of Total Resources. The Bank lends to Corporations and Individuals. The Bank also earns other income from other financial services and activities through by charging Fees and or earning commissions. The bank may also earn Trading Income from proprietary trading activities Net Interest Income accounts for 71.74% of Total Operating Income, while Other income covers for 28.26% of balance. The bank delivers the financial products and services through different channels such as its 508 branches and 1,562 ATMs all over the country. The customers can also avail of the Bank's products and services through the internet and mobile IOS and android application.

Highlights of the Year

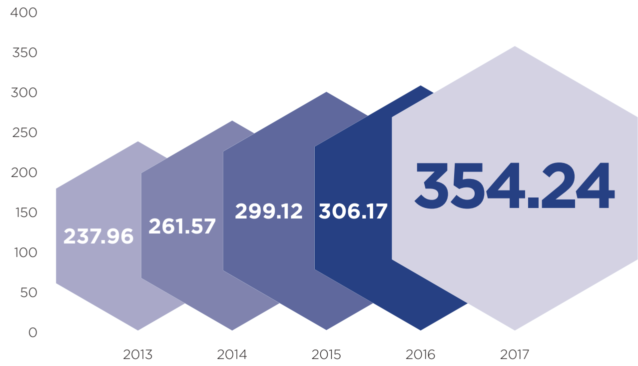
	Consolidated		Parent Bank (Solo)	
	2017	2016	2017	2016
Profitability for the year *in million pesos except ratios and net earnings per share*				
Total Net Interest Income	18,021	15,707	12,395	10,563
Total Non-Interest Income	7,100	7,114	6,887	6,496
Total Non-interest Expenses	17,815	17,355	13,113	12,674
Pre-provision profit	7,306	5,466	6,169	4,385
Allowance for credit losses	2,155	1,770	1,164	856
Net Income	4,310	3,870	4,308	3,868
Selected Balance Sheet Data *in million pesos*				
Liquid assets[1/]	110,773	133,472	89,994	108,501
Gross Loans and receivables	362,236	313,578	270,733	233,234
Total Resources	553,988	521,193	441,576	417,782
Deposits	388,412	353,077	288,667	260,165
Net Worth	67,027	62,133	66,929	62,037
Selected Ratios				
Return on equity	6.72%	6.42%	6.74%	6.43%
Return on assets	0.82%	0.77%	1.02%	0.93%
CET I capital ratio	12.45%	12.89%	11.75%	12.30%
Tier 1	12.45%	12.89%	11.75%	12.30%
CAR	15.46%	16.16%	15.33%	16.23%
Per common share data				
Net Income per share:				
Basic	3.08	2.76	3.08	2.76
Diluted	3.08	2.76	3.08	2.76
Book value	47.86	44.74	40.41	38.79
Others				
Cash dividends declared (in Php Mn)	773	1,008	773	1,008
Head count	6,773	6,473	4,455	4,239
Officers	3,992	3,736	2,677	2,499
Staff	2,781	2,737	1,778	1,740

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

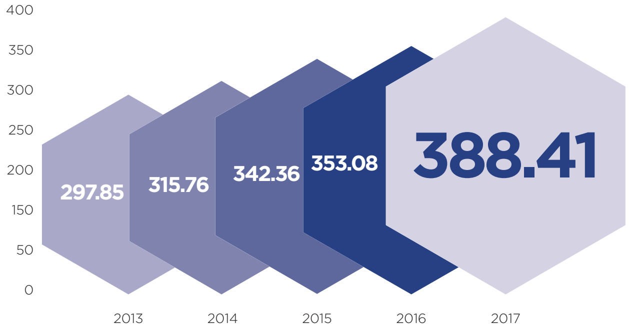
TOTAL RESOURCES (in billion pesos)



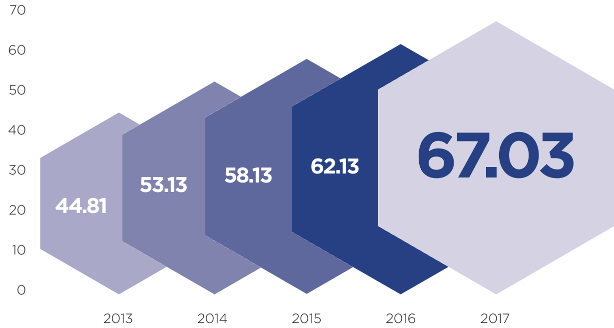
NET LOANS (in billion pesos)



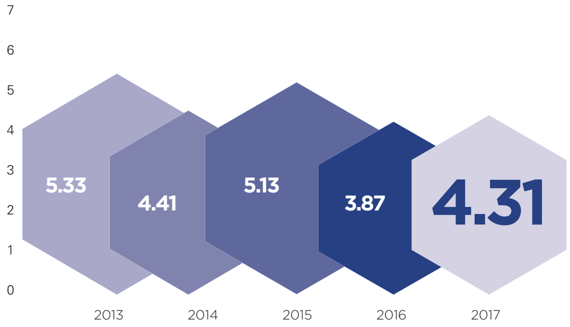
TOTAL DEPOSITS (in billion pesos)



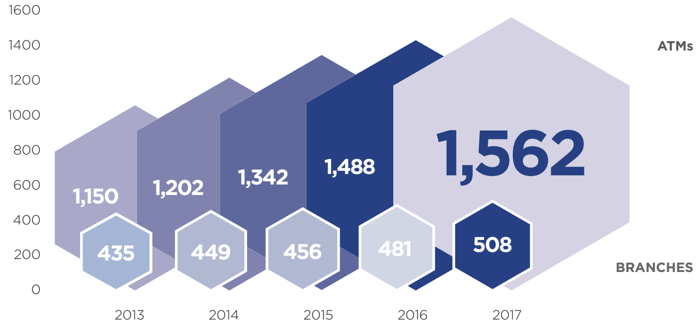
NET WORTH (in billion pesos)



NET INCOME (in billion pesos)



DISTRIBUTION NETWORK



Message to our Shareholders

"WE ARE ON A PATH OF TRANSFORMATION. RCBC HAS ONLY BECOME STRONGER OVER TIME. THE ORGANIZATION HAS DEVELOPED AN ABILITY TO STAY RESILIENT EVEN WITH THE INCREASING COMPLEXITY AND RISKS OF MARKETS, MORE BANKING REGULATION, AND TOUGH COMPETITION."

HELEN Y. DEE
Chairperson

Dear Fellow Shareholders,

The Bank's performance in 2017 reflects the hard work and commitment of the organization to build an even stronger bank than before. RCBC is an institution with more than just a record of financial strength and resilience, but a legacy of integrity and value. We are proud of what we have accomplished and equally excited about what is about to come. Allow us to share with you the key highlights and challenges of 2017 and how your bank and its people made it another milestone year.

The Financial Performance of 2017

The Bank faced the challenges of an increasingly rigorous regulatory environment and a competitive market with the clear focus of going back to banking basics realizing value from the opportunities at hand.

Total resources in 2017 grew by 6.29% from a year ago to Php553.99 billion, with the Loan Portfolio increasing by 15.70% year-on-year to Php354.24 billion. On the funding side, Deposits reached Php388.41 billion reflecting a growth of 10.01%. Total Capital Funds grew by 7.88% to Php67.03 billion in 2017, positioning RCBC as one of the largest and well-capitalized Universal Banks in the country.

Your Bank earned Php4.31 billion in Net Income in 2017, an increase of 11.37% from the previous year. This resulted in a Return on Equity of 6.72% and Return on Assets at 0.82%. The strategy of building on our core business led to a growth in Net Interest Income of 14.73%, coming mainly from the growth in the loan portfolio of our key select markets. Loans to the Small and Medium Enterprise (SME) Segment grew by 18% while loans to the consumer segment, which includes mortgage loans, automobile loans, and credit cards, increased by 15%. The Bank continues to serve its corporate clients by providing working capital and project financing, resulting in a 12% increase in corporate loans. Our goal is to grow the portfolio with careful attention to the select market segments and deepen overall business relationships. This has kept our Net Interest Margin at 4.25%, among the highest in our peer circle. We value the diverse portfolio of business relationships and continue to cultivate this through quality customer service, and a complete offering of financial products and services.

Our loan growth was managed with the support of an enhanced credit risk management process, utilizing technology and process improvements to bring about more robust and efficient underwriting. New credit scoring methods and rationalized policies and procedures allowed the balance of asset growth and risk management. While these process improvements are ongoing, asset quality by the end of 2017 held stable, with a non-performing loans (NPL) ratio of 1.25% (net), among the lowest ratios obtained by RCBC, and NPL cover of 82.51%.

"THE MILESTONES OF 2017 HAS BEEN NOTEWORTHY AND REMARKABLE THAT THEY CANNOT GO UNNOTICED. IT'S WITH THE CONCERTED EFFORTS OF THE MEN AND WOMEN OF RCBC THAT THESE POSITIVE CHANGES AND ACHIEVEMENTS HAVE BECOME POSSIBLE. THANK YOU FOR THE UNENDING PASSION TO SERVE."

GIL A. BUENAVENTURA
President and Chief Executive Officer

We recognize that as we grow our assets, we should have enough capital to sustain this growth. Our Basel 3 capital ratios emained strong at 15.46% and Common Equity Tier 1 Ratio was at 12.45%.

Highlights of 2017

The prospects in the market remain attractive. We saw the economy expand by 6.7% in 2017, supported by relatively low interest rates and driven by strong consumer spending. The Bank responded to these opportunities by focusing on the changing needs of our customers, their uniqueness and diversity. There was a need to ensure relevance and presence in their everyday financial activities.

Understanding the value of convenience and accessibility, the Bank opened 27 new branches in key cities in Metro Manila for a total of 508 branches spread out all over the country. The Bank's extensive distribution network was supported by 1,562 ATMs and 75 lending centers in key select areas. Beyond the brick-and-mortar points of contact, the RCBC internet banking platforms—RCBC Online Retail (ROR) and RCBC Online Corporate (ROC)—extended bank services with just a click, elevating the customer experience to another level.

Recognizing the power of social media as an access point, the Bank takes to Twitter (@askRCBC and @RCBCSavingsBank) & Facebook (www.facebook.com/RCBCGroup; www.facebook.com/RCBCBankard) to engage with its customers and stakeholders. The Bank did not settle for having a mere presence on social media, we took it a step further; we wanted to be part of the conversation. Through Facebook Messenger, the bank introduced AskRC—the first banking ChatBot in the Philippines offering location-based searches and helpful assistance. It was not just about keeping the customers informed, but a chance to dialogue and educate our customers on banking and financial products and services. We believe it is an important part of building strong relationships; keeping the lines of communication open.

The Bank participated in another milestone transaction, a long-term partnership for nation building and community development. We are proud to have been part of the project finance deal of Star Energy Geothermal Salak – Darajat B.V. project. It was a significant transaction for the local market and was recognized by the Alpha Southeast Asia Deals and Solutions as the "Best Leveraged Finance-Backed M&A Deal in Southeast Asia" and "Best Deal in Southeast Asia 2017". The project was also awarded by the International Financing Review Asia Awards 2017 as "Best Capital Market Deal" and by The Asset Triple A Asia Awards 2018 as "Best Mergers and Acquisition Financing Deal".

The RCBC Brand Refresh

The past year also marked a milestone as your Bank embarked on a brand refresh. We recognize the need to stay relevant among Filipino depositors amidst the changing banking landscape. This is the Bank's way of re-energizing its services to loyal customers who have stood with us for the past 57 years.

Through a collaborative effort, RCBC branches were transformed with the brand's new look, since these are the first points of engagement with our clients. This roll-out will continue until 2018. The Bank's new contemporary image was executed in all our marketing collaterals, conveying RCBC as a Bank that is more connected and more progressive.

In line with its focused and aggressive campaign in the digital sphere, views of online videos for RCBC's new look reached 1.5 million during the first 24 hours of posting during its launch in July 2017. By end-September, viewers reached 26.4 million, way above the targeted 10 million views. Moreover, posts registered an average impression of 28,366. Overall online public perception peaked with an 86% positive sentiment score from July to September 2017.

The Transformation Continues...

We are on a path of transformation. RCBC has only become stronger over time. The organization has developed an ability to stay resilient even with the increasing complexity and risks of markets, more banking regulation, and tough competition.

The transformation is led by a heightened awareness of the risk of money laundering infiltrating the banking system and how establishing new and more stringent levels of compliance strengthens the Bank against this risk.

It was a challenge. We understood that in order to make a difference, the changes needed to be significant. It was not going to be an easy process, but it had to create value for the organization. There was much work to be done. The Board had specific committees for Risk, Anti-Money Laundering (AML), Audit and Compliance, with separate meetings for each. Specialized units were set up to conduct enhanced due diligence for unique cases.

All employees were required to undergo AML Certification Program (ACP) training. The first run of ACP training was completed within the first half of 2017. An ongoing certification program for all branch personnel aims to ensure the proper execution of new policies and procedures. Information Technology (IT) systems on AML (Predator) and fraud (Enterprise Fraud Management System) monitoring and reporting are in place to support efficient data and information flow.

Recognitions

We are grateful for the recognition given to the Bank in the past year. It speaks of the hard work of the men and women behind the organization. It serves as a reminder and motivation to persevere and pursue excellence.

Over the past 57 years of committed work, the Bank has earned over 100 awards. This year, we are proud to have added a few more: RCBC Bankard product offerings, Treasury sales and services and the capital market deal were recognized in 2017 as among the best in their respective categories. The Bank is focused on the customer, but to receive recognition for our team's committment and passion makes our work even more worthwhile. We also take pride in sharing with you that the Public Relations Society of the Philippines (PRSP) conferred on RCBC a Gold Anvil Award for our #WeBelieveInYou Public Relations brand refresh campaign . As Steve Jobs said, "The only way to do great work is to love what you do."

Thank You

We look at these accomplishments in 2017 with humility and gratitude. It is through the good work and support of many people that we are able to deliver.

To our customers and depositors, we are thankful for your trust and confidence. We believe in the value of this partnership and this drives us to do better.

Thank you to the associates and management team of the RCBC organization, whose commitment to their work and the institution is exceptional. It is their steadfast contributions to the bank and tireless daily service to our customers that have brought us to where we are today.

We are grateful for the wisdom and valuable advice of our Board of Directors and Advisors. It is with strong support and guidance that the bank has been able to achieve much.

We remember RCBC Founder and Chairman Emeritus Ambassador Alfonso T. Yuchengco, his vision, and his legacy. It remains the core driver for the Bank to rise amid challenges. His love for the country continues to guide the Bank in fulfilling its institutional role in nation-building.

We thank you, our shareholders, for the confidence in the Bank as it continues its good work towards creating value for you.

Looking back at where we have been, it is not surprising that the Bank has evolved. It is being transformed into something new. The direction is set and the Bank continues its story of growth. The narrative is one of RCBC delivering on its commitment to unrelenting vigilance and upholding customers' trust. These are at the core of why we are here. It is with renewed strength and faith that we plot our new trajectory, to rise, and build on the momentum. We believe.

Thank you.

HELEN Y. DEE
Chairperson

GIL A. BUENAVENTURA
President and Chief Executive Officer

FINANCIAL PERFORMANCE

BELIEVE IN GROWTH

Aggressive yet focused efforts to grow the core business contributed to the Php 4.31 billion net income. With total assets of Php 553.99 billion and 67.03 billion in capital, RCBC remains one of the top 10 universal banks in the Philippines.

Financial Performance

FINANCIAL CONDITION

RCBC's Total Resources grew by 6.29% or Php32.795 billion from Php521.193 billion to Php553.988 billion mainly due to the increase in Loans and Receivables, Net.

Due from Bangko Sentral ng Pilipinas, representing 10.61% of total resources, decreased by 11.60% or Php7.719 billion from Php66.520 billion to Php58.801 billion as a result of a decrease in overnight deposit and term deposit placements. Due from other banks decreased by 21.65% or Php5.475 billion from Php25.293 billion to Php19.818 billion, mainly due to decrease in foreign bank placements. Total trading investment securities, representing 13.16% of Total Resources stood at Php72.932 billion.

As permitted by PFRS 9 and BSP Circular 708, the Group sold in 2017 certain peso and dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of Php22.729 billion. The disposals resulted in a gain of Php683 million, 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 in changes in its business models for managing financial assets to collect contractual cash flows.

Loans under reverse repurchase agreement grew by 24.62% or Php1.942 billion from Php7.889 billion to Php9.831 billion mainly due to higher placements with the BSP.

Loans and Receivables-net increased by 15.70% or Php48.076 billion from Php306.167 billion to Php354.243 billion and represented 63.94% of total resources. This was primarily as a result of an increase in the volume of loan releases. In terms of ADB, SME Loans grew by 18% or Php6.0 billion, Consumer Loans by 15% or Php10.7 billion, and Corporate Loans by 12% or Php20.6 billion. Growth in consumer loans was led by the Credit Card Portfolio, which grew by 28% or Php2.9 billion, Auto Loans by 21% or Php5.5 billion, and Mortgage Loans by 9% or Php3.2 billion. For the Loan Mix, Corporate Loans was 55%, SME was 16% and Consumer Loans was 29% of the Total Loans.

Investments in Associates, net grew by 8.88% or Php34 million from Php383 million to Php417 million as a result of additional equity income from associates.

Investment Properties, net increased by 5.26% or Php170 million from Php3.229 billion to Php3.399 billion attributable to additional foreclosed properties made by subsidiaries. Deferred Tax Assets declined by 12.91% or Php281 million due to higher taxable income during the year resulting to utilization of tax benefits of minimum corporate income tax incurred in prior years. Other Resources, net decreased by 8.61% or Php849 million from Php9.861 billion to Php9.012 billion mainly due to disposal of assets held for sale.

Deposit liabilities grew by 10.01% or Php35.335 billion from Php353.077 billion to Php388.412 billion and represented 70.11% of Total Resource. Demand deposits increased by 23.64% or Php9.943 billion from Php42.053 to Php51.996 billion, Savings Deposits were recorded at Php165.187 billion and accounted for 29.82% of Total Resources. Time deposits grew by 15.62% or Php23.131 billion from Php148.098 billion to Php171.229 billion and accounted for 30.91% of total resources. Increase in deposit liabilities was as a result of newly opened business centers.

Bills payable increased by 16.80% or Php6.324 billion from Php37.643 billion to Php43.967 billion mainly attributable to higher foreign borrowings; it represented 7.94% of total resources. Bonds payable decreased by 32.54% or Php13.535 billion from Php41.595 billion to Php28.060 billion primarily as a result of the maturity of the U.S.$275 million senior notes in January 2017. Accrued taxes, interest and other expenses payable decreased by 13.23% or Php638 million from Php4.823 billion to Php4.185 billion mainly due to decrease in accruals for other expenses as a result of the settlement of prior year's accrual of the BSP's regulatory action relating to the alleged heist involving the Bank of Bangladesh.

RCBC's Total Resources grew by 6.29% or P32.795 billion from P521.193 billion to P553.988 billion mainly due to the increase in Loans and Receivables, Net.

Total liabilities stood at Php486.961 billion and represented 87.90% of Total Resources

Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income decreased by 7.51% or Php160 million as a result of due to revaluation of investment securities. Retained Earnings grew by 14.34% or Php3.518 billion from Php24.531 billion to Php28.049 billion due to higher income for the period and accounted 41.85% of Total Capital Funds.

Total Capital Funds grew by 7.88% or Php4.894 billion from Php62.133 billion to Php67.027 billion.

RESULTS OF OPERATION

Total interest income increased by 8.56% or Php1.981 billion from Php23.137 billion to Php25.118 billion and accounted for 99.99% of total operating income. Interest income from loans and receivables went up by 12.93% or Php2.514 billion from Php19.442 billion to Php21.956 billion and accounted for 87.40% of total operating income. The increase is mainly due to increase in average volume of Loans and Receivables. Interest income from investment securities went down by 14.84% or Php485 million mainly due to decrease in volume of total investment securities. It accounted for 11.08% of total operating income. Other interest income decreased by 11.27% or Php48 million from Php426 million to Php378 million primarily as a result of decrease in BSP term deposit placements.

Total interest expense stood at Php7.097 billion and accounted 28.25% of total operating income. Interest expense from deposit liabilities grew by 21.11% from Php3.269 billion to Php3.959 billion, representing 15.76% of total operating income. The increase was a result of higher volume and cost of time deposits. Interest expense from bills payable and other borrowings declined by 24.59% or Php1.023 billion mainly due to the maturity of the U.S.$275 million senior notes in January 2017. As a result, net interest income increased by 14.73% or Php2.314 billion from Php15.707 billion to Php18.021 billion.

The Group booked higher impairment losses at Php2.155 billion, up by 21.75% or Php385 million from Php1.77 billion and represented 8.58% of total operating income. Increase in impairments losses net was mainly due to higher general loan loss provisions.

Other operating income of Php7.100 billion accounted for 28.26% of total operating income and is broken down as follows:

- Service fees and commissions stood at Php3.138 billion and accounted for 12.49% of total operating income
- Trading and securities gain-net declined by 44.41% or Php719 million from Php1.619 billion to Php900 million attributable to decrease in realized trading gains from securities sold
- Foreign exchange gains increased by 189.13% or Php522 million from Php276 million to Php798 million attributable to higher volatility in the market.
- Trust fees settled at Php279 million.
- Share in net earnings of subsidiaries and associates settled at Php92 million.

553.99
TOTAL RESOURCES
(in billion peso)

4.31
NET INCOME
(in billion peso)

67.03
NET WORTH
(in billion peso)

- Miscellaneous income went up by 18.46% or Php295 million from Php1.598 billion to Php1.893 billion brought about by higher dividend and gains on assets sold.

Operating expenses stood at Php17.815 billion and accounted 70.92% of Total Operating Income.

- Manpower costs increased by 11.63% or Php629 million from Php5.408 billion to Php6.037 billion, as a result of hiring for the newly opened branches. It consumed 24.03% of the total operating income
- Occupancy and equipment-related grew by 10.24% or Php294 million from Php2.871 billion to Php3.165 billion mainly due to the 27 branches opened in 2017. It accounted 12.60% of the total operating income
- Taxes and licenses stood at Php1.821 billion.
- Depreciation and amortization increased by 8.38% or Php148 million from Php1.766 billion to Php1.914 billion
- Miscellaneous expenses declined by 10.82% or Php592 million to settle at Php4.878 billion from Php5.470 billion, primarily as a result of the Php1.0 billion fine imposed by the BSP in 2016, and it consumed 19.42% of total operating income

Tax expense increased by Php1.015 billion from a tax income of Php174 million to a tax expense of Php841 million, primarily as a result of higher taxable income as well as the origination and reversal of temporary differences.

Net profit attributable to non-controlling interest settled at Php2 million.

Overall, net income increased by 11.37% or Php440 million from Php3.870 billion in 2016 to Php4.310 billion in 2017.

OPERATIONAL HIGHLIGHTS

BELIEVE IN OPPORTUNITY

The Bank is committed to provide banking excellence to a diverse customer base, through a wide range of financial products and services.

Operational Highlights

In line with the Bank's Vision, RCBC aims to provide banking excellence to our diverse customer base through its wide range of financial products and services. RCBC's objective is to sustain profitable growth and substantial returns over time. To achieve this, the Bank is focused on bolstering its core business that will deliver a steady stream of earnings, supported by growth in select segments and niche markets. Loan growth, a main component of the Bank's earning assets, is driven by small and medium enterprises and consumer segments. The Bank aims to expand its funding base through a mix of low-cost deposits, time deposits, and other borrowings.

CORPORATE BANKING

The Corporate Banking Group handles customer-tailored bank products and services with lending as its main focus. To better serve its target markets, Corporate Banking is split into two Groups: Conglomerates & Global Corporate Banking and the National Corporate Banking.

Conglomerates & Global Corporate Banking provides an array of bank products and services by drawing strength from its capabilities within, and in synergy with other YGC member companies. This group, in close coordination with RCBC Capital Corp., has earned the distinction of sealing a number of successful international ventures over the past seven years. In 2017, Conglomerates & Global Corporate Banking assisted RCBC Capital Corp., which was one of nine global banks that guaranteed multibillion-dollars in loans to Indonesia-based Star Energy Geothermal Salak–Darajat B.V. The loans allowed Star Energy to acquire the geothermal assets of Chevron Corp. for a project estimated to generate 650 megawatts of power for three million homes in West Java.

For helping to seal this huge acquisition of assets for Star Energy, Conglomerates & Global Corporate Banking and RCBC Capital Corp. were among the financial groups highly recognized by the Alpha Southeast Asia Deals and Solutions Awards 2017 as "Best Leveraged Finance-Backed M&A Deal in Southeast Asia" and "Best Deal in Southeast Asia 2017". The project was also awarded by the International Financing Review Asia Awards 2017 as "Best Capital Market Deal" and by The Asset Triple A Asia Awards 2018 as "Best Mergers and Acquisition Financing Deal".

The Conglomerates & Global Corporate Banking handles the financial transactions and services of some of the country's leading conglomerates with high credit standing such as the Ayala Group, San Miguel Corporation, the Lopez Group, SM Group, and the Gokongwei Group.

The Global and Ecozone Segment, which is responsible for managing clients located in the Philippines' Special Economic Zones, also falls under this Bank group. The Global and Ecozone Segment still reigns with its market share of servicing 70% of corporations located in thriving ecozones such as Subic in Zambales, Angeles in Pampanga, and in Bataan.

To protect and grow its market, Conglomerates and Global Corporate Banking forged links with Japan's Resona Bank and Shoko Chukin Bank Ltd., Taiwan's Cathay United Bank, and South Korea's Kookmin Bank and Industrial Bank of Korea.

Despite a challenging year, Conglomerates & Global Corporate Banking achieved its goal with total risk assets reaching Php103.5 billion in 2017. Aggressive participation in various project finance deals brought in foreign exchange and fee income totaling Php573.96 million.

National Corporate Banking is a trusted financial partner of the business industry, catering to and maintaining strong relationships with top domestic corporations engaged in the power, real estate, telecommunications, mining, and transportation sectors. In 2017, National Corporate Banking actively participated in major project finance deals and syndications involving the Sarangani Energy Corporation, the Villar Group, the Red Planet Group, and the Megaworld Group.

In pursuit of providing sustainable financial products and services, the Group has endured every challenge and upheld its strong presence in the Chinese-Filipino communities in Binondo and Kalookan. Through its Chinese segment, total loan portfolio for 2017 was up from a year ago by 27% or Php33.2 billion.

National Corporate Banking, through its Emerging Corporate Segment, also expands its reach to a larger middle market referred to as the "Next 500 Corporations". This segment is equipped to serve family corporations that have grown over the years and are ready to move into the next stage of their business cycle. Since its inception in 2013, the segment substantially grew its portfolio sevenfold. In 2017, it generated a loan growth of 75.6% from a year ago to Php11.3 bllion.

Total loan portfolio in the Emerging Corporate Segment posted a significant 29.5% increase from 2016 to Php104.2 billion. Total deposits posted a hefty growth of 23.3%. Corporate Banking revenue of Php10.51 billion or 41.8% contribution to the bank's total income came from corporate lending, fees on corporate banking transactions. Corporate banking's total income is gross of eliminating entries.

COMMERCIAL AND SME BANKING

The Commercial and Small Medium Enterprise Segment is committed to providing excellent service and financial sustainability to its clientele across the archipelago.

In 2017, the team focused its sights outside Metro Manila, where growth opportunities abound. The team partnered with our Global Transaction Banking and Treasury Groups to help boost fee income which increased by 14% in 2017 from the previous year. It also solidified its partnership with the Retail Banking Group which has been its primary source of referrals, accounting for 74% of newly on-boarded accounts.

To deliver first-rate service, the Segment expanded its lending centers and satellite offices with 27 centers up and running by the end of 2017. The outcome led to a loan portfolio growth of 39% from a year ago to Php 39.5 billion in 2017, and a deposit growth of nearly 25%.

In line with adding value through non-financial services, the Commercial and Small and Medium Enterprise Segment held a series of Client Appreciation events which served as valuable opportunities for information networking and customer education.

GLOBAL TRANSACTION BANKING

The Global Transaction Banking Group, comprised of the Corporate Cash Management, Trade Product Management, and Global Filipino Banking Segments, finished 2017 on strong footing, overshooting its consolidated revenue target by 104% and in the process generated more than Php 100 million in incremental fee income.

Corporate Cash Management

The Corporate Cash Management Segment grew its deposit balances portfolio of current and savings accounts by 15% year-on-year to Php 61.3 billion in 2017, exceeding revenue targets. The highlight of 2017 was the full rollout of a new corporate internet banking platform, RCBC Online Corporate. This upgrades the Bank's legacy internet banking system with new technology that significantly improves accessibility, reliability, speed, and business functions. Security was also enhanced with full implementation of multi-factor authentication. Client-customizable alerts and notifications became a staple of all services provided under RCBC Online Corporate.

Trade Product Management

A new business segment created under the Global Transaction Banking Group in 2017 was the Trade Product Management team, tasked with actively managing the Bank's international trade proposition for corporates. In its first year, the Bank saw trade assets grow by 27%, with an average daily balance of Php10.67 billion. Total trade revenues grew by 24% from the previous year, exceeding 2017 revenue targets set for the trade business. A major milestone for the team was its first Intercompany Netting Arrangement transaction for the settlement of trade payables of a key multinational client. The Bank is now one of only a few banks in the country, foreign and local, to have this transaction capability.

Global Filipino Banking

Despite the challenges of a stricter regulatory environment worldwide, the Global Filipino Banking Segment met its 2017 revenue targets, growing the

Bank's overseas Filipino workers' (OFW) remittance business by 11% from a year ago and keeping true to its mission of serving this economically vital sector of society. A key milestone for the segment in 2017 was the establishment of the Bank's first Pre-Departure Orientation Seminar Center in Manila, making it one of only three banks in the country that have a dedicated center offering this government-required seminar to our kababayan seeking work abroad.

RETAIL BANKING

The Retail Banking Group (RBG) stands at the forefront in providing Bank's products and services through its 331 strategically located business centers. In 2017, 27 branches were opened in key areas – Manila, Quezon City, Pasig City, Paranaque City, and Pasay City, strengthening the Bank's capacity to deliver quality service and offer diverse products to more customers.

The Retail Banking Group's pursued improvements in customer loyalty and increasing customer base with its various product offerings and campaigns. Peso Time Deposit now gives customers the opportunity to invest their funds in longer tenor instruments of up to five years. Another 2017 highlight was the launch of the "Savecation Raffle Promo" in September 2017 for holders of Peso Current Accounts and Savings Accounts. The raffle promo included more than a dozen trips up for grabs to dream countries such as Brazil, Italy, Morocco, South Africa, Spain and to destinations like Alaska, Bali, Cape Town, Osaka, and Quebec. Targeted campaigns were launched for existing and new customers as well.

The Bank also focused on supporting Small and Medium Business Enterprises by extending credit facilities to hundreds of SME customers via The Rizal Biz Access Loan. It provided additional working capital for business-related expenditures of entrepreneurs.

As one of the premiere banks in the country, presenting our clients with a full range of viable financial products is one of our topmost priorities. The Bank is partnered with its YGC affiliates, who are leading institutions in their respective sectors, to ensure seamless transactions that benefit our customers. Sunlife-Grepa Financials Inc. (SLGFI) provides traditional and investment-linked insurance products. RCBC Savings Bank extends competitive auto and real estate loans, as well as personal and salary loans. The First Nationwide Assurance Corp. (FNAC) and Malayan Insurance Company Inc., (MICO) are leaders in extending auto, fire, personal accident, and other non-life insurance products.

If we combine the related retail banking segments of the bank such as Rizal Microbank, Global Transaction banking and Digital banking, it has a total revenue of Php8.40 billion or 33.5% contribution to the bank's total income. Retail banking segment's total income is gross of eliminating entries.

CONSUMER BANKING

RCBC Savings Bank

RCBC Savings Bank (RSB), the consumer banking arm of the RCBC Group, is one of the top consumer lenders in the market today. It is the 3rd largest thrift bank in terms of assets, ending 2017 with Php117.8 billion. Its loan portfolio outpaced industry growth, expanding by 12.7%.

The uptrend recorded a loan interest income of Php6.3 billion resulting to a net income of Php1.35 billion, 34.3% higher compared to 2016. This improved the bank's Return on Equity to 12% and Return on Assets of 1.2%.

On the funding side, RSB breached the Php100 billion mark with total deposits of Php101.7 billion supported by new product offerings and promos. RSB introduced the "Dragon All-in-One Account", a checking account with tiered interest rates and a bonus rate if no withdrawal is made in a month. Similar to, but separate from the Retail Banking Group's "Savecation Raffle Promo", RSB also launched "Save Up & Fly", where depositors could win free trips to various Asian and European destinations. The latest-model Samsung smartphones were raffled off.

Together with the RCBC Group, RSB took on a more vibrant look that still anchors on the power of synergy, affirming its commitment to improve the lives of the Filipino people by helping them realize their dreams.

RCBC Bankard

Credit card industry key player RCBC Bankard flourished once again in 2017. Spurred by aggressive top-of-wallet usage campaigns geared towards addressing the needs of specific customer segments, RCBC Bankard surpassed the growth in its key target areas vis-à-vis 2016 performance resulting in: (a) an 8.95% increase in card base to 579,469, (b) a 23% increase in billings issued to Php39.13 billion (c) a 19.2% increase in volume acquired to Php20.6 billion and (d) a 30% increase in net credit card receivable outstanding to Php15.9 billion.

The Company also enhanced credit card security through the full implementation of a One-Time Password (OTP) for online transactions. In line with the rest of the Bank and Bangko Sentral ng Pilipinas directives, all cardholders have been successfully migrated to EMV (EuroMastercardVisa) chip-enabled cards for more secure transactions at point-of-sale-based purchases.

The year also saw the successful relaunch of RCBC Bankard's rebranding campaign in line with the

Bank's efforts. New card designs were developed and the slogan "We Believe in You" was manifested in its communication materials.

To fulfil its role as a responsible corporate citizen through active involvement in nation-building and humanitarian causes, the RCBC Bankard Diamond Card was re-launched with Gawad Kalinga's *Kusina ng Kalinga* as the beneficiary of the Diamond Cares Program. Through the Program, every Php100 charged to the card generated a donation of Php 0.20. This yielded total donations of Php2.5 million for *Kusina ng Kalinga*, an amount which has been turned over to Gawad Kalinga's program to feed more than 750 public school children for the entire year with nutritious meals.

RCBC Bankard capped the year with seven international awards ranging from "Best Card Offering" to "Best Loan Offering"; "Best Loyalty and Rewards Program" to "Best Bank Branding Refresh 2017" from award-giving bodies in the global credit card and financial industries such as the 4th Annual Card and Electronic Payments International Asia Awards, the Mastercard Innovation Forum Awards 2017, and International Finance Magazine.

Consumer Banking revenue of Php10.35 billion or 41.2% contribution to the total income were generated through consumer loans and fee based transactions. Consumer banking's total income is gross of eliminating entries.

DIGITAL BANKING

RCBC's Digital Banking Group fuels the bank's growth strategy via digitalization of bank products and services and digitization of the bank's processes. The Group recognizes that innovation and technology are vital to delivering secure everyday banking in ways that are useful and adaptive to the fast-moving lifestyle and diverse needs of the Bank's customers.

In 2017, the Group contributed to the expansion of the Bank's customer reach through more distribution and access channels. The RCBC and RSB network now has a total of 1,562 ATMs (automated teller machines) contributing to the Bank's service footprint and fee-based income. Several enhancements were also introduced to RCBC Online Banking Retail and the Bank's Internet and Mobile Banking, which include the purchase of electronic PC pins, locking and unlocking cards for added security against skimming and phishing, and the capacity to reload PayMaya and GCash wallets using a RCBC account. The Group successfully launched the MyDebit Card powered by Mastercard that allows the Bank's customers to have access to millions of ATMs and merchants locally and worldwide. The number of Debit has reached a total of 1,609,719 while active Prepaid cards totaled to 425,689. As with the Bank's other departments, debit and credit cards issued by RCBC are EMV chip-enabled , ensuring card security and client protection.

In line with the Bank's objective of enabling inclusion of the underserved and unbanked and helping them succeed in their financial goals, the Digital Banking Group introduced in 2017 a new banking solution called the RCBC Cash Express. RCBC Cash Express brings the Bank's services to remote barangays where bank access is limited or absent. RCBC Cash Express is the first and only mobile point-of-sale that functions like an ATM such as Cash Out, Bills Payment, Fund Transfer, and Cash In for any and all cardholders. The community served by RCBC Cash Express is empowered to do business via bank transactions minus the inconvenience of traveling miles to get to a bank branch. Within their own barangay, residents can do bank transactions in a "sari-sari" store and use their time more efficiently for other value-generating activities. As of December 2017, there are 129 RCBC Cash Express Stations throughout Luzon from Metro Manila to Masbate, Pampanga to Palawan; in the Visayas provinces such as Leyte, Negros Occidental, and Antique; and throughout northern Mindanao and General Santos City.

The Group believes in cultivating deeper relationships with the Bank's customers and did so through social networks which form part of the Group's "ABCs" – "Always Be Connected Digitally" /"Always Be Close" to the Bank's Customers. The Group increased its presence in cyberspace through the use of Twitter (@askRCBC, @RCBCSavingsBank); Facebook (http://www.facebook.com/RCBCGroup; YouTube (http://www.youtube.com/c/RCBCGroup; and Facebook Messenger, where the bank introduced "AskRC" – the first banking ChatBot in the Philippines offering location-based searches and helpful tips. On social media, the bank continuously educated and engaged its customers and the entire nation through online conversations on the different banking services available to them and options for better personal finance management.

TREASURY

Natural disasters, geopolitical tension, and deep political division in many countries highlighted 2017. The increase in interest rates and the expectations of higher yields for corporate and sovereign securities worldwide presented a very challenging trading environment for the fixed income market.

Despite the turbulence, the Bank generated Php798 million in forex gains in 2017, a 189% increase from a year ago. Consistent with the bank's objective of securing lower cost and stable funding, the bank was successful in raising Php2.5 billion of Long-Term Negotiable Certificates of Deposits.

The Treasury Group was recognized by clients with a number of awards. The Group won Best in Interest Rates, Credit and Derivatives Sales, Trading and Research among Philippine banks for a total of 10 first place awards in a 2017 client survey by AsiaMoney. The Bureau of Treasury awarded RCBC the distinction of being one of the 10 official market makers for government securities based on our trading performance in the secondary market. The Philippine Dealing and Exchange Corp. (PDEx) recognized RCBC among the top 4 banks in the industry in terms of overall fixed income dealing and overall corporate securities market-making in 2017.

Treasury's total revenue of Php2.68 billion or 10.7% contribution to the bank's total income came from trading gains and foreign exchange gains and other fees. Treasury's total income is gross of eliminating entries.

PRIVATE BANKING

The Wealth Management Group (WMG), the private banking arm of the Bank, pursues creation and delivery of appropriate solutions to the ever-evolving financial requirements of its high net-worth clients. WMG extends a menu of investments from different asset classes that match clients' requirements, goals, and risk appetites.

The WMG grew its assets under management by 12.4% year-on-year to Php103 billion, while its income contribution grew nearly 61% from a year ago to Php616 million.

RCBC Wealth Management was acknowledged as "Finest in Finance—Best in Private Banking (Philippines)" in 2017 by AI Global, a worldwide multi-platform publisher that offers its readers up-to-date sources on the latest industry news and trends.

Key to ensuring sound investments is the Wealth Management Group's competent and well-informed Relationship Managers assigned to high net-worth clients. The Bank's Financial Advisory and Markets Group Academy ensures these managers are constantly trained and updated on the latest sophisticated innovations and developments in financial products through courses in credit fundamentals, bond mathematics and bond issuances, credit evaluation and risk management.

The Group's Relationship Managers enrolled in a rigorous financial planning course leading to the globally recognized Associate Financial Planner (AFP) certification. RCBC is the first bank in the Philippines to have all its Wealth Management Relationship Managers certified with the AFP title.

TRUST AND INVESTMENTS

Retirement fund management continues to be the bread and butter of RCBC as it obtained several mandates of big and small companies to manage their retirement funds. The increase in its Assets Under Management by 5.0% from a year ago to Php 64.4 billion in 2017 is mostly attributed to contributions made by new and existing retirement fund accounts.

The Bank was also successful in securing a number of significant stock transfer and bond trusteeship accounts which fortified its presence and experience in handling complex trust and other fiduciary accounts. The stock transfer accounts included Meralco, the Lopez Holdings Corp., ABS-CBN Corp., ABS-CBN Holdings, and the Villar Group's Star Mall. The Bank handled the bond trusteeship requirement for the Php20 billion SEC-registered bonds of San Miguel Corp.

In the digital arena, the Bank increased its presence in investments with the launch of the Rizal Unit Investment Trust Fund (UITF) Online Facility in April 2017. This allows an existing RCBC customer with a current or savings account enrolled in RCBC Online Banking-Retail to open a UITF account online where clients can invest and redeem their UITF investments anytime, anywhere in the world. Public awareness of the UITF launch was complemented by various social media posts on the Bank's online platforms.

RCBC gears up for the implementation of a more robust system that will propel the trust business with greater agility in responding to changing market needs and regulatory requirements.

Trust including Wealth Management Group (WMG) has a total revenue of Php913 million or 3.6% contribution to the bank's total revenue. Trust's total income is gross of eliminating entries.

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, spearheading programs and initiatives on talent management and development, leadership continuity, retention programs, employee well-being, and corporate social responsibility.

MANPOWER STATISTICS

TOTAL WORKFORCE AS OF DECEMBER 31, 2017 = 4,454

By Employment Type:	
Regular Employees	4,192
Probationary	262
By Gender:	
Male	1,624 or 36%
Female	2,830 or 64%
By Age Group:	
< 30	1,975
31 - 40	1,034
41 - 50	1,095
> 50	350
By Job Level:	
Staff	1,778
Junior Supervisory	1,794
Middle Management	548
Senior Management	334

INVESTMENT IN PEOPLE

Learning and Development

RCBC is committed to providing a strong learning and development platform for all employees across all job levels. The Human Resources Group HRG continues to strengthen the talent pipeline and improve competencies on the job by facilitating training programs and seminars benefiting 12,708 attendees in 2017. These focused on Leadership, Customer Service, Sales Planning and Management, Product and Technical Knowledge, Risk Management, and Anti-Money Laundering/Compliance. A total of 124 employees were enrolled in a number of specialized information technology training programs. Some 353 employees were sent to various external training programs. To encourage dialogue and sharing of expertise and experience, the Human Resources Group conducted Coaching and Mentoring workshops.

The Bank's effort to extend viable careers to new graduates and ensure effective talent development led to the deployment of 13 Officers Development Program (ODP) graduates to junior officer positions across the Bank. In August 2017, 14 selected trainees comprised the 9th batch of the ODP. In partnership with the Operations Group, Human Resources launched the 6th batch of five trainees in the General Operations Learning and Development Program. The seven-month program aims to develop a pool of junior officers with strong operations and risk orientation backgrounds.

Human Resources, in collaboration with management, continues to develop the Bank's Succession Planning Program. This is to ensure that the organization has a deep bench of internal candidates ready to assume higher leadership responsibilities. In 2017, the 6th batch of 32 qualified trainees were seconded to the six month-long Middle Management Development Program. This program was designed in partnership with the De La Salle University's Center for Professional Development in Business.

The Branch Banking Development Program has two tracks: sales and service. The Leadership program of the sales track was held in August 2017. which includes Sales Management and Consultative Selling Workshop. A total of 32 senior leaders from RCBC Banking Group's sales' department attended the sales management workshop, while a total of 321 RCBC Banking Group's branch leaders completed the Consultative Selling workshop.

The Branch Certification Program was developed and launched in November 2017. Participants included all branch personnel in sales and service, who learned from four modules: the Basics and Culture of Compliance; Client/Account Onboarding Process; Transaction Processing and Monitoring; and Customer Service.

Some 82 marketing assistants graduated from four runs of the Corporate Banking Learning Academy, a 10-day training program which aims to develop capable and credible marketing assistants.

The Treasury Academy was renamed Financial Advisory Markets Academy to include Wealth Management. The focus of the academy is to broaden the financial markets' teams' understanding of Treasury, and to reinforce knowledge of relevant regulations and policies. The three main areas of training and development were identified as 1) Treasury Overview; 2) Technical and Regulatory Policies (with 11 course offerings); and 3) Wealth Management, in which the Bank's Relationships Managers were enrolled in the Registered Financial Planners workshop. As of May 2017, all RCBC associates have attended and passed the Anti-Money Laundering (AML) Certification Program.

INVESTMENT IN EMPLOYEE TRAINING

Total No. of Training Attendees per Job Level	
Staff	5,177
Junior Supervisory	4,239
Middle Management	2,870
Senior Management	913
Total No of Attendees	13,198

Total No. of Training Hours for 2017	1,305,260

Average No. of Training Hours Per Attendee	99

Average No. of Training Hours Per Attendee Per Job Level	
Staff	101 hours
Junior Supervisory	92 hours
Middle Management	114 hours
Senior Management	72 hours

PERFORMANCE MANAGEMENT

To give the Bank's 4,000-strong employees with opportunities to achieve and excel in their fields, and grow to their fullest potential, the Bank has an existing Performance Management System that:

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

The Performance Management process begins with setting the Key Result Areas in line with Bank objectives and targets. The performance is monitored on a regular basis (monthly and quarterly) and variances versus the targets are discussed and addressed. Each employee's full-year performance and accomplishments are assessed vis-à-vis the Key Result Areas. The process culminates 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 is competitive with the rest of the banking industry. The Bank gives importance to equitable pay differentials for different types of work and pays within an established salary structure for different job levels. The Bank 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 in order to —
   a. establish a basis for determination and management of compensation, salary increase,and performance incentives.
   b. provide financial incentives through the proper administration of salaries and other means of compensation for each individual to do their best in their job.
   c. maintain competitive salary levels/ structures consistent with those in the banking industry
   d. 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, the salary structure is designed and developed with 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 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 is responsible for ensuring that jobs are rated properly and accordingly as functions within the Bank are reconfigured.

    b. **Target Market Group.** The salary structure is 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.** The Bank receives instruction from management on the desired positioning within the target market or the banking industry. This positioning is targeted at the market's guaranteed pay and annual cash compensation.

3. The salary structure is reviewed regularly by the Human Resources Group to maintain its relevance and competitiveness.

4. In case surveys and studies reveal that the salary structure is inconsistent compared to the industry or its target market, the Human Resources Group comes up with recommendations to correct the disparity and bring this to management's attention.

5. Final approval of recommendations to changes in the compensation structure and policies are obtained from the Corporate Governance Committee.

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

7. The Compensation and Incentive Program is 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

Amid continuing competition in the banking industry for top talent, the Human Resources Group's retention programs have kept the Bank's attrition rate at 10.8%, which is below industry level.

STAFF TURNOVER STATISTICS	
BY GENDER:	
Male	196 or 12.31%
Female	272 or 9.93%
BY AGE GROUP:	
< 30	279 or 14.7%
31 - 40	101 or 9.9%
41 - 50	48 or 4.3%
> 50	40 or 11.9%
BY JOB LEVEL:	
Staff	186 or 10.6%
Junior Supervisory	150 or 14%
Middle Management	109 or 9.1%
Senior Management	23 or 7.2%

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 serves as a guide on how to conduct one's self within and outside Bank premises, and in dealing with clients and customers and co-associates. Violation of the Code of Conduct may be reported to the Human Resources Group, Internal Audit Group, Compliance & Regulatory Affairs Group, Legal Affairs Group, or the Security Department. The provisions of the Bank's Code of Conduct, along with Human Resources' Policies and Procedures, are available electronically to all employees through the company's internal RCBC Information Zone portal.

HEALTH, SAFETY, AND WELFARE

RCBC is committed to maintaining a safe and healthy working environment. Procedures are in place to protect all associates from workplace hazards such as fire, earthquake, robberies, and other natural and man-made calamities. The Bank's policies concerning health, safety, and security are clear to its employees.

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. They also pose a risk to the trustworthy and professional image of the Bank. The Bank promotes the health and safety of its employees and their families, and enact's 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 required to notify security personnel of anything suspicious, including the presence of strangers and unattended bags or packages on the premises.

   Employees are required 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 2017, the Human Resources Group conducted the following activities to sustain the promotion of health, safety, and welfare of RCBC employees.

   3.1 It maintained its partnership with Maxicare, the Bank's HMO provider, in giving health and medical services to its employees. Services provided include:

   - Hospitalization, emergency care and other medical services with 6,644 availments for employees and 3,185 availments for dependents in 2017;
   - Executive Check-Up for employees with total cost of Php34.86 million in 2017;
   - Outpatient consultation services for employees with 3,336 availments in 2017.

   3.2 The Bank also partnered with Sunlife Grepa Financial Inc. in utilizing the clinic located at the RCBC Plaza. The clinic serviced more than 1,600 cases in 2017. Another clinic, with regular visiting doctors, was set up at the RSB Corporate Center in Bonifacio Global City to extend free checkups and consultations to more than 366 employees.

   3.3 The Bank also extended lifesaving skills and basic services to employees:

   - Department of Labor and Employment-certified Basic Occupational Safety and Health Seminar – 40 hours per participant;
   - Philippine Red Cross-certified First Aid training;
   - Safety and life support training, fire and earthquake seminars and drills for employees;
   - Purified water, refrigerator, and microwave oven in every floor 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;
- Administration of 345 doses of flu vaccines for employees who requested for it;
- A breastfeeding station for nursing associates;
- Sports and wellness activities to promote physical fitness;
- Precautionary measures – Management is vigilant in times natural and man-made calamities, and is judicious in issuing work suspension orders in areas that are affected by such events in order to ensure its employees' safety.
- All associates are covered with a life insurance policy inclusive of accidental death, total and permanent disability, and burial assistance benefits.

Management recognizes that people are its most important asset. Bank spending for health benefits of employees and their dependents rose by 11% from the previous year to more than Php118 million in 2017. This is a clear indication of its paramount commitment to its employees' welfare and wellbeing.

INFORMATION TECHNOLOGY SHARED SERVICES

With the rise in digital technology and sophisticated means of cybercrime such as hacking, cybersecurity remains the top concern of financial institutions. RCBC pursues enhancements and strategies to strengthen its cybersecurity posture and regulatory-related compliance through the launch of its Security Operation Center (SOC), a 24/7 facility with the ability to monitor, manage, and, remediate cyber-security attacks. RCBC is among the Philippine banks with a fully operational SOC.

In compliance with the Bangko Sentral ng Pilipinas and Philippine Clearing House Corporation's directive, the bank implemented the Check Image Clearing System, in which check images and Magnetic Ink Character Recognition data are electronically captured by the bank. This facility eliminates the need to move the physical checks across branches and the clearing house, and, enables banks to immediately process check returns and provide early availability of funds to customers.

An Enterprise Fraud Management System was implemented which provides the Bank with real-time transaction fraud detection software. All source systems provide their transaction data to the system on a real-time basis. This system also allows the Bank the capability of creating our own set of rules designed to alert and flag suspicious transactions.

OPERATIONS

The Operations Group ensures the effective and efficient execution of processes and transactions for all branches and business units. As the Bank's frontliners, the Operations Group aims to provide its clients with fast, smooth, and hassle-free experiences that guarantee a high level of customer satisfaction – the RCBC way. The Group blazed a trail in 2017 with the enhancement of several policies and procedures and an improved setup of compliance and protection for its clients.

During the year, training and development courses reinforcing the customer-first mindset of the Group and instilling a culture of excellence were held. The Group's efforts were recognized as the Davao, Dadiangas, and Iloilo Regional Support Centers were awarded by the Bangko Sentral ng Pilipinas as "The Most Outstanding Regional Partner for Currency Program", "Best Client Bank", and "Best in Cash Verification" respectively.

The Group took convenience and safety to higher levels by establishing more than twenty (20) client-centric initiatives that streamlined the processes to strengthen its core business and create an exceptional, value-added banking experience for the Bank's customers and stakeholders. As the Group institutes a smart, flexible, and agile client on-boarding process, we pioneered the latest technology for optimized Anti-Money Laundering alerts that automatically detect red flags and suspicious transactions. An innovative document management system was introduced by the Group to provide a more secure, standardized, and effective document retrieval process. Processing controls on account opening and banking transactions were streamlined, simplified, and strengthened. A Branch Certification Program (BCP) was conducted by the Operations Group to ensure the timely and effective assistance of customers' concerns. All these pave the way to forging strong compliance that exists hand-in-hand with an excellent service culture.

These initiatives and procedures implemented, and the recognition we received prove that the Group's top priority is striving for excellence by extending exceptional customer service to the Bank's clients, thus ensuring their loyalty. to RCBC.

SUBSIDIARIES

RCBC SAVINGS BANK

RCBC Savings Bank (RSB), the consumer banking arm of the RCBC Group, remains to be one of the top consumer lenders in the market today, being the 3rd largest thrift bank in terms of assets ending 2017 at Php117.87 billion. Its loan portfolio outpaced industry growth, expanding by 12.7%.

The uptrend recorded a loan interest income of Php6.31 billion resulting in a net income 34.3% higher from a year ago to Php1.35 billion in 2017. This earned RSB a higher Return on Equity of 12% and Return on Assets of 1.19%.

On the funding side, RSB breached the Php100.00 billion mark with total deposits of Php101.7 billion bolstered by new products and promotions. RSB introduced the "Dragon All-in-One Account", a checking account with tiered interest rates and a bonus rate if no withdrawal is made in a month. As mentioned in the Consumer Banking highlights, RSB's "Save Up & Fly" campaign which gave depositors chances to win free trips to various Asian and European destinations, helped boost deposits.

Together with the RCBC Group, RSB took on a more vibrant look that anchors on the power of synergy, and affirms its commitment to improve the lives of Filipinos by helping them realize their dreams.

RCBC CAPITAL CORPORATION

The year 2017 marked a milestone for RCBC Capital Corporation as it registered its biggest net income throughout its existence of Php547 million.

RCBC Capital Corporation (RCBC Capital) established a strong foothold in the Philippine investment banking industry as it lead-arranged, issue-managed, underwrote, and closed noteworthy transactions in 2017. Its deals included capital market offerings and financial advisory services in addition to a number of acclaimed and multi-awarded project financing and cross-border financing transactions of projects in Southeast Asia.

RCBC Capital played significant roles in novel Dollar-Denominated Security (DDS) offerings, which are gaining ground as alternative funding sources apart from Peso-Denominated securities. RCBC Capital was Joint Lead Underwriter and Bookrunner for the country's first two DDS offerings: that of food and beverage company Del Monte Pacific Limited and independent subcontractor Cirtek Holdings Philippines Corp. The successful issuances accorded investors the opportunity to realize investment returns in US dollars.

In collaboration with the Bank, RCBC Capital also arranged cross-border acquisition financing for Indonesia-based Star Energy Geothermal Salak-Darajat B.V., as it acquired the 100% ownership interest of Chevron Corporation's geothermal holdings in West Java. RCBC Capital was one of nine international banks that backed the multibillion-dollar deal, which is considered to be the largest acquisition transaction globally in geothermal energy, and garnered international recognition.

RCBC SECURITIES, INC.

RCBC Securities (RSEC) continued to grow its stockbrokerage business by actively generating stock investing and trading ideas. These ideas are then disseminated to retail clients through the Bank's branch network and the Wealth Management team; and to institutional clients via regular market briefings. Internationally, RSEC provided regular Philippine corporate access to Japanese institutional clients through our partner Okasan Securities of Japan.

Net income rose by 14.7% from a year ago to Php19.98 million in 2017. This is on the back of revenues which rose by 7.1% to Php96.81 million, and operating expenses were kept under control, rising slightly by 4.3% to Php72.71 million.

RSEC generated Php78.68 million in commission income in 2017, 5.09% higher versus 2016 and outpacing the 1.50% increase in total turnover for the Philippine Stock Exchange (PSE). This is a firm indicator of RSEC's improved market share, as it enjoyed a substantial increase in trading orders from most of its top clients.

RSEC rode on a robust PSE index's 25.1% rise to 8,558.42 by the end 2017, booking Php4.95 million in trading gains net of mark-to-market losses. These bookings were a 120% increase from a year ago.

RCBC BANKARD SERVICES

RCBC Bankard Services Corporation (RBSC) forged ahead in growing the credit card business of the Bank. In 2017, RBSC embossed and delivered a total of 145,469 new cards, 20.3% higher from a year ago.

Spurred by aggressive top-of-wallet usage promotions and a considerable number of analytics-based targeted campaigns, RCBC Bankard surpassed its 2016 performance. Billings issued rose by nearly 23% the year before to Php39.13 billion, while credit card receivables outstanding jumped by 29% from a year ago to Php16.41 billion in 2017. The efforts of RBSC saw service fees increase by 8.5% from a year ago to Php 499.22 million.

Keeping true to its commitment to provide enhanced service to its cardholders, RBSC launched two major initiatives. The first was the implementation of a service that allowed customers to inquire about the details of their account through IVR (interactive voice response) or via SMS (short-messaging system). The second initiative was in line with a nationwide Bangko Sentral ng Pilipinas directive for all cards with the magnetic strip to be migrated and replaced with the more secure EMV chip-enabled cards. Online transactions using the card required a one-time password to be submitted before proceeding with a sale. As a resulted Issuing Fraud Percentage dropped by 64% from 5.86 bps (basis points) in 2016 to 2.23% bps in 2017.

In 2017, RBSC processed and accredited more than 2,900 merchants and sub-merchants, including its outlets, to contribute to the growth in the acquiring business of the Bank. Volume acquired increased by 19.2% from a year ago to Php20.58 billion.

RBSC also increased its collection contact by 6.34%, resulting in a decline in the delinquency rate to 4.08% from the previous year's 4.66%.

In its bid to provide exceptional customer service, RBSC embarked on a culture transformation initiative. Its top management established the organization's service philosophy and leadership team norms in December 2017. These have been cascaded to employees beginning January 2018.

RBSC is a wholly-owned company of RCBC Capital Corp.

RCBC LEASING AND FINANCE

The year 2017 was another remarkable year for RCBC Leasing and Finance as the strategies we formulated three years ago continued bearing fruit for the Company. Results of operations exceeded expectations as RCBC Leasing saw its revenues rise 29.2% from a year ago to Php997.5 million. Net income grew by 21.8% to Php88.3 million, on the back of improved cost-to-income ratio of 30.78% from the previous year's 34.67%.

Thanks to our excellent business relationship with our customers, we built our inventory of approved accounts and successfully translated these to volume. RCBC Leasing increased its our consolidated lease/loan portfolio by nearly 20% from a year ago to Php7.03 billion in 2017. Total Assets grew by 20.6% to Php10.29 billion.

Armed with a strong financial position and increasing revenue generation, RCBC Leasing obtained additional credit facilities with longer tenors from banks and narrowed the gap between its assets and liabilities. We saw our Price-Dividend (PD) ratio decline from 13.95% a year ago to 10.57% as we managed our non-performing loans prudently.

RCBC Leasing pursues its goal of strengthening its market position despite challenges ahead. We continue to develop our personnel to their full potential, execute strategies to generate higher return for our shareholders, and nurture our excellent business relationship with our clients.

RIZAL MICROBANK

For Rizal MicroBank, 2017 continued to be a growth year for its business. Loan disbursement for the year stood at Php 1.4 Billion, a 35% increase over last year's Php1.05 Billion. Loan outstanding at Php 975 Million as of end of the year also registered a growth of 39%, while the number of active borrowers totaling to 2,852 showed an increase of 29% year-on-year. In staying true to its mandate to provide additional working capital loans to micro and small enterprises as well as agricultural value chain players in its areas of operations, all loan products for these market segments posted positive growths in 2017, thereby contributing to the bank's overall growth in lending and deposit operations. As of December 2017, portfolio mix of the bank is 16% microfinance loans, 62% small business loans, and 22% agricultural loans to value chain players. These market segments have contributed as well 11% of the total deposit base of Php 812 Million as of December 2017 due to the asset-building contractual savings incorporated into the bank's lending products.

2017 also saw a slight increase in the Portfolio-At-Risk (PAR) of Rizal MicroBank. Portfolio-At-Risk which considers the outstanding portfolio of all accounts with missed amortization is the measurement used by the microfinance industry around the world in evaluating portfolio quality. With the international microfinance best standard for Portfolio-At-Risk Ratio More Than 7 days pegged at equal to or lower than five percent (5%) of total loan portfolio, Rizal MicroBank's Portfolio-At-Risk Ratio More Than 7 Days is at 7.90% covering total loan portfolio of all of its loan products.

While the lending operations continued on a growth trajectory, the subsidiary's bottomline remained on the negative. As of December 31, 2017, Rizal MicroBank posted a net loss of Php 19.16 Million, higher than the previous year's net loss of Php 3.3 Million. Despite this setback in completely turning around its operation in 2017, the Bank is pursuing strategic initiatives to further capture huge opportunities in providing financial services to the microenterprise sector through more cost-efficient systems and process.

CORPORATE GOVERNANCE

BELIEVE IN EXCELLENCE

Transparency, Accountability and Fairness. This is what building a solid framework for trustworthiness entails. Each and every associate of RCBC should strive to live up to these basic principles of good governance.

Corporate Governance

RCBC affirms its commitment to good corporate governance. With an empowered Board leading the way, RCBC continues to work towards a solid control environment, high levels of transparency and disclosure, and well-defined shareholders' rights.

The corporate governance framework of RCBC combines global best practices such as the G20/ OECD Principles of Good Governance and the general principles of the ASEAN Corporate Governance Scorecard, and the regulatory requirements of SEC Memorandum Circular No. 19, series of 2016 or the *Code of Corporate Governance for Publicly-listed Companies* and BSP Circular No. 969, series of 2017 or the *Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions*. RCBC's corporate governance framework is embodied in its Corporate Governance Manual, the latest version of which was approved by the Board in November 2017.

BOARD GOVERNANCE

Key Roles and Responsibilities

RCBC is headed by a competent and working board that oversees the implementation of the Bank's strategic objectives, governance framework and corporate values.

The Board of Directors is primarily responsible for establishing a sound corporate governance framework not only for the Bank but for the whole RCBC Group. It has the fiduciary responsibility to the Bank and all its shareholders, including minority shareholders. Among its many functions include the approval and oversight on the implementation of RCBC's strategies to achieve corporate objectives, risk governance framework, and systems of checks and balances. The Board also approves the selection of the CEO and key members of senior management and heads of control functions.

Board Composition

In accordance with RCBC's By-Laws and Corporate Governance Manual, its Board of Directors is comprised of fifteen (15) members, all of whom are known for their integrity, experience, education, training and competence. The Corporate Governance Committee ensures that majority of the Board are non-executive directors who possess the necessary qualifications to effectively participate and help secure objective and independent judgment on corporate affairs and to substantiate proper check and balances. Out of the 15-member board, 14 are non-executive directors, including the 7 independent directors, and 1 executive director.

The Board of Directors promotes diversity in its membership. It is the policy of RCBC that no person shall be disqualified to sit as member of its Board on the basis of gender, age, religion or political affiliation. The representation of women in the Board has increased from 14% in 2015 to 20% in 2016, and remained at 20% in 2017. Among the women in the Board is Mrs. Helen Y. Dee, the Chairperson.

Nomination and Election

Directors of RCBC are elected at the Annual Stockholders' Meeting, each of whom shall hold office for a term of one year or until his successor shall have been duly chosen and qualified. The first fifteen candidates receiving the highest number of votes shall be declared as elected.

All nomination for election of directors by the stockholders shall be submitted in writing to the President and the Corporate Secretary at RCBC's principal place of business at least thirty (30) working days before the regular or special meeting of the stockholders for the purpose of electing directors. The Corporate Governance Committee reviews the qualifications of persons nominated to the Board, and applies the *fit and proper standards* in its evaluation. 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 of the minimum qualifications and none of the disqualifications as prescribed under existing laws and regulations. It is provided in the By-Laws that no person shall be qualified or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that of RCBC, its subsidiaries and affiliates, as may be determined by the Board of Directors, in the exercise of its judgment in good faith, by at least a majority vote.

Maximum Board Seats

Being a director of the Bank necessitates commitment. Thus, under the Bank's Corporate Governance Manual, a non-executive director may concurrently serve as a director in a maximum of five (5) publicly-listed companies. In applying this policy to concurrent directorships in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.

Retirement

While the Bank acknowledges the Stockholders' ultimate right to elect the directors that will best serve their interest, a director who ascertains that he/she is no longer fit to perform his/her functions shall refuse nomination, if not yet elected, or may opt to retire, if already elected.

Independent Directors

The Bank adopts the definition of independent directors under SEC's *Code of Corporate Governance* and BSP's *Enhanced Guidelines on Corporate Governance for BSP Supervised Financial Institutions*. In 2016, the Board reinforced its independence by increasing the number of independent directors. 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 relationship to the Bank, its related companies or substantial shareholders as a regular director or officer or relative of said director or officer, as an executive or professional adviser within the past three (3) years, or business relations other than arm's length, immaterial or insignificant transactions.

The Bank's independent directors are active in board-level committees. It is the policy of the Bank, however, that an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight or control functions such as the Audit and Compliance Committee, Risk Oversight Committee, Corporate Governance Committee, Related Party Transactions Committee, and the Anti-Money Laundering Committee.

An independent director of RCBC is only allowed to serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as a regular director. The maximum cumulative term of nine (9) years shall be reckoned from 2012.

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*.

The Chairperson

The Chairperson of the Board of Directors, Mrs. Helen Y. Dee, provides leadership in the Board of Directors. She ensures the effective functioning of the Board of Directors, including maintaining a relationship of trust with members of the Board of Directors.

To promote checks and balances, it is provided under the Bank's Corporate Governance Manual that the Chairperson of the Board of Directors shall be a non-executive director or an independent director, and must not have served as CEO of the Bank within the past three (3) years. Moreover, the Chairperson should not concurrently serve as CEO. However, in exceptional cases where the positions of Chairperson and CEO of the Bank are allowed by the Monetary Board of the Bangko Sentral ng Pilipinas to be held by one person, the Corporate Governance Manual prescribes that a lead independent director shall be appointed who shall perform a more enhanced function over other independent directors. The lead independent director is tasked to direct the independent directors at Board of Directors meetings in raising queries and pursuing matters, and to head meetings of independent directors without the presence of executive directors.

The Corporate Vice Chairman

The By-laws of the Bank provides that the Corporate Vice Chairman shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairperson to act, the Corporate Vice Chairman will act in her stead, and will exercise any and all such powers and perform any and all duties pertaining to the office of the Chairperson conferred upon it by the By-laws. Mr. Cesar E.A. Virata is the Bank's Corporate Vice Chairman.

Meetings and Quorum Requirement

The regular meeting of the Board of Directors is every last Monday of the month at the principal office of RCBC. Should the meeting date fall on a holiday, the meeting shall be held at the same hour on the succeeding business day. A majority of the incumbent Directors shall constitute a quorum at any meeting, and a majority of the members in attendance at any Board meeting shall decide its action.

The meetings of the Board of Directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein. It is further required that every member shall participate in person in at least twenty-five percent (25%) of all meetings of the Board of Directors every year. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.

Meetings of board committees are prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies. A director's attendance in committee meetings is considered by the Corporate Governance Committee in the assessment of the director's continuing fitness and propriety as a member of the said board-level committee and of the Board of Directors.

Non-executive directors are required to have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Bank.

From the period January to December 2017, the members' attendance at Board and Committee meetings are as follows:

DIRECTORS	BOARD		% BOARD	EXCOM		TRUST		TECH		PERC		ACC		ROC		CG		RPT		AML		TOTAL		% TOTAL
	M	A		M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	
HELEN Y. DEE	17	15	88.24%	48	39			11	10	3	3											79	67	84.81%
CESAR E.A. VIRATA*	17	17	100.00%	48	45	12	11	11	9					8	8							96	90	93.75%
GIL A. BUENAVENTURA**	16	16	100.00%	48	45	12	12	11	8											3	2	90	83	92.22%
TZE CHING I. CHAN	17	13	76.47%																			17	13	76.47%
RICHARD G.A. WESTLAKE	17	16	94.12%											11	10							28	26	92.86%
YUH-SHING (FRANCIS) PENG	17	14	82.35%													12	7	10	8			39	29	74.36%
JOHN LAW	17	14	82.35%											11	8							28	22	78.57%
FLORENTINO M. HERRERA III	17	16	94.12%																	5	4	22	20	90.91%
ARMANDO M. MEDINA	17	15	88.24%	48	46	12	11	11	10									10	10	5	5	103	97	94.17%
MELITO S. SALAZAR, JR,	17	16	94.12%									26	25	11	9	12	9					66	59	89.39%
ADELITA A. VERGEL DE DIOS	17	12	70.59%									26	21			12	11	10	8			65	52	80.00%
JUAN B. SANTOS	17	16	94.12%			12	10							11	9			10	10			50	45	90.00%
LILIA R. BAUTISTA	17	17	100.00%	48	46																	65	63	96.92%
GABRIEL S. CLAUDIO***	17	15	88.24%													12	10	10	10	2	2	41	37	90.24%
VAUGHN F. MONTES	17	16	94.12%					11	10			26	24	11	11	12	12					77	73	94.81%

M = NUMBER OF MEETINGS
A = MEETINGS ATTENDED
* Resigned from ROC on 25 September 2017
** Resigned from AML on 30 October 2017
*** Appointed to AML Committee on 30 October 2017

Board Performance

The Corporate Governance Committee oversees the periodic evaluation of contribution and performance of the Board of Directors, board-level committees, and senior management. This exercise covers the assessment of the ongoing suitability of each member, taking into account his or her performance in the Board of Directors and board-level committees.

The Corporate Governance Committee decides the manner by which the Board's performance may be evaluated, and propose an objective performance criteria approved by the Board. The performance indicators determine how the Board has enhanced long-term shareholder value.

Board of Directors Training Program

The Corporate Governance Committee oversees the continuing education program for the Board of Directors. The Training Program for the members of the Board has been adopted in the Bank's Corporate Governance Manual.

Under the Bank's Corporate Governance Manual, all new directors must undergo proper orientation upon joining the Board. This ensures that new members are appropriately apprised of their duties and responsibilities before beginning their directorships. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the Bank's business, Articles of Incorporation, and Code of Conduct. The Orientation Program is designed to meet the specific needs of the individual directors and aid any new director in effectively performing his or her functions.

In addition to the Orientation Program, first-time directors are required to attend a seminar on corporate governance following the BSP-prescribed syllabus. The directors are required to submit a certification of compliance of this requirement to BSP.

The members of the Board also undergo the Annual Continuing Training Program. The program covers courses on corporate governance, matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy. The Board of Directors, through the Corporate Governance Committee, assesses its members' training and development needs in determining the coverage of the Annual Continuing Training Program. The directors are required to complete at least four hours of the Annual Continuing Training Program.

Remuneration of the Board

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 P35,000.00 for attendance in board meetings. The Audit and Risk Oversight Committee Chairmen receive P20,000.00 while members of the said committees receive P15,000.00 per diem for attendance in meetings. Per diem in other board committees is at no greater than P15,000.00 for the chairman and P10,000.00 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.

REMUNERATION ITEM	2017
(a) Per diem Allowance Non-Executive Directors, Independent Directors and members of the Advisory Board are entitled to per diem	**Php13,895,000.00 (aggregate amount for NED's, ID's, for the Board and Committees for the year 2017)**
(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	**Php13,895,000.00**

Board Committees

The Board of Directors has delegated some of its functions to the following board-level committees:

1. Executive Committee

Composition:

Chairman and at least four (4) members of the Board of Directors

Members:

Helen Y. Dee - *Chairperson*
Gil A. Buenaventura
Cesar E.A. Virata
Armando M. Medina (ID)
Lilia R. Bautista (ID)

The Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action. However, matters affecting general policy are always referred to the Board of Directors for decision. The Executive Committee has the power to review an asset or loan to ensure timely recognition and resolution of impaired assets. In 2017, the Executive Committee:

- Discussed various issuances by regulatory agencies;
- Approved non-DOSRI loans up to the Bank's Single Borrower's Limit (SBL);
- 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. **Audit and Compliance Committee**

Composition:

The Audit and Compliance Committee shall be composed of at least three (3) non-executive directors, majority of whom shall be independent including the Chairperson. The Chairperson should not be the Chairperson of the Board or of any other board-level committees. Members of the committee should have accounting, auditing or related financial management expertise or experience.

Members:

Melito S. Salazar, Jr. (ID) – *Chairperson*
Vaughn F. Montes (ID)
Adelita A. Vergel De Dios (ID)

The Audit and Compliance Committee assists the Board in oversight responsibilities on: (1) financial reporting framework (2) internal control system (3) internal audit function (4) external audit function (5) compliance function (6) implementation of corrective action and (6) investigation of significant issues or any matter within its terms of reference.

In 2017, 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 and Compliance 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 extent and scope, activities, staffing, resources and organizational structure of the Compliance Function.
- Review and approval of the annual testing plan and monitoring the status thereof.
- Review and approval of the Compliance Charter and Manual.
- Review of the compliance reports of the Compliance Officer 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 and Compliance Charter.
- Appointment of the Chief Compliance Officer and Chief Audit Executive.

3. **Risk Oversight Committee**

Composition:

The Risk Oversight Committee (ROC) shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, including the chairperson. The ROC's chairperson shall not be the chairperson of the Board of Directors, or any other board-level committee. The risk oversight committee shall possess a range of expertise and adequate knowledge on risk management issues and practices.

Members:

Vaughn F. Montes (ID) – *Chairperson*
Melito S. Salazar, Jr. (ID) – *Vice Chairperson*
Juan B. Santos (ID)[1]
Cesar E.A. Virata[2]
Richard G.A. Westlake
John Law[3]

[1] Resigned effective January 29, 2018.
[2] Resigned effective September 4, 2017.
[3] Appointed as observer effective January 29, 2018.

The highlights of the Risk Oversight Committee's actions in 2017 are as follows:

ROC Organizational Matters and General Risk Management

- Conduct of Self-Assessment of 2016 performance
- Oversight on preparation of the Annual Report's Risk & Capital Management section
- Notation and confirmation of accomplishments and plans of the various Risk Management groups
- Notation of significant BSP findings and the corresponding replies/actions taken by Management; notation of ROE required actions relating to risk management and approval of responses
- Notation of presentations on Cir. 969 & 971, and the gap analysis versus existing frameworks
- Approval of the amended ROC Charter
- Notation of the Enterprise Risk Management Framework
- Resolution to continuously review the enterprise risk management framework and manual

Enterprise Risk/ICAAP/Capital Management/ Recovery Plan

- Approval of the inclusion of the approved proposals in the ICAAP and Recovery Plan Document for submission to the BSP
    - o ICAAP projections for 2017-2019
    - o Enterprise Risk Appetite/Tolerance Statement (RAS) thresholds for 2017
    - o Liquidity triggers and recovery options
    - o Amendments to the RCBC Communication Plan and the RCBC Recovery Plan Committee
- Notation of Capital Adequacy reports
- Notation of Economic Capital estimates for Credit, Market, and Operational Risks
- Notation of enterprise Risk Appetite/ Tolerance Statement monitoring reports
- Notation of RAPM reports
- Notation of presentations on the Bank's capital plan
- Notation of the report on the bank's actual half year performance for 2017 versus projections
- Notation of the results of the Real Estate Stress Test (REST), and resolution to inform the BSP of the bank's breach in the REST limit and the measures it would adopt in response to the breach

Credit Risk

- Approval of Industry Exposure limits
- Notation of regular credit risk reports:
    - o Credit Risk Portfolio monitoring reports
    - o Tiered Pricing & Tiered RORA reports
    - o Loan Portfolio RAROC reports
    - o Reports on the Treasury Bond Portfolio
    - o Loan Portfolio & Treasury Portfolio stress testing results
    - o Various SEMS reports
    - o Various Industry Review reports
    - o Various Credit Management reports on account and portfolio review
    - o The S&P Rating Model performance report
    - o Various updates on the portfolio quality of Subsidiaries
- Oversight on the review of the Credit Risk Management Framework:
    - o Notation of discussions on the Credit Risk Management Framework
    - o Notation of discussions on the Credit Risk Policy Manual
    - o Notation of updates on the Credit Risk Monitoring Framework
    - o Approval of the revised composition of the Credit and Collection Committee

- Approval of the proposal to increase Excom's credit authority up to regulatory SBL
- Approval of the policy on Credit Delegated Authorities
- Approval of the policy on credit authorities
- Approval of adjusted delegated authority limits of Treasury and Wealth Management
- Approval of amendments to the policy on validity of credit approvals
- Approval of amendments to the policy on updating of financial information
- Approval of amendments to the policy on collateral
- Approval of amendments to the policy on trust receipts
- Approval of amendments to the policy on LGUGC Guarantee
- Approval of policies and procedures relating to the impairment testing of HTC investment security accounts
- Notation of the redevelopment and further enhancement of Bankard's credit scoring model
- Approval of the RCBC Bankard restructuring program
- Approval of revised approving authorities for credit card restructuring
- Approval of amendments to the SEMS policy

- Oversight of Independent Credit Review
    - Approval of the Independent Credit Review manual
    - Notation of the independent credit review report on the top 35 loan accounts
    - Notation of the Emerging Corporates Segment loan portfolio review
- Notation of updated ECL results

Market & Liquidity Risk

- Approval of Treasury's position and risk limits for 2017
- Approval of the following revised limits:
    - Revised MCO limits, and the proposed second tier limit scheme
    - Request to temporarily increase the bond futures product limit and the risk limits of the foreign currency portfolio, and notation of its return
    - Request to increase the MCO limit of the foreign currency book
- Notation of the temporary assignment of higher authorities/limits
- Approval of the revised Contingency Funding Plan (CFP)
- Confirmation of ALCO actions on disposition of various limit breaches
- Notation of regular Market & Liquidity Risk reports
- Notation of the discussion on the pre-settlement factors for 2018, and resolution to have a memo containing the models, assumptions, methodologies, and the implications circulated to the ROC
- Notation of BSP Circular 981, and resolution to conduct a gap analysis vs. existing frameworks

Trust Risk

- Notation of regular Trust Risk Management reports
- Approval of revisions to the Trust Risk Policy Manual
- Approval of amendments in TIG approving authorities and credit approval limits

Operational Risk

- Approval of revisions to the ORM Guidelines/ Framework
- Approval of the Enterprise-Level Operational Risk Appetite Statement (RAS)
- Approval of revised Operational Risk Control and Mitigation guidelines
- Approval of revised bank-wide operational risk KRIs and thresholds
- Oversight of general AML matters:
    - Notation of AML RCSA results
    - Approval of AML and OGB KRI thresholds
    - Notation of AML KRI monitoring reports

- Notation of the business center RCSA results
- Notation of KRI monitoring reports
- Notation of Loss Event reports
- Notation of the assignment of a 5% weight in the KRA of DOROs
- Oversight of risk issues with RCBC's international 24x7 operations, with the resolution to rationalize roles and responsibilities, and ensure that an officer of adequate qualification/s is always present and accountable
- Oversight of risk issues concerning RCBC's CSMES Ortigas Lending Center
- Notation of discussions regarding the Policies and Procedures Circulars Clearing House
- Notation of the renewal of the D&O insurance for 2017-2018
- Oversight of discussions concerning Comprehensive Crime Insurance/Bankers Blanket Bond
- Notation of various subsidiary reports

IT & Information Security

- Approval of the revised Information Security Charter
- Notation of status updates on various major projects
- Notation of reports on top IT risks and Information Security priorities, with their mitigation status
- Notation of regular reports on InfoSec KRIs
- Notation of incident reports and reports on other significant events relating IT & InfoSec Risk
- Notation of observations/findings regarding the InfoSec RCSA, and APPROVED proposed changes to the RCSA process
- Approval of enhanced Protection of Electronic Document Policy

Fraud Management

- Notation of the EFMD work plan for 2017
- Approval of amendments to the Enterprise Fraud Management framework
- Endorsement of the EFMD manual for Board approval
- Notation of updates on the rollout of EFMS fraud rules
- Approval of changes in the issuance of Bank Guarantees/Domestic Standby LCs
- Notation of various fraud incident reports and fraud management updates

Business Continuity Management

- Approval of the Incident Management Framework
- Approval of the Institutional Business Continuity Plan for cyber-attacks
- Notation of presentations on existing BCPs and related plans for system glitches & cyber-attacks
- Approval of the revised Crisis Management Plan & Institutional Business Continuity Plan
- Notation of Incident Management and DR/BCP exercise assessment reports, and other updates

Compliance Risk

- Approval of the RCBC Data Privacy Policy
- Notation of FATCA updates

Anti-Money Laundering

- Oversight on the review and cleanup of high risk accounts
- Approval of transaction thresholds for high risk accounts
- Oversight of Project Sentinel – OGB Task Force ring-fencing program, including:
    - o Approval of Online Gaming Business (OGB) KRIs

Strategic Risk

- Notation of introductory presentations on FinTech

Consumer Protection

- Notation of reports on consumer complaints, the passbook out of balance issue, and other consumer protection issues

Reputation Risk

- Approval of the RCBC Social Media Risk Management Policy
- Notation of updates on the Social Media Risk Management Framework
- Notation of the incident report on the PMCJ rally

4. The Corporate Governance Committee

Composition:

At least four (4) members of the board of directors who shall be non-executive directors, majority of whom shall be independent directors, including the chairperson, with (1) one member representing the minority shareholders.

Members:

Adelita A. Vergel de Dios (ID) – *Chairperson*
Melito S. Salazar, Jr. (ID)*
Vaughn F. Montes (ID)
Gabriel S. Claudio (ID)
Yuh-Shing (Francis) Peng

*Resigned effective January 29, 2018.

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. The highlights of the actions of the Corporate Governance Committee in 2017 are as follows:

- Reviewed and endorsed for Board approval the Bank's Corporate Governance Manual;
- Approval of the Annual Corporate Governance Report (ACGR) and the PSE Corporate Governance Disclosure Template;
- Monitored the Bank's implementation of the recommendations of the International Finance Corporation (IFC) on corporate governance;
- Engaged KPMG to conduct third-party validation of the effectiveness of the adoption and implementation of IFC's corporate governance standards;
- Exercised oversight on the nomination process for members of the Board of Directors and for positions requiring board approval;
- Ensured the implementation of the training program for the members of the Board of Directors;
- Facilitated the performance evaluation process of the Board of Directors, the individual members, the Chairperson and the CEO;
- Reviewed and endorsed for Board approval the interlocking positions of directors and officers;
- Exercised oversight on the Bank's Performance Management Framework;
- Exercised oversight on the Bank's succession plan for the CEO and senior executives;
- Enhanced disclosures by ensuring that gaps identified in ASEAN Corporate Governance Scorecard are addressed.

5. The Related Party Transactions Committee

Composition:

The Related Party Transactions (RPT) Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members.

Members:

Armando M. Medina (ID)[1] – *Chairperson*
Adelita A. Vergel De Dios (ID)[2]
Gabriel S. Claudio (ID)
Juan B. Santos (ID)[3]
Yuh-Shing (Francis) Peng

[1]Resigned effective January 29, 2018.
[2]Replaced Armand M. Medina as chairperson effective January 29, 2018.
[3]Resigned effective January 29, 2018.

The RPT Committee assists the Board in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations. In 2017, the RPT Committee fulfilled its mandate under its charter particularly on the review and disclosure of material related party transactions. Work done by the Committee in 2017 includes the following:

- 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, as amended, *i.e.*, Report on Conglomerate Structure and Report on Material Related Party Transactions.

6. The Anti-Money Laundering Committee

Composition:

Three (3) directors, majority of which are independent directors including the chairperson.

Members:

Armando M. Medina (ID)[1] – *Chairperson*
Gil A. Buenaventura[2]
Florentino M. Herrera III
Gabriel S. Claudio (ID)[3]
Vaughn F. Montes[4]

[1]Resigned effective January 29, 2018.
[2]Appointed as observer effective October 30, 2017.
[3]Appointed as member on October 30, 2017, and chairperson on January 29, 2018.
[4]Appointed as member on January 29, 2018.

The AML Committee assists the Board of Directors in its mandate to fully comply with the Anti-Money Laundering Act, as amended, its Revised Implementing Rules and Regulations and the Anti-Money Laundering Regulations under the Manual of Regulations for Banks (MORB); and to ensure that oversight on the Bank's compliance management is adequate. Its specific duties and responsibilities include:

Client Profiling

- To review and approve the AML client risk profiling model and changes thereto;
- To review and note changes in the risk profiles of clients, *i.e.*, downgrading from high risk to normal or low risk, and upgrading from low risk to normal or high risk;
- To review and approve changes in the sensitivity of watch list name screening on Base60;

STR Reporting

- To note the suspicious transaction reports filed pursuant to the approval of the AML Management Committee;

Alerts Monitoring

- To approve changes in alert scenarios, rules, parameters and thresholds in AML alert management and transaction monitoring systems;
- To review and approve reports on transactions disposed as false positive;

Disposition of Issues

- To review and recommend actions for AML critical issues;
- To review and approve reports on transactions disposed via Triage;
- To review and note closure of accounts;

Compliance Testing and Monitoring

- To review and approve AML compliance risk assessment;
- To review and approve the annual testing plan and changes thereto;
- To review the findings of Compliance Testing for AML and approve sanctions to be imposed as a result of such findings;
- To monitor and oversee timely compliance and responses to BSP/AMLC findings on regular or special examination in relation to AML.

Policy and Manuals

- To review the Bank's MLPP for the approval of the Board of Directors;
- To review and approve the Manuals on the following:
  a. System;
  b. Alerts
  c. Policy;
  d. Testing

Others

- To review and approve training plan for the Board and bank employees on AML;
- To note the Covered Transactions Reports;
- To note the AML risk indicators set by the Risk Oversight Committee;
- To confirm minutes of the AML Management Committee;
- To monitor the status of requests for information by the regulators, i.e., BSP and AMLC.

7. 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:

Juan B. Santos (ID) – *Chairperson*
Gil A. Buenaventura
Cesar E.A. Virata
Armando M. Medina (ID)[1]
Lilia R. Bautista (ID)[2]
Lourdes M. Ferrer

[1]Resigned effective January 29, 2018.
[2]Appointed as member on January 29, 2018.

The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank. Its activities in 2017 include the following:

- Approval of new policies and guidelines
  - Inclusion of the definition of Legislated and Quasi-Judicial Trust in the Trust Policy Manual (TPM)
  - Revision of TPM on the definition of Safekeeping based on the FRPTI;
  - Revision of policy on inter-account transactions to provide the procedure on cascading among the portfolio managers of the assets available for sale or inter-account transfers
  - Revision of Trust Operations Manual to incorporate additional internal controls and/or reconciliation procedures to ensure accuracy of regulatory reports and timely detection and correction of errors, if any.
  - Revision of Trust Risk Manual to include provision on validation and reporting of RCSA results
  - Revision of Rizal UITF Online Facility Guidelines
  - Revised policies on records management and retention for Trust and Investment Group (TIG);
  - Revision of various policies related to AMLA requirements for Trust accounts (FATCA supplemental form)
  - Policy on validation of client's address in lieu of sending thank you letters
  - Revised Self-Assessment Forms for the Trust Committee
  - Guidelines on the periodic review of directed equity investments
  - Policy revision allowing non-residents to invest in the Rizal Peso fixed income funds
  - Policy on handling discretionary and non-discretionary accounts
  - Updating of guidelines and procedures for e-submission of BSP requirements;
  - Revision of Trust Operations Manual on the reinforcement and inclusion of additional controls over the quarterly preparation and submission of Financial Reporting Package for Trust Institutions (FRPTI)
  - Streamlining of procedures and guidelines on the closure/termination of accounts
  - Guidelines on provisioning for financial assets of TIG
  - Amendment of credit approval limits of TIG
  - Revisions on the administrative review policies and guidelines
  - Revised Trust Committee Charter
- Conducted oversight of trust business
  - Review of Trust performance for 2017
  - Approval of Trust business plans for 2018
  - Approval of the Audited Financial Statements of TIG and the Rizal UITFs for 2016 (February 2017)
  - Discussions on the results of the Self-Assessment of the Trust Committee for 2016
  - Review of monthly financial performance of Trust for 2017
  - Discussions of impact of new regulations issued 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 2017)
- Administrative review of accounts (Year-round as presented by management)
- Report on compliance with client prescribed limits (quarterly)
- Monthly review of pre-need assets
- Discussions on the monthly market updates and investment strategies of Trust
- Product development efforts for 2017
- Discussions on accounts opened and closed on a monthly basis together with new mandates obtained
- Review of organization structure, succession plan for Trust and other HR matters
- Discussions on the implementation of PFRS9 by January 1, 2018

• Evaluation and approval of management recommendations on the investment and disposition of funds or properties held in trust
    - Approval of lines for local financial institutions (November and December 2017)
    - Approval of lines of foreign financial institutions (July 2017)
    - Accreditation of stockbrokers (Sept 2017)
    - 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 (September 2017)

• Management of risks in the conduct of the trust business
    - Monthly discussions 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
    - Updates on regulatory developments affecting the Trust business

8. The Technology Committee

Composition:

At least three (3) members of the Board of Directors.

Members:

Helen Y. Dee – *Chairperson*
Gil A. Buenaventura
Cesar E.A. Virata
Armando M. Medina (ID)*
Vaughn F. Montes (ID)*

*Resigned effective January 29, 2018.

The Technology Committee exercises authority over all IT Project Steering Committees of the various RCBC Business Groups and subsidiaries (The Group), with the principal purpose of assisting the Board in fulfilling the following oversight responsibilities:

• 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 in the TechCom.
- Ensures compliance to BSP rules and regulations relating to Information Technology.

9. 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:

Helen Y. Dee – *Chairperson*
Rowena F. Subido – *Head, Human Resources Group*
Jonathan C. Diokno – *Head, Retail Banking Group*
Margarita B. Lopez – *Head, Operations Group and Digital Banking Group*
Florentino M. Madonza- *Head, Controllership Group*
Regino V. Magno – *Head, Business Risk Group*
George Gilbert G. Dela Cuesta – *Head, Legal Affairs Group*

The Personnel Evaluation and Review Committee is created by the Board of Directors for the following purposes:

- 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 resulting to an actual or potential loss to the Bank of at least One Million Pesos (Php1,000,000.00).
- 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.
- Such other purposes as may be necessary in the performance and discharge of its functions.

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 Atty. Lilia B. De Lima, Mr. Francis C. Laurel and Ms. Yvonne S. Yuchengco.

SHAREHOLDINGS IN THE COMPANY

As of December 31, 2017, only the following stockholders own more than 5% of RCBC's common stock:

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 Corporation** Address: 296 Ren AI Road Sec4 Taipei 10633 Taiwan R.O.C. Relationship with Issuer: Stockholder		Non-Filipino	326,929,297	23.35%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address: 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder		Non-Filipino	71,151,505	5.08%

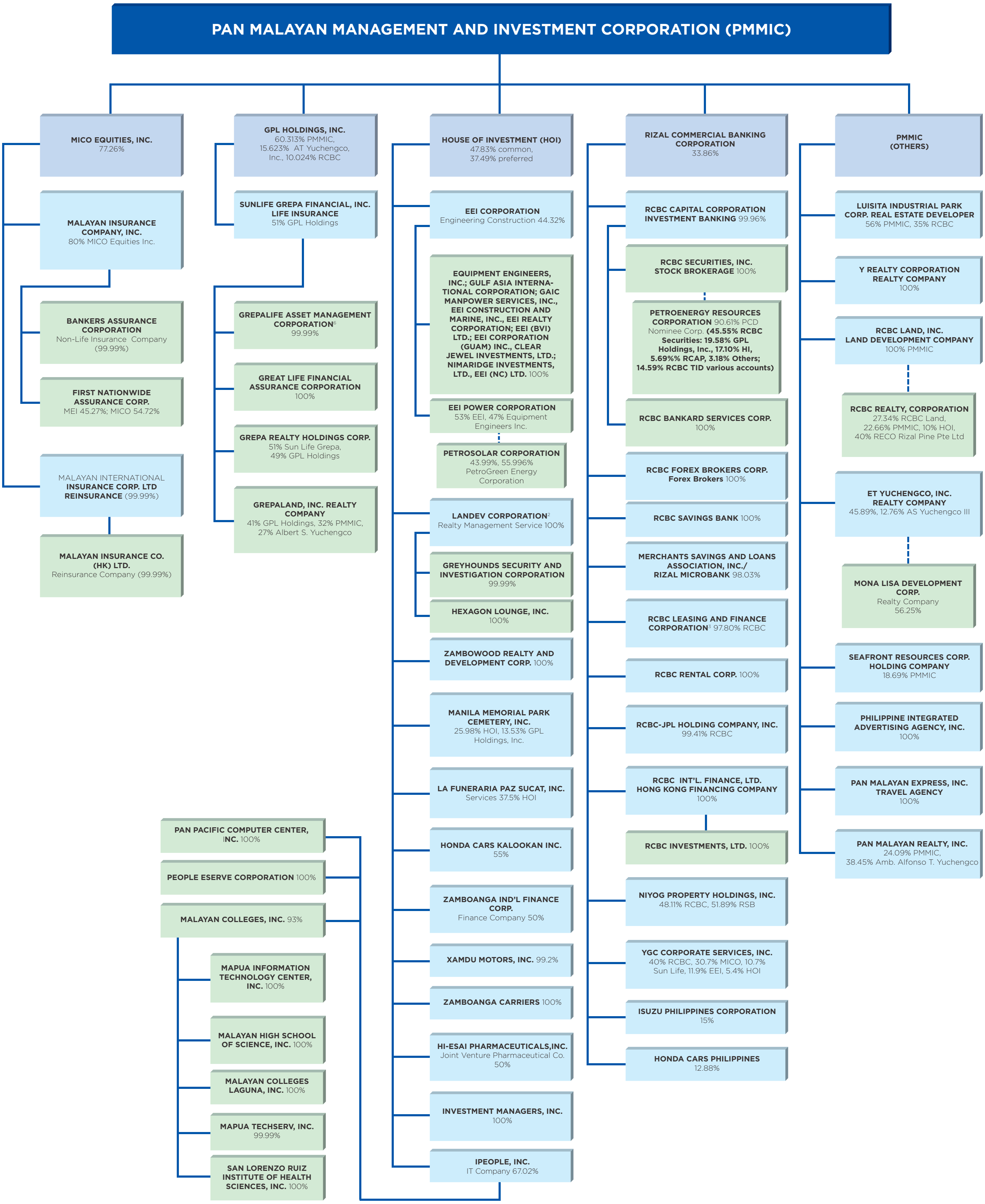
*combined Direct and Indrect Shares of PMMIC

The following **directors and officers** directly and indirectly own shares in RCBC:

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF RECORD / BENEFICIAL OWNERSHIP		CITIZENSHIP	PERCENT OF CLASS (%)
		PAR AMOUNT	NATURE		
Directors					
Common	Helen Y. Dee	10,116,790	R / B	Filipino	0.07
Common	Gil A. Buenaventura	50	R / B	Filipino	0.00
Common	Cesar E.A. Virata	1,001,670	R / B	Filipino	0.01
Common	Lilia R. Bautista	50	R	Filipino	0.00
Common	Vaughn F. Montes	50	R	Filipino	0.00
Common	Florentino M. Herrera III	34,670	R / B Filipino	Filipino	0.00
Common	Richard G.A. Westlake	10	R	New Zealander	0.00
Common	Tze Ching Chan	10	R	Chinese	0.00
Common	Yu - Shing Peng	10	R	R.O.C. Taiwan	0.00
Common	Armando M. Medina	1,950	R	Filipino	0.00
Common	John Law	10	R	French	0.00
Common	Gabriel S. Claudio	10	R	Filipino	0.00
Common	Melito S. Salazar Jr.	10	R	Filipino	0.00
Common	Adelita A. Vergel de Dios	10	R	Filipino	0.00
Common	Juan B. Santos	50	R	Filipino	0.00
	Subtotal	***11,155,350***			
Executive Officers					
Common	Evelyn Nolasco	27,000	B	Filipino	0.00
	Subtotal	***27,000***			
	TOTAL	***11,182,350***			0.08

CONGLOMERATE STRUCTURE

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



MANAGEMENT

Chief Executive Officer

The Bank's CEO is Mr. Gil A. Buenaventura. He is responsible for the management of the business and affairs of the Bank, guided by the strategic direction and risk appetite approved by the Board of Directors. He is primarily accountable to the Board of Directors in championing the desired conduct and behavior, implementing strategies, and promoting the long-term interest of the Bank. He ensures that the business and affairs of the Bank are managed in a sound and prudent manner, and that operational, financial and internal controls are adequate and effective.

The CEO is also in charge of public relations and advertising relations with the BSP and other offices, agencies and instrumentalities of the Philippine government, the Bankers' Association of the Philippines and other industry associations. He is a member of the Executive Committee and of all major management committees, and exercises such other powers and performs such other duties as the Board of Directors may prescribe from time to time.

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

The Bank's Corporate Governance Manual prescribes that the positions of Chairperson and CEO shall not be held by one person.

Duties and Responsibilities of Management

Under the direction of the Board, Management shall ensure that the Bank's activities are consistent with the business strategy, risk tolerance and appetite, and policies approved by the Board. Senior Management is responsible and held accountable for overseeing the day-to-day management of the Bank. Thus, it is required that members of Senior Management shall have the necessary experience, competencies and integrity to manage the businesses under their supervision as well as have appropriate control over the key individuals in these areas.

Management Committees

The Bank has four senior management committees that provide a regular forum, at a lower level, to take up risk issues:

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

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

The **Related Party Transactions Management Committee (RPT ManCom)**, composed of select 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 Management Committee (AML MANCOM)**, chaired by the Chief Compliance Officer, meets weekly for the evaluation of suspicious transaction reports (STRs) filed by various units prior to its submission to the Anti-Money Laundering Council (AMLC). In addition to the evaluation of STRs, the Committee also reviews filed AML cases and tagged frozen accounts. The Committee is also advised on the status or results of AML testing/audit conducted on the business units, and is informed and consulted on internal policies and external laws pertaining to AML. Lastly, the Committee ensures proper compliance with BSP rules and regulations relating to AML.

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 by key employees which is 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.

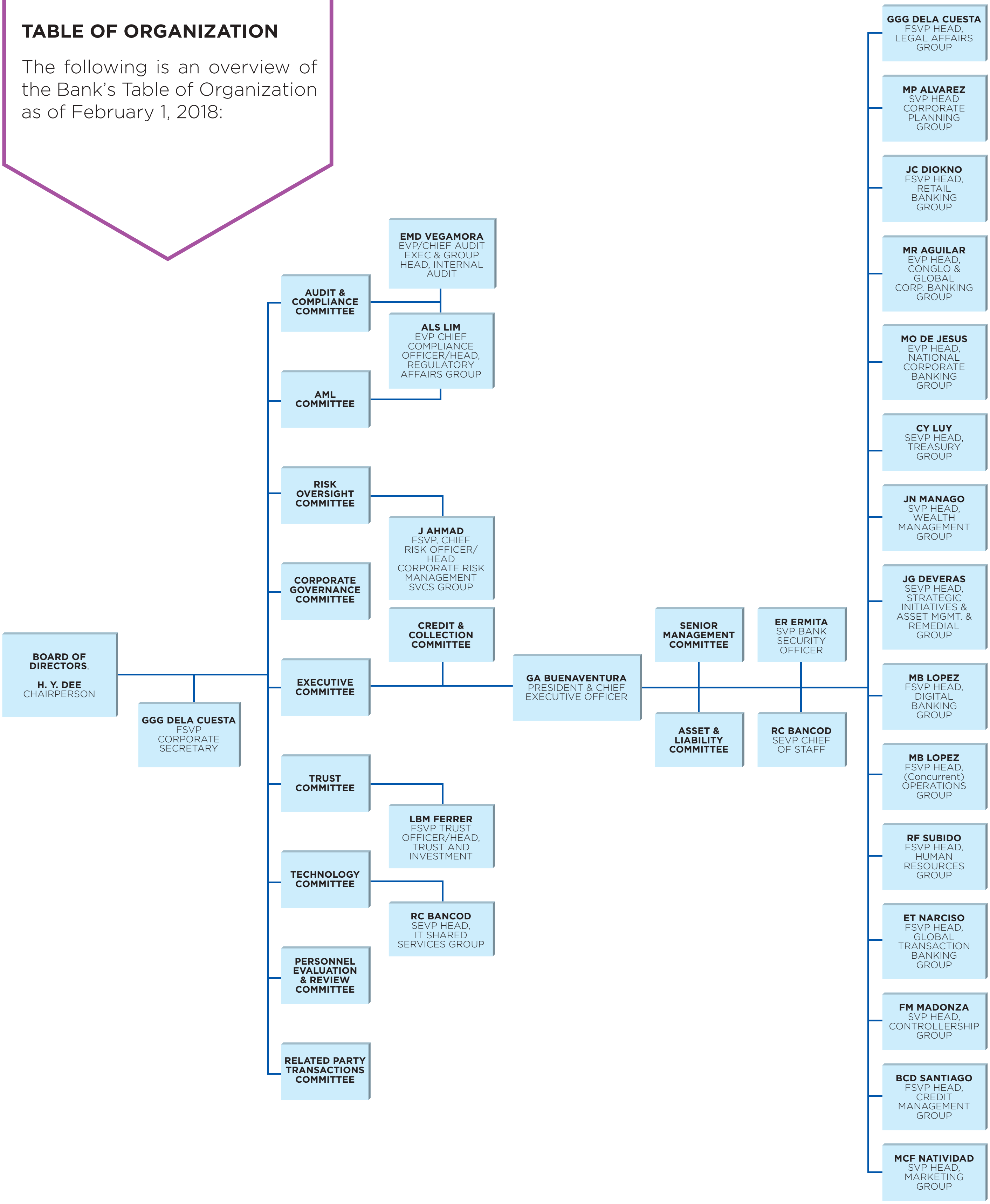
Senior Executive Compensation

The aggregate compensation paid or accrued to the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows (in thousand pesos):

NAMES	PRINCIPAL POSITION	AGGREGATE COMPENSATION (NET OF BONUSES)	BONUSES
Gil A. Buenaventura	President & Chief Executive Officer	**65,870**	**48,945**
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Chester Y. Luy	Senior Executive Vice President		
Rommel S. Latinazo	Executive Vice President		

TABLE OF ORGANIZATION

The following is an overview of the Bank's Table of Organization as of February 1, 2018:



SHAREHOLDERS

Shareholders' Rights and Protection of Minority Stockholders' Interest

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.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights, *i.e.*, any shareholder or group of shareholders with at least five percent (5%) share of the total outstanding shares of the company shall be allowed to propose any relevant item for inclusion in the agenda for the meeting.

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.

Voting Right

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Bank. The stockholders shall be encouraged to personally attend such meetings.

In case the stockholders cannot attend the annual and special stockholders' meetings, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholders' favor.

The Board shall take the appropriate steps to remove excessive costs and other administrative impediments to the stockholders' participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

A director shall not be removed without cause if it shall deny minority stockholders representation in the Board.

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.

The last Annual Stockholders' Meeting (ASM) was held on June 27, 2017. The Bank hired an independent party, Punongbayan & Araullo, to count and validate votes cast at the said meeting. Proper and timely disclosures were made immediately after the ASM. Results of the meeting as well as minutes thereof are available in the Bank's website.

Right to Inspection

All stockholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

Right to Information

The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealing with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

Dividend Policy

Article XI, Section 1 of the By-Laws of the Bank, provides that dividends shall be declared and paid out of the surplus profits of the Bank as often and at such times as the Board of Directors may determine after making provisions for the necessary reserves in accordance with law and the regulations of the Central Bank of the Philippines.

As a policy, management shall determine the amount of dividends to be declared and present the recommendation for the declaration of the same to the Board of Directors for approval. If it has stipulated dividend payment obligations, the Bank shall declare dividends in accordance with its commitment.

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:

> The net amount available for dividends shall be 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 dividend declaration.
>
> The derivation of the amount of dividends from the unrestricted/free retained earnings shall be based on a sound accounting system and loss provisioning processes under existing regulations which takes into account relevant capital adjustments including losses, bad debts and unearned profits or income.

Details of the 2017 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	P0.0724	P0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017
Preferred	P0.0749	P0.02	March 21, 2017	January 30, 2017	March 22, 2017	March 24, 2017
Common	P0.5520	P772.75	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
Preferred	P0.5520	P0.15	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
Preferred	P0.0807	P0.02	June 21, 2017	April 24, 2017	April 26, 2017	June 23, 2017
Preferred	P0.0840	P0.02	September 21, 2017	July 31, 2017	September 5, 2017	September 22, 2017
Preferred	P0.0840	P0.02	December 21, 2017	October 30, 2017	December 12, 2017	December 22, 2017

Appraisal Right

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines.

Investor Relations Program

The Board shall commit at all times to fully disclose material information dealings. It shall cause the timely filling of all required information for the interest of its shareholders and other stakeholders. The reports or disclosures shall be prepared and submitted to the SEC and Philippine Stock Exchange (PSE) by the responsible committee or officer through the Bank's Compliance Officer. Material Information emanating from the Board of Directors shall be disclosed, and this shall be the responsibility of the Corporate Information Officer (CIO). The CIO shall be responsible for efficiently providing information and addressing concerns of its shareholders and other stakeholders through the Bank webpage which provides complete information about the Bank in a form that is user-friendly.

Transactions between related parties shall be disclosed to include the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship in the financial statements.

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

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

All disclosed information shall be released via the approved and established stock exchange procedure for corporate announcements as well as through the annual report.

The governance of the bank shall be adequately transparent to its shareholders and other stakeholders.

The Bank shall designate authorized signatories and alternates for disclosures. All disclosures or information stated or relayed by the authorized signatory shall be presumed to have been made with the approval of the Chairman of the board, and principal officers of the Bank. The officers, including the signatories and their alternates, shall be responsible and liable for the truthfulness of the disclosures.

Material Information / Transactions

The Bank is committed to disclose material information to its stakeholders as part of its adherence to transparency, accountability, and fairness. The following are the material information/transactions approved by the Board of Directors for 2017:

- Statement of Condition as of December 31, 2016;
- Appointment of Atty. Richard David C. Funk III as Chief Compliance Officer;
- Appointment of Mr. Juan Gabriel R. Tomas IV as Customer Service Support Segment Head, Operations Group with the rank of Senior Vice President;
- Appointment of Ms. Cecilia F. Natividad as Group Head, Marketing Group with the rank of Senior Vice President;
- Concurrent and interlocking appointment of Atty. George Gilbert G. Dela Cuesta as Corporate Secretary of RCBC Savings Bank.
- Concurrent and interlocking appointment of Atty. Elsie S. Ramos as Corporate Secretary of Niyog Property Holdings, Inc.
- Approval of the Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC Trust and Investment Group as of year ended December 31, 2016 as audited by Punongbayan & Araullo subject to final approval of the stockholders.
- 2016 Audited Financial Statement
- Declaration of dividends on Preferred Shares amounting to P0.552 per share as of the close of the 10th trading day from receipt of approval by the BSP (record date). BSP approval was received on April 26, 2017. The payment date shall be within ten (10) trading days from record date.
- Declaration of dividends on Convertible Preferred Shares amounting to P0.08066 to holders of convertible preferred shares as of June 21, 2017. BSP approval was received on April 26, 2017.

- Statement of Condition as of March 31, 2017
- Promotion and appointment of officers effective July 1, 2017 subject to the final approval/ confirmation of the Monetary Board of the Bangko Sentral ng Pilipinas;
- Concurrent and interlocking appointment of Atty. Jocelyn Grace N. Navato as Corporate Secretary of RCBC Leasing and Finance Corporation/RCBC Rental Corporation and of Rizal Microbank
- Appointment of Ms. Ana Luisa S. Lim, Executive Vice President, as Officer-in-Charge of the Regulatory Affairs Group, effective July 1, 2017 in view of the resignation of Atty. Richard David C. Funk III.
- Results of the Annual Stockholders Meeting
- Results of the Organizational Meeting of the Board of Directors
- Statement of Condition as of June 30, 2017
- Successful listing of the initial tranche of RCBC Long Term Negotiable Certificates of Deposits (LTNCD) due 2023
- Declaration of cash dividends on convertible preferred shares amounting to P0.08401 (US$0.00166) per share to holders of convertible preferred shares as of September 21, 2017
- Statement of Condition as of September 30, 2017.
- Increase in Authorized Capital Stock , particularly the increase in the Authorized Common Shares to 2.6 Billion from 1.4 Billion with par value of P10.00 per share;
- Amendment of Article Seventh of the Articles of Incorporation to reflect the increase of Authorized Common Shares to 2.6 from 1.4 Billion with par value of P10.00 per share;
- Holding of a Special Stockholders Meeting on January 29, 2018 to submit for stockholders' approval the Increase in Authorized Capital Common Stock and the corresponding Amendment of the Articles of Incorporation;
- Secondment of Mr. Joseph Colin B. Rodriguez to RCBC Forex Corporation as President and Chief Executive Officer;
- Declaration of cash dividends on convertible preferred shares amounting to P0.08401 (US$0.00165) per share to holders of convertible preferred shares as of December 21, 2017.

OTHER 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. (HOI), an affiliate of the Bank.

HOI's Procurement Shared Services has the following policies:

a. Code of Ethics for Procurement
b. Code of Ethics for Suppliers
c. Supplier Management
d. Policies in Choosing a Supplier
e. Procurement Process
f. Contract Management
g. Manual Structure, Use, Revisions/ Amendments
h. Early Involvement in Procurement

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 HOI's PSS Manager and General Manager. Accredited suppliers are likewise subject to performance evaluation.

Environmentally-friendly Value Chain

The Bank has adopted its Policy on Social and Environmental Management System in order to promote sustainable practices for both the Bank and its clients that will mutually enhance profitability, and minimize any negative environmental, social and reputation impacts of the Bank's financing activities and its clients' operation, and to encourage loan borrowers to adhere to the preservation and development of the natural, social, and cultural environment which will redound to their own company's best interest .

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.

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.

Compliance Function

The compliance function of the Bank facilitates the effective management of compliance risks or risks of legal or regulatory sanctions, material financial loss, or loss to reputation that a bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities.

The Compliance Function is discharged by the Regulatory Affairs Group (RAG) headed by the Chief Compliance Officer (CCO). The RAG is a separate and independent unit with no business function. It reports to the Board of Directors through the Audit and Compliance Committee and the AML Committee.

The Regulatory Affairs Group shall facilitate the effective management of compliance risks by:

a. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
b. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from its personnel;
c. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
d. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
e. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;

f. Monitoring and testing compliance by performing sufficient and representative compliance testing; and

g. Maintaining a constructive working relationship with the BSP and other regulators.

The functions of the RAG are discharged by the following divisions which are under the direct supervision of the CCO:

a. The Regulatory Affairs Divisions (RADs) performs horizon scanning and impact assessment of new regulations and market trends, and the embedding of rules and regulations to the Bank's policies, procedures, and controls.

b. The Anti-Money Laundering and Fraud Management Division (AFMD) is responsible for the monitoring, analysis, disposition and investigation of AML and fraud alerts; reporting of possible suspicious transactions and detected fraud; monitoring filing of reports on crimes and losses; filing of covered transactions report and suspicious transactions report; preparing and recommending new policies; recommending new or updating AML and fraud alert rules; and, maintaining Base60 and Predator parameters.

c. The Testing and Monitoring Division (TMD) is responsible for the identification, assessment and monitoring of compliance risks and level of compliance of the different business lines, products and services with the relevant regulations governing banks.

d. The Standards and Resource Management Division (SRMD) shall serve as support to the overall operations of RAG. Functions include project management for key compliance projects; dissemination and reporting of regulatory issuances; planning, and administrative matters

Internal Audit

The Bank has in place an independent internal audit function headed by the Chief Audit Executive (CAE) who functionally reports to the Audit and Compliance Committee.

The scope of work of Internal Audit encompasses the examination and evaluation of all business systems, processes, operation, function and activities within the Bank including functions that are outsourced, its subsidiaries and branches. Such scope of work determines the adequacy and effectiveness of the Bank's risk management, control and governance process to provide reasonable assurance that:

- Risks are appropriately identified and managed in the context of current and potential risks;
- Interaction with various groups occurs as needed;
- Programs, plan and objectives are achieved;
- Resources are acquired economically, used efficiently and protected adequately;
- Quality and continuous improvement are fostered in the Bank's control process;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions including performance of trading activities are in compliance with policies, standards, procedures and applicable laws and regulations;
- Significant legislative or regulatory issues impacting the Bank are appropriately recognized and addressed including areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting;
- Management and financial information system including the electronic information system and electronic banking services are reliable and effective and resulting data has integrity.

The Internal Audit subscribes to and complies with all applicable professional standards and code of ethics, including the Institute of Internal Auditors – "International Standards for the Professional Practice of Internal Auditing," Information Systems Audit and Control Association and the relevant requirements of the Bangko Sentral ng Pilipinas and other bank regulators.

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 and Compliance Committee is empowered to appoint the external auditor of the Bank and 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.

The following are audit and non-audit fees paid to the bank's external auditor, Punongbayan and Araullo, in 2017:

2017	AUDIT FEE (IN MILLION PESOS)	NON-AUDIT FEE (IN MILLION PESOS)	TOTAL (IN MILLION PESOS)
Parent	P 3.35	P0.50	P3.85
Group	P11.24	P1.73	P12.97

Non-audit fees include engagements for the quarterly review and agreed upon procedures in connection with the Bank's Offering Circulars.

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, 2017 and 2016, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

Policies

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 Policies

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 Insider 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.

Whistleblowing Policy

The Bank's Whistleblowing Policy is a key element in safeguarding the Bank's integrity. It aims to enhance the Bank's transparency and system for combating practices that might damage its activities and reputation. Protecting the integrity and reputation of the Bank requires the active support of its stakeholders, particularly its employees.

The following are the basic principles of the Bank's Whistleblowing Policy:

1. Employees and other stakeholders must be provided with alternative and sufficient channels for whistleblowing and communication. In certain instances, they must be able to bypass the main channels for whistleblowing if these prove inappropriate;
2. Employees and other stakeholders making the report in good faith should at all times be protected against reprisals;
3. Identity of the whistleblower making the report in good faith should remain confidential;
4. Reported incidents shall be verified in an appropriate manner, and if confirmed, the Bank must take the necessary actions;
5. The rights of any person implicated in any report must be respected.

Reports of any 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 relative to matters of financial reporting, internal control and/or auditing may be sent through YGC's Open Communication system at www.rcbc.com/TalktoUs.

AMLA

The Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) is a comprehensive and risk-based policy geared toward the promotion of high ethical and professional standards and the prevention of the bank being used, intentionally or unintentionally for money laundering and terrorist financing. The MLPP is consistent with the Anti-Money Laundering Act of 2001, as amended, The Terrorism Financing Prevention and Suppression Act of 2012, and BSP Circular No. 706, as amended. The MLPP is updated at least once every two years. This covers policies on Know Your Customer procedures, Record

Keeping and Retention, Training, Risk Profiling and Covered and Suspicious Transaction Alerts Management. Central to improving the Bank's compliance to AML/CFT related regulations is the revision of the MLPP at least once every two years. The revised MLPP addresses the requirement outlined in new regulations and addresses changes in Bank practices considered significant as part of its ongoing process of re-framing the Bank's Compliance Program.

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 which 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 and consultants of the Bank.

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 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 2017 are described below:

- The total amount of Parent Company DOSRI loans was at P553 million as of end December 2016 and was at P509 million by end of December 2017.
- RCBC and certain subsidiaries engage in trade of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period.
- RCBC's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by 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, 2020 after it was renewed in 2015 for another five years.
- RCBC entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza.
- 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 million. 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.
- RCBC has a Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide RCBC with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of RCBC's credit card business.
- The Bank entered into a Memorandum of Agreement with HI, a member of the YGC, for the procurement of outsourcing services. Under the agreement, HI is the Bank's sole representative in negotiating the terms of the contracts with selected suppliers or service providers for the procurement of certain outsourcing services, primarily IT related services. The agreement stipulated that HI would not charge fees for its service except for its share in the savings generated from suppliers and service providers. Moreover, HI is obligated to ensure that the contracts they initiate do not prejudice the Bank in any way and that the Bank does not pay more than the cost of buying the items without aggregation.
- The Bank has service agreements with RCBC Savings Bank (RSB) and Bankard Inc. (now RBSC) for the in-sourced internal audit services. The Bank provides full-scope audit services to RSB and limited audit services to Bankard Inc., specifically IT audit, operations audit and financial statements review. Also, the Bank has formalized the service agreements for the internal audit services being provided to subsidiaries namely: RCBC Capital Corp., RCBC Securities, Inc., RCBC Forex Brokers Corp., Merchant Savings and Loan Association, Inc. (Rizal Microbank), RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.
- The Bank has a service agreement with RCBC Forex Brokers Corporation (RCBC Forex) for in-sourced services, to be rendered by the following business units: 1) business and operational risk, 2) compliance, 3) internal audit, 4) information technology, and 5) human resources. The services shall be limited to: compliance with relevant laws, rules and regulations, market, liquidity, and operational risk management, internal audit, information technology, review of salary and processing of payroll on a bi-monthly basis, and implementation of exclusive succession planning, human resources information system and database administration and organization of training programs.
- The Bank has a service agreement with RCBC Forex and RSB for the referral of money service business customers to RCBC Forex, to facilitate the purchase and/or sale of foreign currencies. The services to be rendered are relative to account opening and compliance with customer identification regulatory requirements.

RISK AND CAPITAL MANAGEMENT

BELIEVE IN DISCIPLINE

In RCBC, everyone plays a risk management role. It is the responsibility of every level of management, in every business or functional unit, under the oversight of the Board, to ensure that the Risk Management Process is performed.

Risk and Capital Management Framework

The Group's Risk and Capital Management Framework illustrated below rests on what the Group believes to be the five (5) pillars of Risk and Capital Management: a) effective Board Oversight, b) sound Risk Management Framework, c) dynamic Capital Management Framework and how it interacts seamlessly with Risk Management, d) Risk and Capital Monitoring and Escalation, and e) Review and Validation.

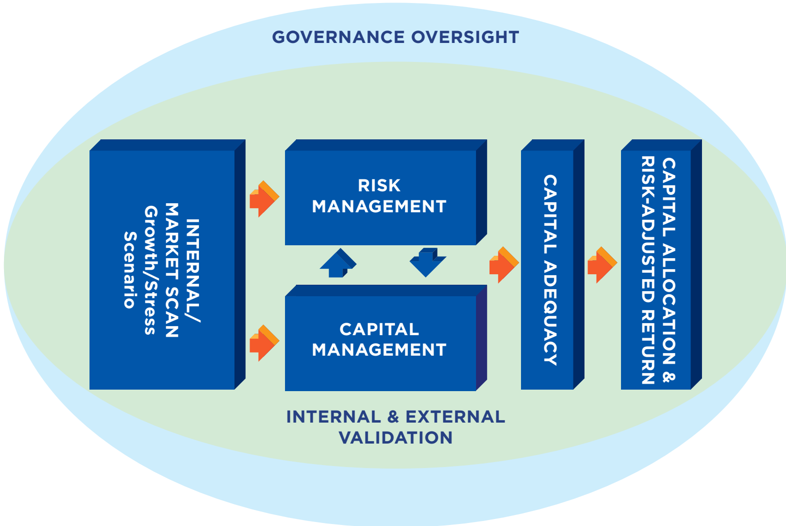


FIG. 1: RISK AND CAPITAL MANAGEMENT FRAMEWORK

The Risk and Capital Management Frameworks respond to internal and external signals. Internal signals for the Group are manifested in its corporate Mission & Vision, 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, the Risk and Capital Management Frameworks 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, and has in fact made significant strides with the development of a Risk-Adjusted Performance Measurement (RAPM) Framework.

The Framework and its sub-processes are all subject to review and validation by the Internal Audit Group.

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

RISK AND CAPITAL MANAGEMENT GOVERNANCE

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, and implement the Vision crafted by the Board.

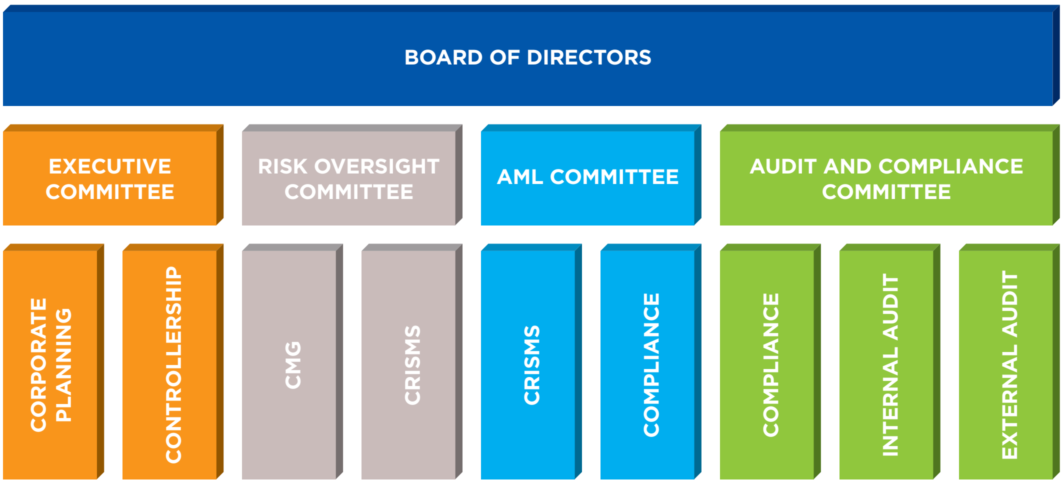


FIG. 2: RISK AND CAPITAL MANAGEMENT INFRASTRUCTURE

Next to the Board, the Excom is the highest approving body in the Group. It has the authority to approve matters delegated by the Board.

The Risk Oversight Committee (ROC) is specifically designated to oversee the implementation of the Risk Management Framework. It evaluates for the Board the Group's risk appetite, and manages its overall risk profile.

The Audit and Compliance Committee (ACC) is an independent committee tasked to oversee the entire audit process, including the validation of the various sub-processes of the Framework, along with regulatory/compliance aspects.

General oversight with respect to the Framework's implementation however rests with the ROC.

Overall responsibility for risk management is with the Board of Directors. More specific responsibilities of the Board and management committees involved, and assisting the Board, in the risk process are provided below.

The Risk Oversight Committee

The RCBC Group Risk Oversight Committee (the ROC) is a board-level committee of the Rizal Commercial Banking Corporation (RCBC) Board of Directors (the Board), from which it derives its authority and to which it regularly reports. While the Board has overall responsibility, the Board delegates some of its functions to the ROC with respect to the oversight and management of risk exposures of the RCBC parent bank and subsidiaries (the Group). In this regard, the ROC exercises authority over other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC shall:

Oversee the risk management framework. The ROC shall ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that implementation is carried out on an enterprise-wide basis, and that corrective actions are promptly implemented to address risk management concerns.

Oversee adherence to risk appetite. The ROC shall oversee compliance to established risk management policies and limits. The ROC shall ensure that the current and emerging risk exposures are consistent with the Group's strategic and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others;

Oversee the risk management function. The ROC shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources including personnel, systems, and other risk management capabilities necessary for the conduct of sound risk management, and effectively oversees the risk taking activities of the Group.

Oversee capital planning and management. The ROC shall review, evaluate, periodically assess for, and report to the Board, the Group's Internal Capital Adequacy Assessment Process (ICAAP), especially relating to:

- Current and projected capital and risk-weighted asset levels and requirements;
- Capital allocation among risk-taking units of the Group; and
- Perceived threats to capital adequacy arising from both identified and unexpected risk factors

The Committee's scope of authority shall be in accordance with its principal purpose and objective herein set, and guided by the directives as contained in relevant provisions of the Manual of Regulations for Banks (MORB).

The ROC is primarily tasked to develop and implement the institution's risk management program. It shall oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. The committee shall likewise enable the Board to establish the Group's risk tolerance within a risk-reward framework and ensure that a risk management strategy is in place that adheres to this framework.

The ROC shall advise the Board on the overall current and future risk appetite, oversee Senior Management's adherence to the risk appetite statement, and report on the state of risk culture.

Risk Management Function

The following functions support the above-mentioned committees and are an integral part of the risk organization of the Bank:

THE RISK MANAGEMENT GROUPS

Supporting the ROC in carrying out its mandate are the Corporate Risk Management Services Group (CRISMS), and the Credit Management Group (CMG).

Administratively and functionally, enterprise risk management follows the "centralized risk monitoring – decentralized risk management" approach. The risk units in the subsidiaries implement the risk management process individually, and report to their respective risk committees.

The parent bank's risk management Groups implement the risk management process in the parent and consolidate the risk MIS from the various subsidiary risk units for a unified risk profile that is presented to the ROC.

The Corporate Risk Management Services Group (CRISMS)

FIG. 3 CORPORATE RISK MANAGEMENT SERVICES GROUP

The following are the major risk management divisions under CRISMS[1] .

Enterprise Risk Division: The Enterprise Risk Division (ERD) is responsible for the Internal Capital Adequacy Assessment Process (ICAAP), Basel compliance, credit risk analytics, and the credit portfolio risk function. A quantitative risk unit is responsible for quantitative analysis, backtesting and validation of risk models, and the building of other risk metrics.

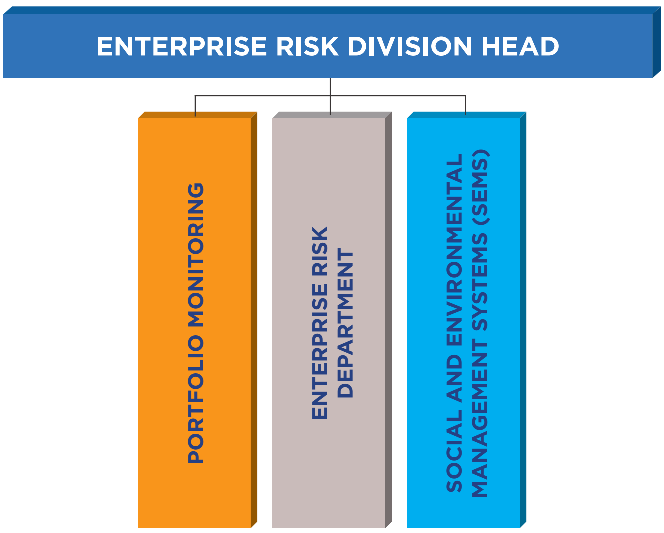


FIG. 4 ENTERPRISE RISK DIVISION

Portfolio Quality Division: The Portfolio Quality Division (PQD) was created to conduct an independent credit review and ensure compliance with the requirements of BSP Circular 855 on credit review process. PQD contributes to Risk Portfolio Management as governed by the ROC through the assessment of the overall portfolio quality of the bank, with a view to enhancing the credit review framework covering credit review procedures, policy formulation, and action plan monitoring. Findings are reported periodically to the ROC, following discussions with accountable groups in line with the requirements of BSP Circular 855.

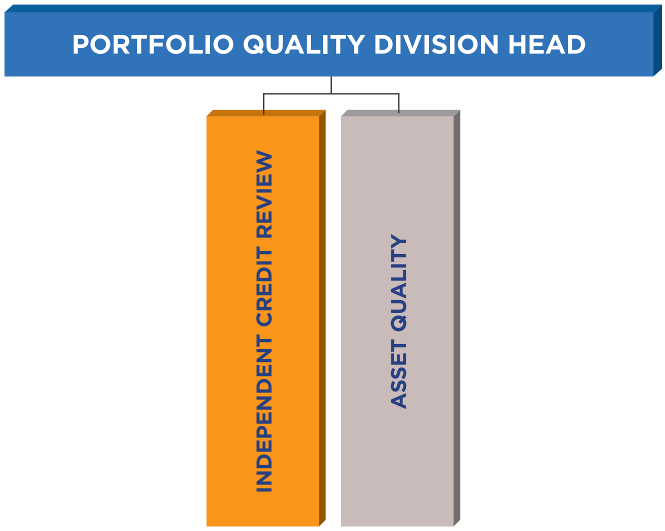


FIG. 5 PORTFOLIO QUALITY DIVISION

Market and Liquidity Risk Division: The Market and Liquidity Risk Division (MRD) 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) on market, liquidity, and interest rate risk management of the Group.

[1] Administrative changes were made to CRISMS Organization structure in March 2018, resulting in alignment in existing Divisions and creation of additional Divisions. ERD, MRD and ORMD remain as standalone divisions under CRISMS after the reorganization.

FIG. 6 MARKET AND LIQUIDITY RISK DIVISION

Operational Risk Management Division: The Operational Risk Management Division (ORMD) was created to ensure that operational risks are managed at an enterprise level, the systems and processes used to manage these risks are effectively implemented, and that management of these risks is embedded in the Group's processes.

FIG. 7 OPERATIONAL RISK MANAGEMENT DIVISION

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 the parent bank and its subsidiaries, 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.

Resiliency, Information Security, and Systems Division: The Resiliency, Information Security, and Systems Division (RISS) is responsible for ensuring the Bank's capability to plan and respond to incidents and business disruptions and enable the continuity of key business operations at predefined acceptable levels. Another function of the division is to provide the processes and methodologies designed to protect the information assets of the Bank from unauthorized access, use, misuse, disclosure, destruction, modification, or disruption. This unit also ensures the efficiency and proper implementation of the various systems used by CRISMS.

FIG. 8 RESILIENCY, INFORMATION SECURITY, AND SYSTEMS DIVISION

The Credit Management Group (CMG)

The Credit Management Group (CMG) focuses on the operational and front-end aspect of the credit cycle.

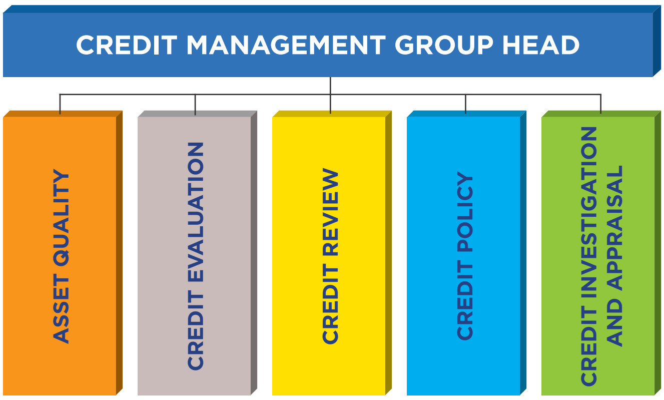


FIG. 9 CREDIT MANAGEMENT GROUP

Major responsibilities of CMG include:

- Provides inputs on the credit quality of accounts to ascertain that all credit issues are disclosed and discussed thoroughly, so that approving authorities can render decisions based on adequate information
    - o Prepares financial analysis and spreadsheets to provide input for credit risk assessment and credit packaging; issues and reviews credit risk ratings
    - o Strengthens loan portfolio quality; guides business units and determines which accounts are weak or are potential problem loans
    - o Subjects the portfolio to stress testing to determine the potential effect on the loan portfolio of possible stress scenarios, in order to assist management in formulating contingency plans for the portion of the portfolio that is vulnerable
    - o Provides property valuation to ensure adequate collateral security as a second way out of the bank's lending activities
- Formulates and amends credit policies through benchmarking, industry research, keeping updated with regulatory requirements and international risk standards, and ensuring compliance with all BSP requirements
    - o Reviews policies formulated by various business units/groups within the bank, and of subsidiaries such as RSB and Bankard to ensure that their policies are generally aligned with the parent bank's policies
    - o Reviews/revises annually credit concentration limits such as industry, country and counterparty limits for CBG and Treasury by consulting the Corporate Planning Group, CBG, and Treasury on business requirements and risks
- Prepares various regulatory and management reports to provide the needed inputs for audited financial reporting, compliance with regulatory requirements, and as a tool for managing the loan portfolio and for credit decision-making

THREE LINES OF DEFENSE MODEL

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

"In the Three Lines of Defense model, management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance [or audit] is the third. Each of these three lines plays a distinct role within the organization's wider governance framework."[2]

1st Line of Defense: Business Lines & Support Units

Since risk is inherent in all activities of the Group, it is the responsibility of every level of management, in every business or functional unit, under the oversight of the Board, to ensure that the Risk Management Process is performed. The establishment of a bank-wide "independent risk management function" to assist the Board does not take away the responsibility for risk management from the line business/functional units.

> 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. Treasury back office and settlement units, while still within the 1st line of defense, perform control validation responsibilities.

2 From the Institute of Internal Auditors position paper, "The Three Lines of Defense in Effective Risk Management and Control"

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.

2nd Line of Defense: Risk & Control Units

Risk Control owners monitor and facilitate the implementation of effective risk management practices by the 1st line. They set standards by which the 1st line is expected to manage risk, including compliance with applicable laws, regulatory requirements, policies, and other relevant standards. The 2nd line develops and maintains policies, standards and guidelines, sets risk appetite and limits. They challenge the 1st line on effective risk management, their inputs to, and outputs from, the bank's risk management tools. The 2nd line also oversees the optimization of risk-reward trade-off.

3rd Line of Defense: Audit

Auditors evaluate the effectiveness of the risk management framework. They provide an independent, objective assessment to improve the effectiveness of the first two lines of defense.

RISK MANAGEMENT FRAMEWORK

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.

The Group's Risk Management Framework 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;
- Continually develop an efficient and effective risk management infrastructure; and
- Comply with regulations on risk and capital management.

RISK MANAGEMENT PROCESS

The Group's enterprise Risk Management Process, 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.

Since risk is inherent in all activities of the Group, it is the responsibility of every level of management, in every business or functional unit, under the oversight of the Board, to ensure that the Risk Management Process is performed. The establishment of a bank-wide "independent risk management function" to assist the Board does not take away the responsibility for risk management from the line business/functional units.

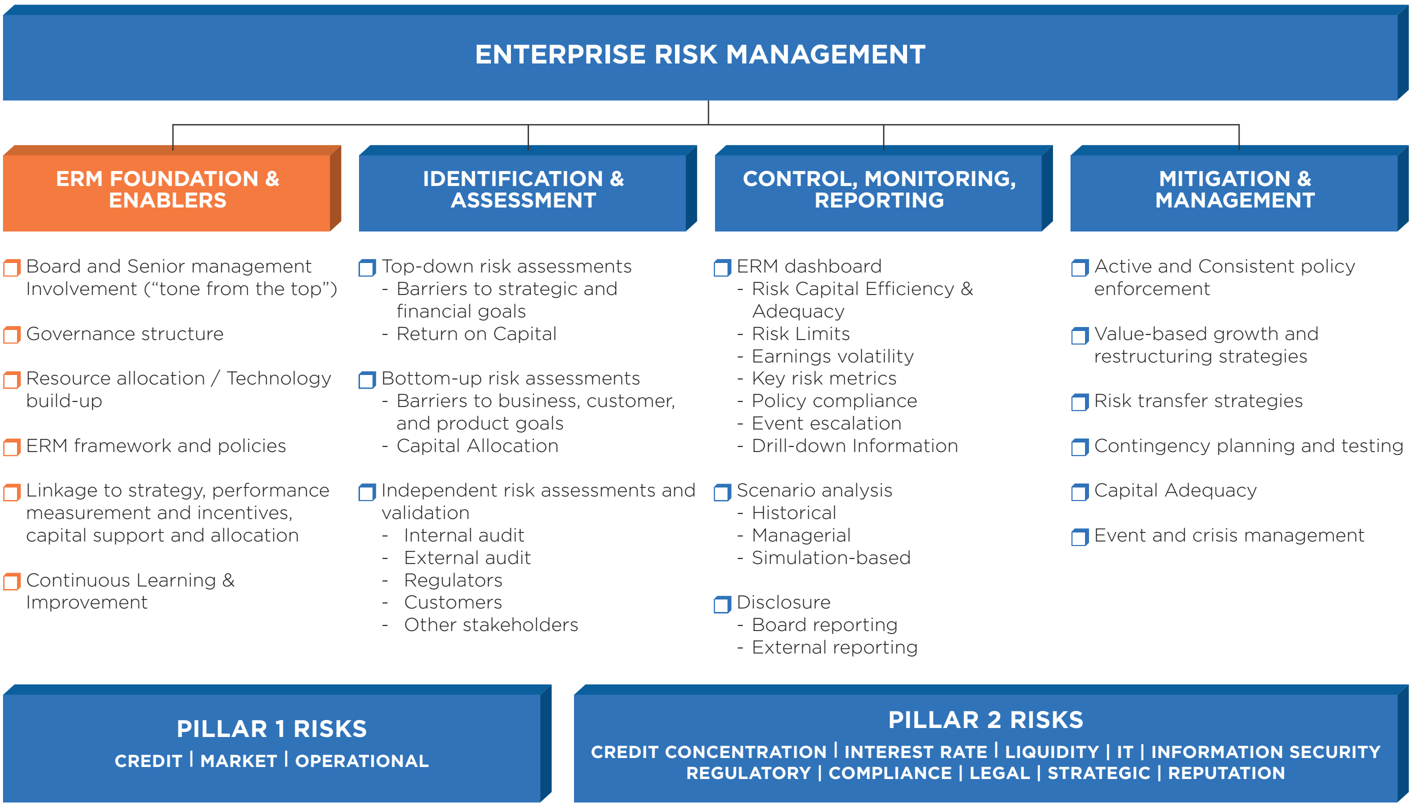


FIG. 10 RISK MANAGEMENT PROCESS

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. During this exercise, business targets and directions are set; and the hindrances and possible pitfalls to strategic and financial goals are identified.

"Bottom-up" risk assessment 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.

Risk identification is also carried out 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.

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.

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 of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed. 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 risk of loss arising from over-exposure to specific industries, borrower, counterparty, or group. The Group manages this risk via adherence to processes relating to industry and counterparty assessments, observance of regulatory ceilings, and setting of internal limits.

MARKET RISK

It is the risk of loss arising from movements in market prices. 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

It is the risk of loss arising from movements 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.

LIQUIDITY RISK

It is the risk of loss arising from a bank's inability to meet its obligations when they come 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.

OPERATIONAL RISK

It is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. 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.

IT RISK

It is the risk of loss resulting from failure of computer hardware, software, devices, systems, applications and networks. The Group's strategy in managing this risk is embodied in a comprehensive information technology policy that encompasses IT risk assessment, vulnerability testing, monitoring, controls, and mitigation.

INFORMATION SECURITY RISK

It is the risk of loss resulting from information security/cyber security breaches. The Group's strategy in managing this risk is embodied in a comprehensive information security policy.

BUSINESS CONTINUITY RISK

It is the risk of loss resulting from the prospective inability to resume operations in the event of a disaster. The Group's strategy in managing this risk is embodied in its Business Continuity Program.

REGULATORY RISK

It is the risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy. The Group has a Regulatory Affairs Group that performs horizon scanning and impact assessment of new regulations and market trends.

COMPLIANCE RISK

It is the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. 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 risk of loss resulting from uncertainty of legal proceedings that we are currently or expected to 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 RISK

It is the risk of loss arising from adverse business decisions, improper implementation of decisions, or 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.

REPUTATION RISK

It is the Risk of loss 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.

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 (RAS) 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	Maximum deviation of annualized net income and ROE vs. target
Capital Adequacy	CET1 and Total Capital Adequacy Trigger and Floor Ratios
Credit Risk	Maximum NPL ratios Acceptable provisioning cover
Market Risk	Acceptable VaR and loss amounts
Interest Rate Risk	Maximum percentage of NII- and Capital-at-risk
Liquidity Risk	Maximum tolerable outflows Minimum Liquidity Coverage and Leverage Ratios
Compliance Risk	No finding of unsafe & unsound banking practice
AML/CFT Risk	Minimum prescribed AML Risk Rating (BSP) AML reports submitted within prescribed timeframe
Reputation Risk	Zero incidences of major reputation events
Standing	Minimum CAMELS rating

In 2017, the ROC resolved to amend the Group's enterprise-level risk appetite statement to elevate Operational Risk to the level of enterprise risk as follows:

RISK APPETITE PARAMETER	RISK APPETITE THRESHOLDS
Operational Risk	Maximum risk score and loss amount

The Board of Directors' Risk Oversight Committee 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 and Measurement

The assessment of the identified 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.

CREDIT & CONCENTRATION

- Credit Risk – Standardized Approach
- Assessment Tools include:
  - Industry Rating
  - Credit Risk Rating
  - Impairment Assessment
  - Stress Testing
- Concentration Risk
  - HH Index
  - CC Index
  - Econ Capital

MARKET

- Standardized Approach
- Tools include
  - VaR
  - DVO1
  - Back-testing
  - Stress Testing
- Derivatives:
  - VaR
  - DVO1
  - Vega

INTEREST RATE

- 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

LIQUIDITY

- Generally follows BSP Circ 981
- Liquidity Gap as basic tool
- Stress Test
  - General market stress
  - RCBC-specific stress

OPERATIONAL

- Basic Indicator Approach
- Tools include:
  - Loss Events Reporting
  - Risk Control Self Assessment
  - Key Risk Indicators
  - Ops Risk Grading Matrix

COMPLIANCE

- 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. 11 RISK ASSESSMENT AND MEASUREMENT

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.

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. 12 RISK CONTROL

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 bank'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 provides a summary report to the Board.

FIG. 13 RISK MONITORING AND REPORTING

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 2017, 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 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 effective risk management, the Group invests in staff learning and development, and invests in technology. 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

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:

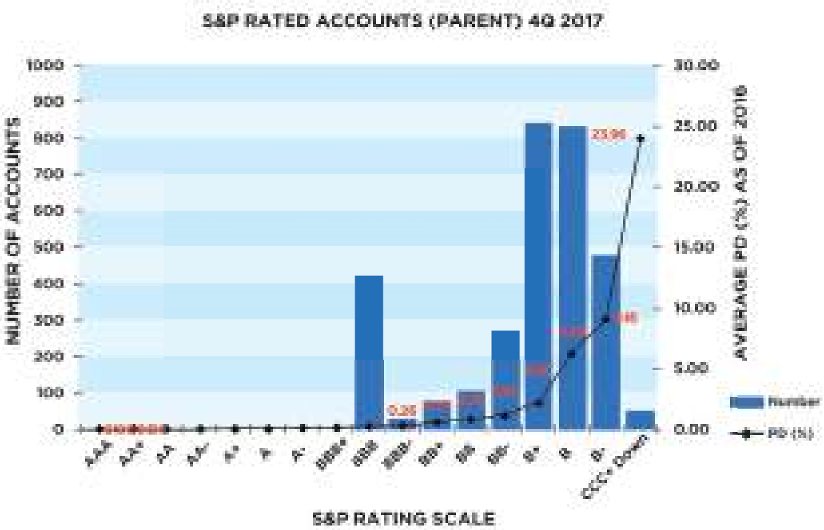
- **Generic Corporate Scorecard:** General framework for corporate borrowers regardless of industry
- **Utilities Suite:** Scorecards covering power (electricity, gas, power), generation, transmission, distribution
- **Real Estate Developer:** Scorecards covering real estate entities engaged in diversified 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).

As of December 2017, the distribution of all rated accounts is as follows:

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+	1	0.13
BBB	423	0.22
BBB-	21	0.26
BB+	64	0.53
BB	88	0.75
BB-	276	1.28
B+	865	2.20
B	833	6.26
B-	480	9.16
CCC+ Down	42	23.96
TOTAL	3,093	

FIG. 14

The general description of each rating grade is as follows:

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

FIG. 15

As of December 2017, the reviewed portfolio totaled PhP268.9 billion, representing 99.3% of the total loan portfolio. A total of 339 accounts have yet to be covered by the rating process, although this total only amounts to 0.4% of TLP by balance. 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 (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 x LGD x 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

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 Risk 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. As of this report's preparation, the industry ratings for 2018 have been released. The breakdown of 2018 vs. 2017 ratings is as follows:

	NUMERICAL EQUIVALENT		2018 RATING	2017 RATING
Least Risk	3.26-4	A	7	7
Intermediate Low Risk	2.51-3.25	B	87	87
Intermediate High Risk	1.76-2.5	C	67	67
Most Risk	1-1.75	D	9	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 CRISMS 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

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.

Individual Risk Limits

In setting individual risk limits and performing 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 Levels

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 of course the approval authority ascribed solely for the Board. Such authority includes approval of exposures covered by the rules on DOSRI/Subsidiary & Affiliate/Other Related Party, and items which the EXCOM decided to elevate to the Board. As a matter of policy, all exposures reaching an aggregate equivalent to 80% SBL shall be monitored/reported to the Risk Oversight Committee (ROC).

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 the various reports produced by the Group to monitor its credit risk exposures.

ANNUAL REPORTS	DESCRIPTION
Collective Impairment Computation	Computation of Default Rate, Loss Given Default and the Collective Impairment
Individual Impairment Summary	Validation and consolidation of specific impairment computations
Industry Exposure Report (IER) - FCDU	Review of the concentration Risk per Industry of Total Loan Portfolio (FCDU only)
Stress Testing of Accounts	A scenario testing — a “what if” analysis that evaluates loan performance paramenters under adverse market conditions

SEMI ANNUAL REPORTS	DESCRIPTION
S&P Scorecards Validation and PD Backtesting	Internal credit risk rating model validation and backtesting of probability of default
Risk Rating Transisition/Migration and Analysis	Matrices that shows actual performance of the rating system over time

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/RORA per Lending Unit	Monitoring of compliance with tiered pricing and RORA analysis per lending unit

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
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

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

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 2017, 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

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

CRISMS 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. CRISMS 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 2017, the following tables reflect the balances of the Group's portfolios exposed to market risk.

Fixed Income Portfolio – Fair Value through Profit and Loss (PhP Million)

PRODUCT	FACE VALUE	COUPON	WEIGHTED AVERAGE YEARS	WEIGHTED AVERAGE BOOK YIELD	MODIFIED DURATION	BOOK VALUE	MARKET VALUE	MARKET YIELD
FVTPL								
PESO DENOMINATED HOLDINGS								
CORP BOND	11.67	5.45	3.63	4.00	3.15	12.30	11.81	5.04
FXTN	2327.33	5.19	7.51	4.51	5.44	2469.57	2452.33	4.65
ROP GPN	5.00	5.73	12.22	5.42	7.93	4.99	5.42	4.11
RTB	746.44	4.66	5.25	4.68	4.49	746.21	7433	4.76
T BILL	511.57	-	0.62	2.88	0.59	502.75	502.48	2.92
FOREIGN CURRENCY DENOMINATED HOLDINGS (IN PHP)								
FGN CORP BOND	93.67	4.30	4.76	4.11	105.15	98.49	95.98	3.55
FGN GOCC	5.19	7.35	2.05	1.78	109.65	5.69	5.68	2.50
FGN SOV BOND	33.46	3.60	5.18	4.38	101.58	338.72	337.66	3.23
FGN T BILL	35.50	0.00	0.42	0.41	99.43	35.30	35.27	1.43
ROB	189.33	7.26	7.02	4.95	114.66	217.10	213.33	2.56
TOTAL FVTPL	4259.16	4.38	5.95	4.31	20.17	4431.12	4403.30	4.20

FOREIGN EXCHANGE PORTFOLIO (Php millions)

FOREIGN EXCHANGE RISK EXPOSURES (Phpmio)	
A. General Market Risk	
USD	100.35
JPY	65.13
CHF	8.11
GBP	-21.92
EUR	56.16
CAD	-5.23
AUD	-23.33
SGD	48.98
Other	223.43
Sum of net long	502.16
Sum of net short	0.00
Overall net open position	502.16
Incremental MRWA Arising from NDF	0.00
Total Risk Weighted FX Exposures	502.16

DERIVATIVES PORTFOLIO YEAR-END PROFILE

FX Swaps	Notional Amount (USD millions)	Notional Amount (PHP millions)
Trading		
Sell/buy USD (Borrow PHP)	441.43	22,040.84
Buy/Sell USD (Lend PHP)	433.28	21,633.44
GROSS POSITION	874.71	43,674.28
NET POSITION	8.16	-407.40

Other Swaps	Peso IRS (PHP Millions)	UD IRS (USD Millions)	USD-PHP Cross Currency/ Asset Swaps (USD Millions)
Trading			
Received Fixed - Pay Float	441.43	22,040.84	89.76
Pay Fixed - Received Float	433.28	21,633.44	30.59

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

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:
    - o 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.
    - o 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.
    - o The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.
    - o 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.
    - o In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.
    - o 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

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 exposures is approved by the ROC. Based usually on profitability targets, Treasury proposes risk exposures to various products and markets. CRISMS, 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 CRISMS, the ROC approves the proposed exposure levels, and sets the risk limits accordingly.

Risk Appetite and 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 Bank 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 applies net gap amount limits for various time buckets.

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 reviewed by Senior Management.

RISK MONITORING AND REPORTING

Market risk MIS includes the following:

REPORT	DESCRIPTION	FREQUENCY	USER
Limits Monitoring	Report showing the following limits vs. levels: position, P&L, MAT-Loss, DV01, MAT-VaR	Daily	CRO, Treasurer, Portfolio Managers
PVaR, DVaR, 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 majority approval of the 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

As defined in earlier sections, Interest Rate Risk in the Banking Book (IRRBB), or simply Interest Rate Risk, 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.

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 ASSESSMENT

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, 2017 IR Gap is as presented in Note 4.3.2 of the AFS.

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 2017 IR Gap and assumed parallel rate shifts in a business-as-usual scenario (amounts in PhP Millions, except for percentages).

CHANGE IN ANNUAL NET INTEREST INCOME	+100BPS	+200BPS	-100BPS	-200BPS
Consolidated Bank	586	1,172	(586)	(1,172)
Parent Bank	831	1,661	(831)	(1,661)

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

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 are always be the business and functional units, with their proper identification and assessment of risk and observance of adequate internal controls. CRISMS, 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 CRISMS, 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 981 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 CRISMS 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

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

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 CRISMS.

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 CRISMS and Treasury for an assessment if indeed a liquidity event looms.

LCR AND NSFR

The BSP issued Circular 905 on the implementation of the Liquidity Coverage Ratio (LCR). Observation period was from June 2016 to end-2017, and full implementation started in 2018 with a minimum LCR of 90%, escalating to 100% in 2019. The LCR aims to promote short-term resilience of a bank's liquidity risk profile. It makes banks maintain an adequate level of unencumbered high-quality liquid assets that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to offset the net cash outflows it could encounter under a liquidity stress scenario.

The BSP also issued two exposure drafts on the implementation of the Net Stable Funding Ratio (NSFR) in 2017 but no final circular has been released as yet. The NSFR aims to promote funding stability by maintaining a sustainable funding structure. It requires banks to fund their activities with sufficiently stable sources of funding thereby reducing funding risk over a longer time horizon.

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.

MANAGING OPERATIONAL RISK (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 (CPDP):** 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 Indicator (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 the Operational Risk Management Division (ORMD) 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 Resiliency, Information Security, and Systems Division (RISS) utilizes the results to provide guidance where to strengthen business continuity areas.

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RISK ASSESSMENT

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:

CLASSIFICATION	RISK SCORE	REMARKS
Low	1 – 4	Indicates normal operating condition
Medium	5 – 10	Requires management attention; must take specific actions and document such
High	11 – 25	Requires immediate management attention; further action required

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, ORMD prepares reports on operational risks as follows:

PARTICULARS	RESPONSIBILITY	FREQUENCY OF REPORTING	REPORTED TO
Loss Events Reporting	CRISMS-ORMD	Quarterly	ROC
Key Risk Indicators	CRISMS-ORMD	Monthly	ROC
Risk and Control Self-Assessment (RCSA)	CRISMS-ORMD	Annual	ROC

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 ORMD, all its operational risk-related activities initiated by the latter.

RISK 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.

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.

ORMD 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 – ORMD requires the business units to perform a risk assessment before engaging the service provider.

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 CRISMS-RISS.

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, ORMD 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.

IT and 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 protect the information assets that support the Group's operation;
- To provide management an accurate view of significant current and future information security risks and assist them to make well-informed risk management decisions about the extent of the risk, risk appetite and risk tolerance;
- To provide an end-to-end guidance on how to manage information security risks, beyond purely technical control measures;
- To establish a risk profile to better understand the Group's full exposure, and better utilize its resources;
- To integrate the management of information security risk into the overall enterprise risk management of the Group; and
- To implement and continuous improve a sound framework for the identification, measurement, control, monitoring, and reporting of key risks faced by the Group.

The foregoing objectives are achieved through the following exercises of information security risk management:

- Identification of information assets including both hardware and software that are considered essential to the Group;
- Assistance to business units in identifying risks in information assets being handled; and
- Implementation of risk assessment to determine current information security risks and threats present in the information assets, determine acceptable risk levels, and implement preventive measures to mitigate potential high risks.

ASSET IDENTIFICATION AND VALUATION

Asset Identification and Valuation aim to identify and provide an inventory of all information assets relating to business processes which may impact business operations when confidentiality, integrity, and availability are compromised. At the end of the exercise, the following are produced:

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

RISK IDENTIFICATION AND ASSESSMENT

This process aims to identify the threats and vulnerabilities present in the business process and assess the identified risks in order to determine measures to mitigating them. Further, this will assist the process 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 potential threats with medium or high risks, and prioritization of those that need immediate mitigation; and
- A risk treatment plan for those threats/ vulnerabilities having medium to high risks, and determination of the responsible personnel to mitigate the risk.

RISK TREATMENT

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.

RISK MONITORING AND REPORTING

Upon receipt of the approved risk treatment plan, the Information Security Governance Department (ISGD) incorporates in the information security risk register the verified list of risks rated "High," while all other identified risks will be monitored by the respective risk owner.

The overall risk owner for the process assessed is in-charge of monitoring all necessary action plans to mitigate high risk items. Also, the risk owner is responsible for providing ISGD with updates on the status of action items, planning and implementing mitigation strategies. ISGD is responsible for tracking, monitoring, and providing the Risk Oversight Committee a regular report on the status of all high risk items registered in the risk register.

Compliance 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 and Compliance Committee and the Board.

RISK ASSESSMENT

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:

  - Suspension/loss of license to operate
  - Suspension of banking franchise/branching
  - Position declared vacant
  - Denial of BSP credit facilities; prohibition from making new loans or investments; prohibition from declaring cash dividends
  - 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:

  - Penalty of suspension of an officer/employee
  - 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:

  - Where sanctions imposed include warning or reprimand on erring officer or employee.
  - 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

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.

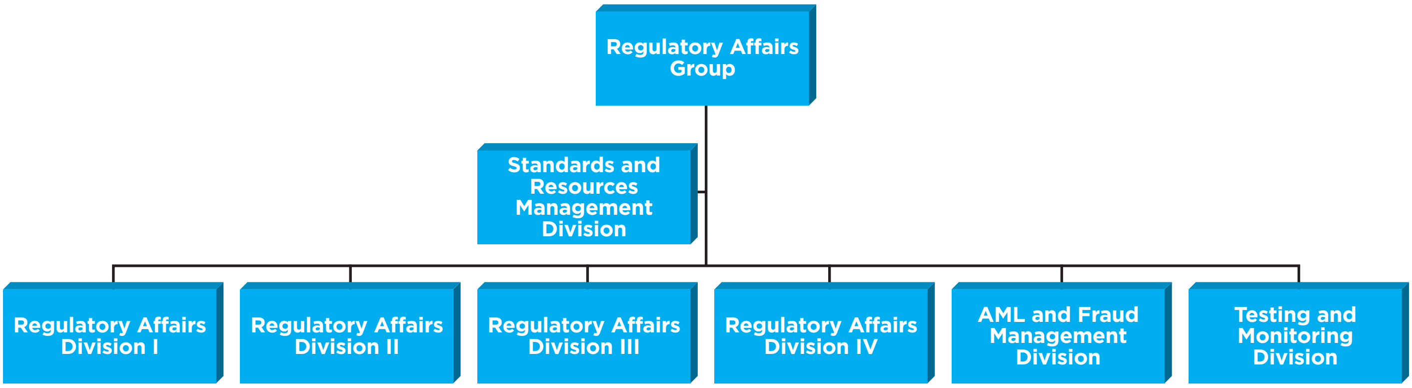
The Group does acknowledge however that there are certain areas where despite the existence of controls, policies, procedures, there are still risks that expose the Group to possible sanctions, either monetary or administrative. However, these are adequately mitigated through periodic review and audit, 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.
- 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.
- 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). Said KRI framework is illustrated as follows:
- In the aftermath of the Bangladesh incident that took place in February 2016, the 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 Bank is its Branch Transformation Project, aimed at separating the sales and service function of its Business Centers (BCs).
- Simultaneously, a centralized unit namely, the Branch Operations and Control Division (BOCD) under Operations Group 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 Bank.
- Further to the reorganization of the Bank'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 and increasing its manpower to further strengthen its monitoring and reporting functions.
- The Compliance Office was reorganized in August 2017 to further improve the performance of the Group in terms of its regulatory, advisory and monitoring functions. Part of which was the segregation of the alerts monitoring and testing functions into two (2) different divisions namely, Anti-Money Laundering Fraud Management Division (AFMD) and Testing & Monitoring Division (TMD) in Compliance Office to ensure focus on work assignments and independent assessment of overall AML compliance of the Bank.

- Subsequently, to implement a more effective and efficient regulatory compliance program that aims to identify, revise and implement policies needed to strengthen the Bank's overall compliance function, the Regulatory Affairs Group reorganized to have the following divisions:



The RAG is supported by the "Deputy Compliance Officers" ("DCOs"). They are line officers (e.g., department heads) who are designated by the RAG, in coordination with their respective Group Heads to ensure the implementation of and compliance with Banking laws, rules and regulations in their respective areas of responsibility.

RISK MONITORING AND REPORTING

Reporting of compliance risk is primarily done at the Audit and Compliance Committee level, as the latter is the designated Board oversight committee for the Compliance unit of the Group. Notwithstanding the primacy of the Audit and Compliance 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.

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 (AFMD) 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 AFMD 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 AFMD 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 AFMD 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 Philippines.

Further to the above, the AFMD 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 AFMD regularly reports to the AML Management Committee, Senior Management Committee, AML Board Committee, Audit & Compliance 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.

Corporate Governance

On Corporate Governance, compliance risk is monitored via reports submitted to the BSP, and through the implementation of a corporate governance framework that adheres to the principles set out in BSP Circular No. 969 or the Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions and SEC Memorandum No. 19 or the Code of Corporate Governance for Publicly-Listed Companies.

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 which include, among others:

- Definition of related parties;
- Materiality threshold for RPTs;
- Definition of control;
- Further monitoring, 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;
- Provision on Individual and Aggregate Exposures to Related Parties; and
- 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 Scorecard (ACGS), Corporate Governance Guidelines Disclosure Template, and Annual Corporate Governance Reports (ACGR)

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.

The PSE requires all listed companies to disclose their corporate governance practices through the submission of PSE Corporate Governance Guidelines Disclosure Survey. The bank's PSE Corporate Governance Guidelines Disclosure Survey is uploaded in the bank's website. It may also be accessed through the Company Disclosure section of the PSE EDGE.

On 15 December 2017, SEC issued Memorandum Circular No. 15, Series of 2017, requiring all listed companies to submit an Integrated Annual Corporate Governance Report (I-ACGR). The I-ACGR takes the place of the old Annual Corporate Governance Report. The I-ACGR would also be used in place of the PSE Corporate Governance Guidelines Disclosure Survey.

Responses to notices and correspondence from PDEX are also monitored to ensure compliance. 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 Excellence Program for RCBC

In August 2015, the Group engaged the International Finance Corporation ("IFC") to undertake an assessment of the Group's 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 bank-wide master list to effectively monitor and oversee compliance with all applicable rules and regulations and that no inherent banking function is outsourced.

Exchange of Information

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.

The Group has completed its registration with the National Privacy Commission (NPC) in 2017. It created the Data Privacy Project Team led by the Exchange of Information Division Head, who was subsequently appointed as the Group's Data Protection Officer (DPO).

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.

RISK 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

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'.

RISK MONITORING AND REPORTING

The Parent Bank's Public Relations Committee (PR Comm) consolidates the reputation risk management efforts of the Group. The PR Comm has been revamped in 2018 and is now referred to as the RCBC Marketing Committee (MarComm). The Chief Marketing Officer of RCBC was designated Chair of the Committee.

The MarComm has the following objectives in relation to Reputational Risk:

- 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 marketing 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 MITIGATION

On the public relations front, the Group's Public and Media Relations Division sets an annual target of free media/publicity via the release of positively slanted stories.

Capital Management Framework

The Capital Management Framework of the Group incorporates the planning process, the Capital Plan, and the continuing review and reporting of results.

STRATEGIC AND BUSINESS PLANNING

The Group's Strategic and Business Planning process may be summarized by the following illustration:

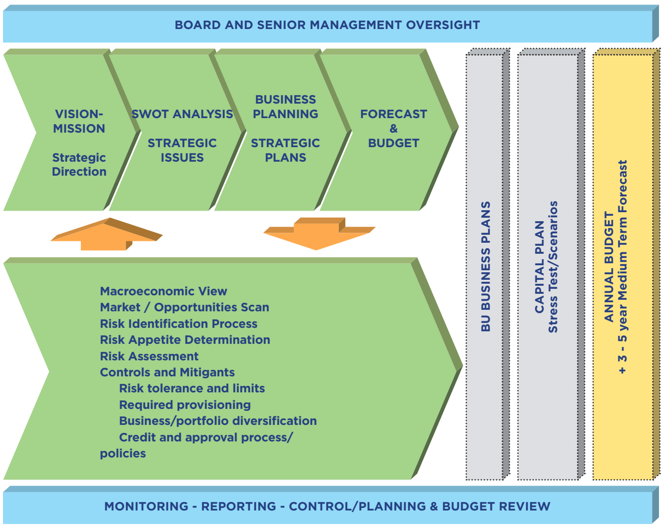


FIG. 16: STRATEGIC AND BUSINESS PLANNING PROCESS

In the Strategic & Business Planning Process of the Group, the overall risk appetite is developed as part of the business plans.

The process involves the development of strategic and business objectives, anchored on the Mission & Vision, 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, medium-term forecast/ projections, which all incorporate identified risks. It includes a regular review of the business plan (monthly, quarterly) based on key performance indicators.

CAPITAL PLANNING

The other component of the Framework is the development of the Capital Plan that incorporates the current business plan and additional projections and stress testing.

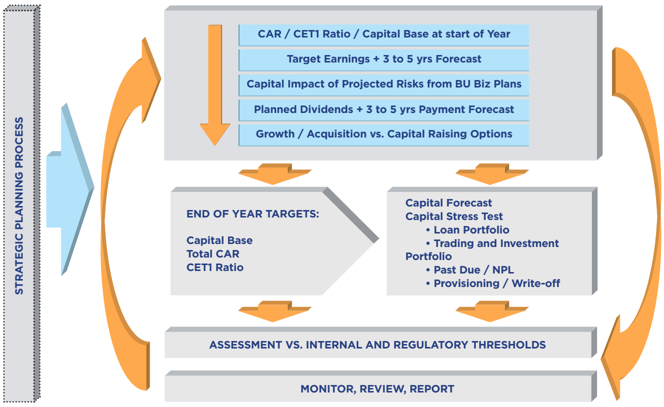


FIG. 17: CAPITAL PLANNING PROCESS

This component highlights the use of medium to long-term forecasts and stress scenarios in the management of capital. The results of the forecasts are always reviewed against the internal minimum capital ratios, inclusive of Pillar 2 charges, and the regulatory minimum.

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. The RAPM 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 RAPM Framework is illustrated as follows.

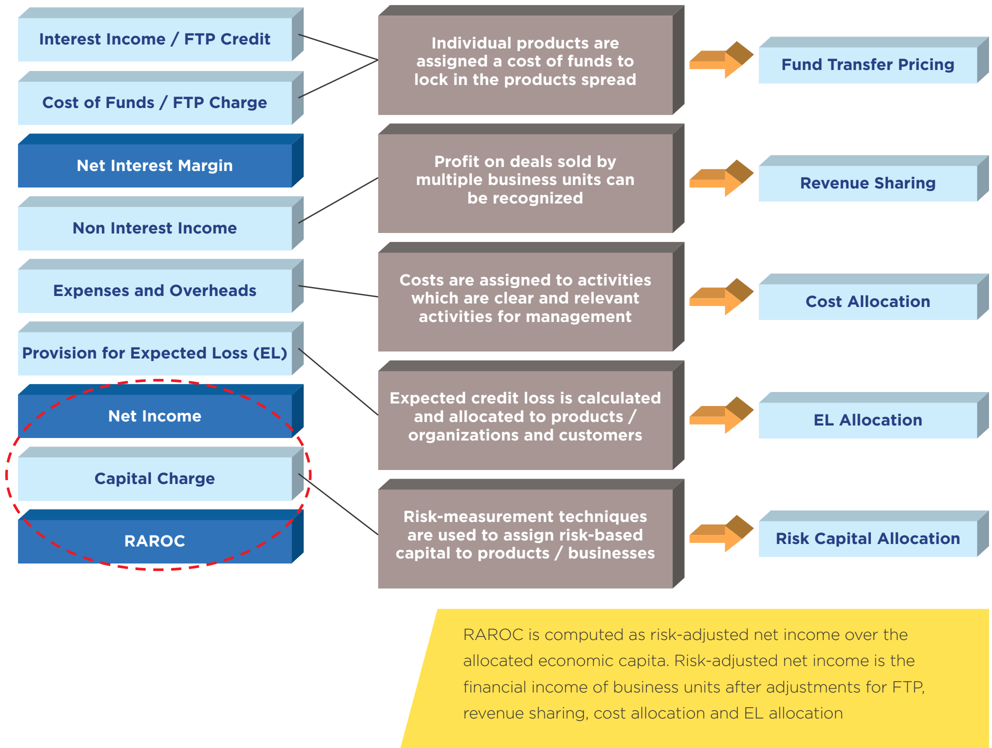


FIG. 18: PROFITABILITY MEASUREMENT FRAMEWORK

A well-designed RAPM Framework shows integrated risk and finance views of the Group's business units and provides for a sound and balanced understanding of business units' performance. It also helps Management in strategic planning activities. As an integrated risk-finance measure, RAPM drives business units to optimize risk/return profile and shareholder value. It encourages risk-based pricing which takes into account expected losses.

RAPM serves as a tool in improving and enhancing the process of linking risk with the strategy and performance of the Bank's business units, and RAROC is a strategic management tool used to measure how the business groups use capital. The current RAPM Framework and the resulting RAROC numbers will be used to have a better assessment of the bank-wide strategies, capital allocation and utilization, and business unit performance.

Moving forward, RAPM will serve as a management tool for decision-making especially in terms of capital allocation and strategizing. RAPM will also be adopted as one of the KPIs or the Parent bank and the Subsidiaries. The use of RAPM will continue to run in parallel to the existing capital allocation and performance measure frameworks in order for the process and resulting values to attain a certain level of stability and acceptability. Considering that the process is performed manually, producing results only after a significant amount of time, RAPM may not yet be applied as the primary tool for making decisions and measuring performance, hence results shall only supplement existing frameworks for now. For the near future, the Bank will be focusing on the refinement of the RAPM framework.

IMPLEMENTATION OF BASEL STANDARDS

Capital Adequacy

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 in order to comply with the more stringent capital adequacy rules under the new Basel III framework and is expected to enable RCBC to be comfortably above the minimum CET1 requirements of the BSP. In addition, the proceeds from the investment 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.

The foregoing capital raising activities are summarized below:

	2008	2009	2011	2013	2014	2015	2016	2017
Capital raised	P7.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	P4.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	P5.8bio Tier 1 Common Stock—P2.1bio from IFC and P3.7bio from CVC Capital Partners	P4.1bio Common Stock from a "top-up offering" and P4.1bio Common Stock from additional investment of IFC P5.1bio freed-up capital from sale of RCBC Realty/Land & Bankard	P10.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	P7.95 bio Equity Investment		
Stockholder's Equity (P)	27.6bio	30.5bio	37.846bio	44.8bio	52.6bio	58.1bio	62.1 bio	67.0 bio
CAR (%)	17.3%	18.5%	18.5%	16.5%	15.37%	15.72%	16.16%	15.46%
Tier 1 Ratio (%)	13.2%	12.6%	13.7%	16.0%	11.83%	12.55%	12.89%	12.45%
Net Income (P)	2.2bio	3.3bio	5.03bio	5.3bio	4.4bio	5.1bio	3.8 bio	4.3 bio

In March 2018, the Bank recognized a one-time capital charge amounting to Php66.3 million representing the transition adjustments as of January 1, 2018 to cover provisioning requirements of Expected Credit Losses under BSP Circular 855 and PFRS 9. This adjustment includes the appropriation of retained earnings amounting to P1.7 billion representing the additional general allowance set by the BSP to meet the minimum 1% floor on top of the actual ECL

The Bank's Capital level is expected to show a significant increase in 2018, through capital raising via a Stock Rights Offering (assuming 25% discount on stock price), of Php15.0 billion.

Recovery Planning Process

Recovery planning has been designed to be integrated with the Bank's existing risk and capital management processes and functions. The Recovery Planning Framework emphasizes that the Framework should allow for proper development, approval and implementation of the planning process in the Bank's ongoing business (normal times), and on the other hand for a timely decision on and implementation of recovery options during a crisis situation.

The Bank has established a robust Recovery Planning Governance Framework to ensure that all aspects of recovery planning—including the development, review and approval, and maintenance of the Plan—receive appropriate attention by both Senior Management and the Board. The Recovery Planning Framework leverages established roles and responsibilities and committee charters, directs the personnel that the Bank dedicates to recovery planning, and incorporates enhancements specifically designed to address recovery planning. As a result, the recovery plan development, review, approval and maintenance activities are fully integrated into the Bank's existing corporate governance structure.

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.

The capital adequacy ratio of the Group and the Parent as reported to the BSP as of December 31, 2017 and 2016 under Basel 3 framework are shown in the table below.

	GROUP		PARENT	
	2017	2016	2017	2016
CET 1 Capital	54,326	49,842	40,873	37,659
Tier 1 Capital	54,329	49,845	40,876	37,662
Tier 2 Capital	13,115	12,622	12,457	12,048
Total Qualifying Capital	**67,444**	**62,467**	**53,332**	**49,711**
Credit Risk Weighted Assets	387,518	345,096	312,090	276,467
Market Risk Weighted Assets	10,376	4,325	10,369	4,342
Operational Risk Weighted Assets	38,375	37,242	25,473	25,459
Risk Weighted Assets	**436,269**	**386,663**	**347,932**	**306,268**
Total Capital Adequacy Ratio	**15.46%**	**16.16%**	**15.33%**	**16.23%**
Tier 1 Capital Adequacy Ratio	**12.45%**	**12.89%**	**11.75%**	**12.30%**
Common Equity Tier 1 Ratio	**12.45%**	**12.89%**	**11.75%**	**12.30%**
Capital Conservation Buffer	**6.45%**	**6.89%**	**5.75%**	**6.30%**
Capital Conservation Buffer after DSIB	**5.95%**		**5.25%**	

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, 2017 and 2016 are as follows:

	GROUP		PARENT	
	2017	2016	2017	2016
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	22,636	22,636	22,636
Retained Earnings	24,010	20,981	24,010	20,981
Undivided Profits	4,303	3,864	4,303	3,864
Other Comprehensive Income				
Net unrealized gains or losses on AFS securities	1,813	2,367	1,813	2,367
Cumulative foreign currency translation	85	86	86	98
Remeasurement of Net Defined Benefit Liability/(Asset)	42	(1,342)	42	(1,342)
Minority interest in subsidiary financial allied undertaking which are less than wholly owned	33	31		
Common Equity Tier 1 (CET1) Capital	**66,921**	**62,621**	**66,889**	**62,602**

	GROUP		PARENT	
	2017	**2016**	**2017**	**2016**
Less: Regulatory Adjustments to CET1 Capital				
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	-	-	-	-
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	-	-	-	-
Deferred tax assets	2,053	2,137	1,046	1,261
Goodwill	158	158	-	158
Other Intangible Assets	2,034	1,965	1,874	1,854
Defined benefit pension fund assets (liabilities)	107	-	107	
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			18,049	16,275
Other equity investments in non-financial allied undertakings and non-allied undertakings	8,237	8,512	4,935	5,387
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)	5	8	5	8
Total Regulatory Adjustments to CET1 Capital	**12,594**	**12,779**	**26,016**	**24,943**
Total Common Equity Tier 1 Capital	**54,326**	**49,842**	**40,873**	**37,659**
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	**54,329**	**49,845**	**40,876**	**37,662**
Tier 2 Capital				
Instruments issued by the bank that are eligible as Tier 2 capital	9,968	9,952	9,968	9,952
General loan loss provision	3,146	2,670	2,488	2,097
Total Tier 2 capital	**13,115**	**12,622**	**12,457**	**12,048**
Less: Regulatory Adjustments to Tier 2 Capital				
Total Tier 2 Capital	**13,115**	**12,622**	**12,457**	**12,048**
Total Qualifying Capital	**67,444**	**62,467**	**53,332**	**49,711**

Full Reconciliation of all Regulatory Capital Elements and Regulatory Adjustments/Deductions
(In Millions)

	GROUP									
	2017					2016				
		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	22,636	22,636			22,636
Retained Earnings	24,010	24,010			24,010	20,981	20,981			20,981
Undivided Profits	4,303	4,303			4,303	3,864	3,864			3,864
Other Comprehensive Income	1,940	1,940			1,940	1,111	1,111			1,111
Minority Interest in Subsidiaries (for consolidated report only)	33	33			33	31	31			31
Total Equity Accounts	**66,923**	**66,921**	**3**		**66,923**	**62,624**	**62,621**	**3**		**62,624**
Other Accounts Eligible as Regulatory Capital										
Unsecured Subordinated Debt				9,968	9,968				9,952	9,952
General Loan Loss Reserves				3,146	3,146				2,670	2,670
Regulatory Adjustments/Deductions to CET1 Capital										
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)		-			-		-			-
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates										
Deferred tax assets		(2,053)			(2,053)		(2,137)			(2,137)
Goodwill		(158)			(158)		(158)			(158)
Other Intangible Assets		(2,034)			(2,034)		(1,965)			(1,965)
Defined benefit pension fund assets (liabilities)		(107)			(107)					
Other equity investments in non-financial allied undertakings and non-allied undertakings		(8,237)			(8,237)		(8,512)			(8,512)
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)		(5)			(5)		(8)			(8)
Total Regulatory Capital	**66,923**	**54,326**	**3**	**13,115**	**67,444**	**62,624**	**49,842**	**3**	**12,622**	**62,467**

Full Reconciliation of all Regulatory Capital Elements and Regulatory Adjustments/Deductions
(In Millions)

	PARENT									
	2017					2016				
		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	22,636	22,636			22,636
Retained Earnings	24,010	24,010			24,010	20,981	20,981			20,981
Undivided Profits	4,303	4,303			4,303	3,864	3,864			3,864
Other Comprehensive Income	1,941	1,941			1,941	1,123	1,123			1,123
Minority Interest in Subsidiaries (for consolidated report only)										
Total Equity Accounts	**66,892**	**66,889**	**3**		**66,892**	**62,605**	**62,602**	**3**		**62,605**
Other Accounts Eligible as Regulatory Capital										
Unsecured Subordinated Debt				9,968	9,968				9,952	9,952
General Loan Loss Reserves				2,488	2,488				2,097	2,097
Regulatory Adjustments/Deductions to CET1 Capital										
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)		-			-		-			-
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates										
Deferred tax assets		(1,046)			(1,046)		(1,261)			(1,261)
Goodwill							(158)			(158)
Other Intangible Assets		(1,874)			(1,874)		(1,854)			(1,854)
Defined benefit pension fund assets (liabilities)		(107)			(107)					
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		(18,049)			(18,049)		(16,275)			(16,275)
Other equity investments in non-financial allied undertakings and non-allied undertakings		(4,935)			(4,935)		(5,387)			(5,387)
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)		(5)			(5)		(8)			(8)
Total Regulatory Capital	**66,892**	**40,873**	**3**	**12,457**	**53,332**	**62,605**	**37,659**	**3**	**12,048**	**49,711**

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 accommodations 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.
   Rizal Microbank
   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, 2017	
EQUITY ACCOUNTS	AUDITED FS	BSP FRP	CHANGE	DETAILS	AMOUNT
Common Stock	13,999	13,999	(0)		
Preferred Stock	3	3	0		
Capital Paid in Excess of Par	22,635	22,635	-		
Revaluation Reserves	1,974	1,941	33	Marked to market adjustment of Equity Securities	155
				Fxcy translation adjustment on Equity Investment	(1)
				Adjustment on retirement plan benefits	(122)
					32
Reserve for Trust Business	394	388	6	Additional provision on Reserves for Trust Business	6
Surplus	27,924	27,925	(1)	Additional provision on Reserves for Trust Business	(6)
				Profit and Loss adjustment	5
					(1)
Total Capital	**66,929**	**66,892**	**38**		**38**

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, 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	22,635	22,635	-		
Revaluation Reserves	621	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 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.

Capital Requirements by type of exposure as of December 31, 2017 and 2016 are as follows:

	December 31, 2017					
	CREDIT RISK		MARKET RISK		OPERATIONAL RISK	
	GROUP	PARENT	GROUP	PARENT	GROUP	PARENT
			(in Millions)			
On- Balance Sheet Assets	373,572	298,176				
Off- Balance Sheet Assets	12,546	12,514				
Counterparty Risk-Weighted Assets in the Banking & Trading Book	1,400	1,400				
Credit Linked Notes in the Banking Book						
Securitization Exposures						
Market Risk-Weighted Assets			10,376	10,369		
Operational Risk using Basic Indicator Approach					38,375	25,473
Total	**387,518**	**312,090**	**10,376**	**10,369**	**38,375**	**25,473**
Capital Requirements	**38,752**	**31,209**	**1,038**	**1,037**	**3,837**	**2,547**

	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**

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, 2017 and 2016 are as follows:

RCBC Group

Total Credit Risk Exposures by Type, Risk Buckets and Risk Weighted Assets

				December 31, 2017						
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	104,316	1,459	102,857	85,842		17,014				8,507
Banks	21,219		21,219		1,706	17,874		1,638		10,917
Government corporations	8,396	5,103	3,293			2,986		307		1,800
Corporates	259,628	9,472	250,155		1,340	946		247,870		248,610
Housing Loans	39,274	18,425	20,849			17,599		3,250		12,049
MSME Qualified portfolio	10,399		10,399				10,399			7,799
Defaulted exposures	5,507		5,507					1,640	3,867	7,441
Housing Loans	1,640		1,640					1,640		1,640
Others	3,867		3,867						3,867	5,801
ROPA	2,327		2,327						2,327	3,491
All other assets, net of deductions	88,214	358	87,856	14,881	141			72,643	191	72,957
Total on-balance sheet exposures	539,279	34,818	504,462	100,723	3,188	56,420	10,399	327,347	6,386	373,572
Off-balance sheet exposures										
Direct credit substitutes	5,416		5,416					5,416		5,416
Transaction-related contingencies	5,927		5,927					5,927		5,927
Trade-related contingencies	1,204		1,204					1,204		1,204
Others	141,893		141,893	141,893						
Total off-balance sheet exposures	154,440		154,440	141,893				12,546		12,546
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	745		745		2	104		639		691
Derivatives - exchange rate contracts	932		932		20	415		496		708
Credit Derivatives	1		1			1				1
Total counterparty RWA in trading book	1,678		1,678		23	520		1,135		1,400
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**695,397**	**34,818**	**660,580**	**242,617**	**3,210**	**56,940**	**10,399**	**341,028**	**6,386**	**387,518**
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	**695,397**	**34,818**	**660,580**	**242,617**	**3,210**	**56,940**	**10,399**	**341,028**	**6,386**	**387,518**

* 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, 2017						
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	81,453	1,459	79,993	67,414		12,579				6,290
Banks	19,956		19,956		1,706	17,516		733		8,982
Government corporations	7,886	5,103	2,783			2,476		307		1,545
Corporates	246,969	9,260	237,709		1,340	946		235,423		236,164
Housing Loans	45	42	3			3				2
MSME Qualified portfolio	10,399		10,399				10,399			7,799
Defaulted exposures	2,429		2,429					19	2,410	3,634
Housing Loans	19		19					19		19
Others	2,410		2,410						2,410	3,614
ROPA	606		606						606	909
All other assets, net of deductions	42,486		42,486	10,415	87			31,984		32,002
Total on-balance sheet exposures	412,228	15,864	396,363	77,829	3,133	33,521	10,399	268,467	3,015	298,176
Off-balance sheet exposures										
Direct credit substitutes	5,416		5,416					5,416		5,416
Transaction-related contingencies	5,895		5,895					5,895		5,895
Trade-related contingencies	1,204		1,204					1,204		1,204
Others	114,460		114,460	114,460						
Total off-balance sheet exposures	126,974		126,974	114,460				12,514		12,514
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	745		745		2	104		639		691
Derivatives - exchange rate contracts	932		932		20	415		496		708
Credit Derivatives	1		1			1			1	1
Total counterparty RWA in trading book	1,678		1,678		23	520		1,135		1,400
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**540,880**	**15,864**	**525,015**	**192,289**	**3,156**	**34,041**	**10,399**	**282,116**	**3,015**	**312,090**
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	**540,880**	**15,864**	**525,015**	**192,289**	**3,156**	**34,041**	**10,399**	**282,116**	**3,015**	**312,090**

* 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

Type of Exposures	December 31, 2016									
	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		12	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

Type of Exposures	December 31, 2016									
	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 Asset Type, Risk Buckets and Risk Weighted Assets

	December 31, 2017									
On-Balance Sheet Assets	Pincipal 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	14,881		14,881	14,881						
Checks and Other Cash Items	141		141		141					28
Due from Bangko Sentral ng Pilipinas (BSP)	58,764		58,764	58,764						
Due from Other Banks	19,632		19,632		1,706	16,438		1,487		10,048
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets										
Held-to-Maturity (HTM) Financial Assets	60,606	1,459	59,147	17,195	1,340	22,345		18,266		29,707
Unquoted Debt Securities Classified as Loans	1,932		1,932					1,932		1,932
Loans and Receivables	351,456	33,358	318,097			17,637	10,399	286,195	3,867	308,613
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	9,883		9,883	9,883						
Sales Contract Receivable (SCR)	1,354		1,354					1,163	191	1,449
Real and Other Properties Acquired	2,327		2,327						2,327	3,491
Other Assets	18,304		18,304					18,304		18,304
Total Risk-weighted On-Balance Sheet Assets	**539,279**	**34,818**	**504,462**	**100,723**	**3,188**	**56,420**	**10,399**	**327,347**	**6,386**	**373,572**

RCBC Group
Total Credit Risk Exposures by Asset Type, Risk Buckets and Risk Weighted Assets

	December 31, 2016									
On-Balance Sheet Assets	Pincipal 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 Parent
Total Credit Risk Exposures by Asset Type, Risk Buckets and Risk Weighted Assets

	December 31, 2017									
On-Balance Sheet Assets	Pincipal 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	10,415		10,415	10,415						
Checks and Other Cash Items	87		87		87					17
Due from Bangko Sentral ng Pilipinas (BSP)	47,187		47,187	47,187						
Due from Other Banks	18,368		18,368		1,706	16,080		582		8,963
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets										
Held-to-Maturity (HTM) Financial Assets	48,634	1,459	47,175	12,791	1,340	17,400		15,644		24,612
Unquoted Debt Securities Classified as Loans	1,199		1,199					1,199		1,199
Loans and Receivables	264,791	14,405	250,386			41	10,399	237,557	2,389	248,961
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	7,437		7,437	7,437						
Sales Contract Receivable (SCR)	417		417					397	20	427
Real and Other Properties Acquired	606		606						606	909
Other Assets	13,088		13,088					13,088		13,088
Total Risk-weighted On-Balance Sheet Assets	**412,228**	**15,864**	**396,363**	**77,829**	**3,133**	**33,521**	**10,399**	**268,467**	**3,015**	**298,176**

RCBC Parent
Total Credit Risk Exposures by Asset Type, Risk Buckets and Risk Weighted Assets

	December 31, 2016									
On-Balance Sheet Assets	Pincipal 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	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**

Market Risk Weighted Assets

	Group				Parent			
	2017		2016		**2017**		2016	
Using Standardized Approach	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	69,951	4,307	64,705	3,288	69,951	4,307	63,702	3,288
Equity Exposures	-	-	-	-	-	-	-	-
Foreign Exposures	11,288	5,870	1,417	880	11,281	5,863	1,418	897
Options	1,376	200	1,822	157	1,376	200	1,822	157
Total	**82,615**	**10,376**	**67,944**	**4,325**	**82,608**	**10,369**	**66,942**	**4,342**

Operational Risk-Weighted Assets under Basic Indicator Approach

(Based on 3 Year Average Gross Income)

Nature of Item	Group		Parent	
	2017	2016	**2017**	2016
Net interest income	15,436	14,642	10,676	10,354
Other non-interest income	5,030	5,220	2,909	3,224
Gross Income	20,467	19,862	13,586	13,578
Capital Requirements	**38,375**	**37,242**	**25,473**	**25,459**

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, 2017 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
Mexico	BBB+
United States	AAA/BBB-

CORPORATE SOCIAL RESPONSIBILITY

BELIEVE IN IMPACT

There is power in partnerships that lead to the upliftment of people's lives and to support communities in need.

‘RCBC Savings Bank recognizes the rights of the poor’

Those were the words of Gawad Kalinga founder, Antonio “Tito Tony” Meloto when RCBC Savings Bank (RSB) provided the students of Gawad Kalinga’s Farm University their own W.I.S.E. (Wise Investors Save Early) Savings Account.

As part of its continued thrust to reach out to the unbanked, RSB visited GK’s Enchanted Farm and conducted a financial literacy program on banking and savings accounts for the students of the organization’s School for Experiential and Entrepreneurial Development (SEED) Program. The program covered an explanation of the benefits of keeping a savings account and ended with each participant opening a new W.I.S.E. Savings Account with the retail banking arm of RCBC.

"Not a lot of people are willing to take a chance on the young men and women present here today," Meloto shares, "Many of these students came from difficult backgrounds and a few years ago none of them even had the opportunities they have now. Now, however, with their new accounts, I have no doubt that this will be the start to each of them saving their first million."

Majority of Gawad Kalinga's SEED students were underprivileged youth given a second chance to better themselves in life through learning and entrepreneurship. Now, GK's students are a world renowned group, with majority of them running their own grassroots business while also attending summits and conferences with other students. Tito Tony Meloto's new challenge for his wards: to handle their bourgeoning finances wisely and with discipline.

The opportunity presented to them by RCBC Savings Bank is truly one-of-a-kind, with many of them being the first in their families to open a bank account.

Designed for kids and young adults ages 7-21, RCBC Savings Bank WISE Savings Account teaches the youth the importance of saving money at an early age. For only P100 minimum opening deposit, the W.I.S.E. Savings Account also comes with exciting perks and privileges from food shops, resorts, and many more.

ABOUT RCBC SAVINGS BANK:

RCBC Savings Bank (RSB) is the consumer banking arm of Rizal Commercial Banking Corporation (RCBC) and a member of the Yuchengco Group of Companies (YGC). It is one of the top thrift banks in the country, with over 150 business and lending centers nationwide. Retail financing services include deposit products, as well as auto and housing loans. For more information on RCBC Savings Bank, visit www.rcbcsavingsbank.com.

Award-winning credit card helps give back

RCBC Bankard once again strengthened its partnership with Gawad Kalinga's Kusina ng Kalinga through a turnover of donation for its feeding program.

Through its Diamond Cares Program, RCBC Bankard's Diamond Mastercard has been making waves as 'the card that cares'. For every Php 100 charged to the card, it automatically generates a Php 0.20 donation to Gawad Kalinga's feeding program, Kusina ng Kalinga.

It was this very program that earned the Diamond Mastercard a Best Loyalty and Awards Program award during last year's Mastercard Innovation Forum Awards.

Now, a little over a year since it was relaunched, RCBC Bankard has been able to turn over two large donations to Gawad Kalinga's Kusina ng Kalinga program, totalling to an amount of more than two million pesos.

"RCBC Bankard has really developed an innovative approach to giving." Says Gawad Kalinga Executive Director, Luis Oquineña. "To be able to think of such a program that helps improve the lives of children just one meal at a time, these are the kind of partnerships that GK is really after. When you see big corporations like RCBC Bankard helping out those marginalized in our society, it really amplifies our overall message of 'leaving no one behind'."

The partnership with Gawad Kalinga is part of RCBC Bankard's Diamond Mastercard thrust to provide its clients with a product that allows them to enjoy unique privileges, but at the same time allow them the opportunity to give back to society.

ABOUT RCBC BANKARD:

RCBC Bankard Services Corporation (RBSC) is the Card Servicing entity of Rizal Commercial Banking Corporation (RCBC), one of the Philippines largest private universal banks. RCBC and RCBC Bankard Services Corporation are members of the Yuchengco Group of Companies (YGC). RCBC Bankard provides unique and world-class cashless transactions, versatile add-on services, and an innovative rewards program to its cardholders. For more information on RCBC Bankard, visit www.rcbcbankard.com.

THE CAMPAIGN

WE BELIEVE IN YOU

You're never too young to think big
You're never too old for higher ambitions.
You're never too naïve to go farther in life.
The opportunities for you will be endless.
The open doors will be many.
But the first step is to believe.
Start believing in yourself
as RCBC believes in you more.

RCBC will provide you with the solutions you need.
Real advice, practical tools,
tangible support, products and services
that empower you to achieve your goals.

Partner with RCBC
and soon enough,
you'll achieve your goals
and even more.

The Campaign

THE BRAND REFRESH SUCCESS STORY: RCBC "WE BELIEVE IN YOU" Campaign

For 57 years as one of the banking giants in the Philippines, RCBC prided itself with its rich banking heritage and a long list of loyal clients. But despite the noteworthy past and the exemplary services, the Philippine banking landscape continues to change together with the lives of our customers. Research studies showed how RCBC's imagery as a banking institution has become outdated and detached. The company had to keep up with the pace and dynamism of the very competitive banking industry.

To keep customer retention, RCBC took this as an opportunity to enliven the brand in a monumental way. The rebuild and refresh of RCBC's corporate public imaging allowed the decades-old company to shed its traditional feel, capturing the hearts of the burgeoning young market with contemporary elements while regaining trust among all customers.

After only a few months, people were hard at work, the plan was set and RCBC's new corporate battle cry and rejuvenated corporate identity was ready to launch.

"WE BELIEVE IN YOU"

This tagline expressed how RCBC's culture of service has always put the customers first. The central message of the campaign was anchored in the reality that client relationships are at the heart of the RCBC Brand. "We believe in you" is a line that encapsulates RCBC's vision not for itself, but for the people it serves. For the people to continue believing in RCBC, they need to know that RCBC believes in them. This tagline was introduced to the public nationwide, together with a contemporary and upbeat 360 campaign that showcased a minimalistic but stylized RCBC logo, visual identity.

The campaign rallied "We believe in you" in all possible mediums, TV, print, outdoor, digital and went as far as redesigning all branches reflecting the brand's new look. The RCBC promise of improvements and solid solutions for customers had to be seen and felt throughout the nation.

The "Believe" campaign drew significant attention for RCBC amongst the public. Digital views for RCBC's online videos reached 1.5 million during the first 24 hours of posting. By end-September, viewers reached 26,408,907 - 164.09% more than the target of 10 million. Moreover, posts registered an average impression of 28,366. Given this timeframe, the overall online public sentiment also improved, with an 86% positive sentiment score from July to September 2017, as measured using RCBC's social media insights.

More importantly, the brand refresh made a positive impact on the Bank. RCBC recorded a significant number of new deposit accounts after launch, and continued to gain more throughout the year. The Bank also experienced a lift in transactions – 4% in over-the-counter transactions, 15% in e-channel transactions, and 10% in ATM transactions in branches that reflected the brand refresh vs. the other branches that had yet to be refreshed – indicating the positive effect of the campaign on customer activity.

BOARD OF DIRECTORS

BELIEVE IN LEADERSHIP

1 **HELEN Y. DEE**
Chairperson | Non-Executive Director

2 **CESAR E.A. VIRATA**
Corporate Vice-Chairman | Non-Executive Director

3 **GIL A. BUENAVENTURA**
President and CEO | 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

Profile of Directors

MS. HELEN Y. DEE
CHAIRPERSON, NON-EXECUTIVE DIRECTOR
74 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 June 27, 2005.

Ms. Dee also holds positions in other publicly-listed companies as the Chairperson of House of Investments, Inc. and EEI Corporation, and Director of Philippine Long Distance Company and Petro Energy Resources, Inc. She was also the Chairperson of National Reinsurance Corporation of the Philippines and Seafront Resources, and Director of iPeople, Inc. until her resignation effective January 1, 2018.

Ms. Dee is also the Chairperson/President Hydee Management and Resource Corporation; 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.; a Trustee of Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology); and Vice Chairperson of Pan Malayan Management and Investment Corporation.

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, and 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.

On September 26, 2017, she attended the Cybersecurity Seminar organized by RCBC covering topics on threat briefing and cyber preparedness.

MR. CESAR E.A. VIRATA
VICE CHAIRPERSON, NON-EXECUTIVE DIRECTOR
87 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 also 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.

On September 26, 2017, he attended the Cybersecurity Seminar organized by RCBC covering topics on threat briefing and cyber preparedness.

MR. GIL A. BUENAVENTURA
PRESIDENT AND CEO, EXECUTIVE DIRECTOR
65 years of age, Filipino

BA Economics, University of San Francisco, California; Masters of Business Administration in Finance, University of Wisconsin Madison, Wisconsin, USA

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.

In 2016, he attended the Corporate Governance Orientation Program conducted by Institute of Corporate Directors. On September 26, 2017, he attended the Cybersecurity Seminar organized by RCBC covering topics on threat briefing and cyber preparedness.

MR. TZE CHING I. CHAN
NON-EXECUTIVE DIRECTOR
61 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 November 28, 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 the 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. In 2017, he attended the Non-Executive Director Programme: Global Development of Climate Risk Disclosure by Pricewaterhouse Coopers Limited on March 21, 2017.

MR. RICHARD GORDON ALEXANDER WESTLAKE
NON-EXECUTIVE DIRECTOR
66 years of age, of New Zealand

MA degree, Oxford University, England; Accredited Fellow, Institute 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 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.

On September 26, 2017, he attended the Cybersecurity Seminar organized by RCBC covering topics on threat briefing and cyber preparedness.

MR. JOHN LAW
NON-EXECUTIVE DIRECTOR
67 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, the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016, and the Cybersecurity Seminar organized by RCBC on September 26, 2017.

MR. YUH-SHING (FRANCIS) PENG
NON-EXECUTIVE DIRECTOR
46 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 and the Cybersecurity Seminar organized by RCBC on September 26, 2017.

ATTY. FLORENTINO M. HERRERA, III
NON-EXECUTIVE DIRECTOR
66 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, the Corporate Governance Orientation Program Class II conducted by Institute of Corporate Directors on November 23, 2016, and Cybersecurity Seminar organized by RCBC on September 26, 2017.

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

ADVISORY BOARD

1 **YVONNE S. YUCHENGCO**
Advisory Board Member

2 **LILIA DE LIMA**
Advisory Board Member

3 **FRANCIS C. LAUREL**
Advisory Board Member

MR. ARMANDO M. MEDINA
INDEPENDENT, NON-EXECUTIVE DIRECTOR
68 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.

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 such as 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, and the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016.

In 2017, he attended the Seminar on Corporate Governance by SGV on December 8, 2017.

MR. JUAN B. SANTOS
INDEPENDENT, NON-EXECUTIVE DIRECTOR
79 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 First Philippine Holdings Corporation, Sun Life Grepa Financial, Inc., Alaska Milk Corporation, East-West Seed ROH Limited (Bangkok, Thailand), House of Investments, Inc., 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 also holds positions in the following publicly listed companies: 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. In 2017, he attended the Cybersecurity Seminar organized by RCBC on September 26, 2017.

AMB. LILIA R. BAUTISTA
INDEPENDENT, NON-EXECUTIVE DIRECTOR
82 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 positions as Member of the Board of Directors/Board of Trustees of various Corporations, including RFM Corporation, 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 Member 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 the 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. In 2017, she attended the Cybersecurity Seminar organized by RCBC on September 26, 2017.

MR. MELITO S. SALAZAR, JR.
INDEPENDENT, NON-EXECUTIVE DIRECTOR
68 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 Bulletin 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 the Institute of Corporate Directors on September 6, 2016. In 2017, he attended the Cybersecurity Seminar organized by RCBC on September 26, 2017.

ATTY. ADELITA A. VERGEL DE DIOS
INDEPENDENT, NON-EXECUTIVE DIRECTOR
72 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 and the Seminar on Corporate Governance conducted by SGV on December 8, 2017.

MR. VAUGHN F. MONTES, PH.D.
INDEPENDENT, NON-EXECUTIVE DIRECTOR
67 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 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. In 2017, he attended the Cybersecurity Seminar organized by RCBC on September 26, 2017.

MR. GABRIEL S. CLAUDIO
INDEPENDENT, NON-EXECUTIVE DIRECTOR
63 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), Ginebra San Miguel, Inc. (GSMI), 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, a publicly listed company outside YGC.

He attended the Corporate Governance Orientation Program conducted by the Institute of Corporate Directors on September 6, 2016, and the Seminar on Corporate Governance conducted by SGV on December 8, 2017.

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

LILIA DE LIMA
ADVISORY BOARD MEMBER

- Ionics Inc., Independent Director
- EMS Inc., Independent Director
- Science Park of the Philippines, Inc., Director
- RFM-Science Park of the Philippines, Inc., Director
- Fatima Center for Human Development Foundation, Iriga City, Trustee

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

SENIOR MANAGEMENT

1 **REDENTOR C. BANCOD**
Senior Executive Vice President
Chief of Staff
Head of the Information Technology Shared Services Group

2 **JOHN THOMAS G. DEVERAS**
Senior Executive Vice President
Head, Strategic Initiatives and Asset Managment and Remedial Group

3 **CHESTER Y. LUY, CFA**
Senior Executive Vice President
Treasurer and Head of Financial Advisory and Markets Group (comprised of the Treasury Group and the Wealth Management Group)

4 **MICHELANGELO R. AGUILAR**
Executive Vice President
Head of Conglomerates and Global Corporate Banking Group

5 **MICHAEL O. DE JESUS**
Executive Vice President
Head of National Corporate Banking Group

6 **ANA LUISA S. LIM**
Executive Vice President
Chief Compliance Officer and Head of Regulatory Affairs Group

7 **EDEL MARY G.D. VEGAMORA**
Executive Vice President
Chief Audit Executive and Head of Internal Audit Group

REDENTOR C. BANCOD
SENIOR EXECUTIVE VICE PRESIDENT
Chief of Staff and 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 has 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. Mr. Deveras also worked at Tokyo-Mitsubishi International (Singapore) from 1999 to 2002, where he was a key member of their SE Asian Mergers & Acquisitions (M&A) Team. He started his formal banking career with Citibank in 1989. 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 Financial Advisory and Markets Group (comprised of the Treasury Group and the Wealth Management Group)

Mr. Luy has 26 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 Bachelors 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 Masters in Management (MBA) degree from the J.L. Kellogg Graduate School of Management at Northwestern University. He is a CFA (Chartered Financial Analyst). 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. He served as a member of the Singapore Institute of Directors, an association of independent directors in Singapore and served on the board of a Singapore-based hospitality and real estate entity.

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, USA.

ANA LUISA S. LIM
EXECUTIVE VICE PRESIDENT
Chief Compliance Officer and Head of Regulatory Affairs Group

Prior to assuming her current position she was Head of Operational Risk Management and Internal Audit Groups. 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.

EDEL MARY G.D. VEGAMORA
EXECUTIVE VICE PRESIDENT
Chief Audit Executive and Head of Internal Audit Group

Ms. Vegamora has over thirty seven (37) years of experience in the areas of governance, risk management, internal audit and control, banking financial statements and regulatory reporting, banking taxation, banking products and deals vetting. She started her career as Financial Auditor and eventually as the Tax Compliance Division Manager for Banking clientele of SGV & Co.. Prior to joining RCBC in 2017, she served as EVP & Chief Financial Officer/Controller of Bank of Commerce; Senior Consultant of HLB International/Diaz Murillo Dalupan & Co.; SVP & Chief Internal Auditor of BDO Unibank Inc. and its subsidiaries including BDO Private Bank; SVP & Chief Financial Officer of Sun Life of Canada Phils. Inc., Sun Life Financial Plans Inc., Sun Life Asset Management Company & Sun Life Foundation Philippines; Location CFO & Director of Finance Group for the Philippine Branch of International Nederlanden Groep N.V., ING Forex Corporation & ING Securities Philippines, Inc.; Director of Banking and Assurance of KPMG/ Laya Mananghaya & Co.; Director of Internal Audit and eventually AVP & Regional Finance Head of Asia Pacific Division of Sun Life Assurance Company of Canada; Head of Internal Audit (Seconded to PSBank) and eventually as PSBank's Vice President/Head of Controllership Group and Supervised the Branches Operations Control Division (BOCD) of PSBank, and had been a President & Chairman-Board of Directors of The Institute of Internal Auditors (Philippines). Her professional certifications include the following: Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certification in Risk Management Assurance (CRMA), and a Fellow-Institute of Corporate Directors (FICD). Ms. Vegamora graduated Magna Cum Laude from the University of the East with a Bachelor of Science degree in Business Administration, major in Accounting. Ms. Vegamora had also completed a Leadership Certificate Course at the Niagara Institute, Canada. She is a recent Graduate of the Professional Directors Program (PDP) of the Institute of Corporate Directors, who bestowed the "Fellow" status on Ms. Vegamora during 2017.

SENIOR MANAGEMENT

1 **JAMAL AHMAD**
First Senior Vice President
Chief Risk Officer and Group Head of Corporate Risk Management Services

2 **GEORGE GILBERT G. DELA CUESTA**
First Senior Vice President
Corporate Secretary and
Head of the Legal Affairs Group

3 **JONATHAN C. DIOKNO**
First Senior Vice President
Head of Retail Banking Group

4 **LOURDES BERNADETTE M. FERRER**
First Senior Vice President
Head of Trust and Investments Group

5 **MARGARITA B. LOPEZ**
First Senior Vice President
Head of Digital Banking Group
and Operations Group

6 **REGINO V. MAGNO**
First Senior Vice President
Head of Business Risk Group

JAMAL AHMAD
FIRST SENIOR VICE PRESIDENT
Chief Risk Officer and Group Head of Corporate Risk Management Services

Mr. Ahmad brings with him expertise in Risk Management, Risk Governance, and Project Management, gained from over twenty nine (29) years of professional experience in developed and emerging markets in North America, Asia and the Middle East.

Prior to joining RCBC, Mr. Ahmad was Executive Director and Country Chief Risk Officer for Standard Chartered Bank, Vietnam Ltd. Mr. Ahmad also served as Country Chief Risk Officer at Standard Chartered Bank Philippines. Mr. Ahmad has had stints as Head of Operational Risk and Assurance at Bank Permata Indonesia; Head of Operational Risk at Standard Chartered Philippines; Senior Manager of Beaufort Associates in Dubai, UAE; Sales and Project Manager at Datamex Technologies, Canada; Sales and Business Development Manager at Marcus Evans, Canada.

Mr. Ahmad completed his college degree in Political Science and Journalism at the University of Punjab, Pakistan, followed by Masters degree in Business Administration at the Ateneo De Manila University and obtained his Master of Finance at Stern School of Business, New York University and Hong Kong University of Science and Technology.

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 served as head of the Legal department in various companies such as Asian Terminals, Inc., Mirant (Phils.) Corporation (now, TeaM Energy Corporation), and Hanjin Heavy Industries & Construction Co. Ltd. Earlier on, he served 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 degrees 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
(Until May 27, 2018)

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 and held various positions in the Trust Officers Association of the Philippines and is currently the Vice President and member of the Board of Trustees of the Trust Institute Foundation of the Philippines.

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 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 and Head of Strategic Innovations at the 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.

REGINO V. MAGNO
FIRST SENIOR VICE PRESIDENT
Head of Business Risk Group
(Until February 24, 2018)

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.

SENIOR MANAGEMENT

1 **EMMANUEL T. NARCISO**
First Senior Vice President
Head of Global Transaction Banking Group

2 **BENNETT CLARENCE D. SANTIAGO**
First Senior Vice President
Head of Credit Management Group

3 **ROWENA F. SUBIDO**
First Senior Vice President
Head of Human Resources Group

4 **MA. CHRISTINA P. ALVAREZ**
Senior Vice President
Head of Corporate Planning Group

5 **FLORENTINO M. MADONZA**
Senior Vice President
Head of Controllership Group

6 **JANE M. MAÑAGO**
Senior Vice President
Head of Wealth Management Group

7 **MARIA CECILIA F. NATIVIDAD**
Senior Vice President
Chief Marketing Officer
Head of Marketing Group

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 BDO 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.

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 Manila, 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
Chief Marketing Officer and Head of the 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 (20) 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.

HEADS OF SUBSIDIARIES

1 **ROMMEL S. LATINAZO**
Executive Vice President
President and Chief Executive Officer
of RCBC Savings Bank

2 **JOSE LUIS F. GOMEZ**
President and CEO of RCBC Capital Corporation

3 **GERALD O. FLORENTINO**
First Senior Vice President
President and CEO of RCBC Securities, Inc.

4 **SIMON JAVIER A. CALASANZ**
First Senior Vice President
President of RCBC Bankard Services Corporation

5 **ALFONSO C. TANSECO**
President and CEO of RCBC Leasing and
Finance Corporation and RCBC Rental Corporation

6 **RAYMUNDO C. ROXAS**
President, Rizal Microbank

7 **JOSEPH COLIN B. RODRIGUEZ**
First Senior Vice President
President and CEO of RCBC Forex Brokers
Corporation
Treasurer, RCBC Savings Bank

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 Bank, 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.

JOSE LUIS F. GOMEZ
PRESIDENT AND CHIEF EXECUTIVE OFFICER
RCBC Capital Corporation

His eighteen 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, where he graduated with distinction, and a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

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 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 Masters in Business Management from the Asian Institute of Management.

SIMON JAVIER A. CALASANZ
FIRST SENIOR VICE PRESIDENT
President, RCBC Bankard Services Corporation
(Seconded from RCBC)

A double degree graduate from DLSU majoring in Marketing and Psychology, Mr. Calasanz brings with him over sixteen (16) years of banking experience. He has handled challenging roles in the following areas: Retail Banking and Wealth Management, Consumer Lending, Contact Centre Management, Product Management, Credit Risk and Compliance, Operations, Management Information Systems and Analytics, and Fraud Detection. 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, and is a regular resource speaker on financial literacy at universities.

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 38 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.

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).

JOSEPH COLIN B. RODRIGUEZ
FIRST SENIOR VICE PRESIDENT
President & CEO, RCBC Forex Brokers Corporation
Treasurer, RCBC Savings Bank
(seconded from RCBC)

Prior to his appointment, he assumed various positions in Rizal Commercial Banking Corporation as Head of the FX Risk Division and Head of Institutional Relationship Management Division. Before joining RCBC, he spent over two decades at the Treasury division of several foreign /local banks. He was Vice President and Head of the Foreign Exchange and Swap Desk at ING Bank Manila. He was also a Dealer at the Manila office of Banque Indosuez and Assistant Dealer at the Riyadh office of Banque Al Hollandi (ABN AMRO Bank). He also headed the FX and Swaps division of Bank of the Philippine Islands. He graduated from De La Salle University with a double degree in Liberal Arts & Commerce, Major in Marketing and in Political Science.

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

P&A Grant Thornton

An instinct for growth™

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20th Floor, Tower 1
The Enterprise Center
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1200 Makati City
Philippines

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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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2017 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, 2017, the Group's loans and receivables amounted to P354,243 million, net of allowance for impairment of P7,993 million, while the Parent Company's loans and receivables amounted to P265,791 million, net of allowance for impairment of P4,942 million, which details are disclosed in Note 11 to the financial statements. Loans and receivables are the most significant resources of the Group and the Parent Company which represented 64% and 60% 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 loans and receivables are impaired and how much impairment loss are required to be recognized in the financial statements. 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, a 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 assessed by management and are assigned to individually impaired loan and receivable 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 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 in the financial statements.

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 design and operating effectiveness of key activities-level controls over the assessment and approval of customer credit; the capturing of information relevant to calculation of the amount of allowance for impairment (e.g., risk grades, default rates and loss given defaults); and, the calculation and recognition of impairment loss.

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 future cash inflows using the effective interest rates applicable to each loan, which were compared to the outstanding balances of the loans; and,
- evaluating management's judgment applied in determining the significant assumptions and inputs used in computing the impairment loss for collective assessment such as default rates and loss given defaults by reviewing 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 significant investment in an unquoted equity security classified at fair value through profit or loss (FVPL) amounting to P543 million as of December 31, 2017, on which management recognized P43 million fair value loss in profit or loss in 2017. The valuation of such financial instrument involves a complex valuation technique (i.e., price-to-book value method) and significant estimation which are highly dependent on underlying assumptions and inputs such as price-to-book ratios of comparable listed entities and application of a certain haircut rate. These inputs are considered Level 3 unobservable inputs in the fair value hierarchy under PFRS 13, *Fair Value Measurement*, as discussed in Notes 3 and 7 to the financial statements. Accordingly, 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. 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 reviewed available non-financial information relevant to the assessment of the potential marketability of the subject security, and the consistency of the application of the haircut rate used in prior period in light of the current industry and economic circumstances.

(c) Appropriateness of Disposals of Investment Securities at Amortized Cost

Description of the Matter

As of December 31, 2017, the Parent Company carries in its financial statements investment securities held under its hold-to-collect (HTC) business model, which are measured at amortized amounting to P48,141 million. In 2017, it disposed of a portion of its US dollar-denominated HTC securities with face value of US$449 million (P22,466 million) and carrying amount of P22,279 million. The disposal was made in anticipation to the possible impact on the Parent Company's qualifying capital in connection with the adoption of PFRS 9 (2014), *Financial Instruments*, in 2018 which would require recognition of additional allowance for impairment on certain financial assets under the expected credit loss model; and as a result, would diminish the Parent Company's existing level of qualifying capital. The disposal aims for the Parent Company to ensure its continuing regulatory compliance with the required minimum Common Equity Tier 1 ratio by the BSP.

Management assessed that such disposal remains to be consistent with the Parent Company's HTC business model for the portfolio with the objective of collecting contractual cash flows. The assessment to determine whether the disposal of the HTC securities is consistent with the Parent Company's HTC business model is significant to our audit because the assessments involve significant judgment and would impact the measurement of the investment securities in the affected portfolios. The disclosures in relation to these matters are included in Note 10 while the disclosures of the Parent Company's assessment of the business model applied in managing financial instruments are presented in Note 2 to the financial statements.

How the Matter was Addressed in the Audit

We confirmed the appropriateness of the Parent Company's disposal of the US dollar denominated HTC securities by reviewing the documentation of the approval of the Parent Company's Executive Committee on June 28, 2017 as required by the BSP, which was ratified by the Parent Company's Board of Directors. We assessed whether the disposals are made consistent with the permitted sale events documented in the Parent Company's business model in managing financial assets manual and with the relevant requirements of both the financial reporting standard and the BSP. We also assessed the appropriateness and reasonableness of the underlying data used and the rationale documented by the Parent Company in the determination of the amount of HTC securities disposed of relative to the current and forecasted level of qualifying capital sufficient to ensure continuing compliance with the regulatory requirements of the BSP.

(d) Recoverability of Deferred Tax Assets

Description of the Matter

The Group's and the Parent Company's deferred tax assets amounted to P1,896 million and P942 million, respectively, as of December 31, 2017. 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 the probabilities of sufficiency of future taxable profits involves significant management judgment and high estimation uncertainty as it requires preparation of financial forecast and profitability projections which may result in different outcome scenarios; hence, may significantly affect the estimates made by management. Accordingly, we identified the recoverability of deferred tax assets as significant area of focus in our audit.

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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 reviewed the appropriateness of management's assumptions underlying the recoverability of the deferred tax assets by comparing the forecasts to our expectations developed based on historical performance. We also considered the fact that the Group and the Parent Company have been utilizing the benefits of deferred tax assets since prior periods.

The relevant information relating to deferred tax assets are disclosed in Notes 2, 3 and 26 to the financial statements.

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, 2017, 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 identification of 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 five 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, 2017 did not identify event or conditions that may cast significant doubt on RBS's ability to continue as a going concern.

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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, 2017, 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, 2017 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.

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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. 6616005, January 3, 2018, 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 26, 2018

	Notes	GROUP		PARENT COMPANY	
		2017	2016	**2017**	2016
RESOURCES					
CASH AND OTHER CASH ITEMS	9	**P 14,693**	P 15,176	**P 10,415**	P 11,000
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**58,801**	66,520	**47,186**	50,871
DUE FROM OTHER BANKS	9	**19,818**	25,293	**18,368**	24,109
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENT	9	**9,831**	7,889	**7,435**	4,931
TRADING AND INVESTMENT SECURITIES - Net	10	**72,932**	75,622	**58,133**	65,652
LOANS AND RECEIVABLES - Net	11	**354,243**	306,167	**265,791**	228,432
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**417**	383	**19,018**	17,178
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**8,946**	8,876	**5,197**	5,192
INVESTMENT PROPERTIES - Net	14	**3,399**	3,229	**2,785**	2,816
DEFERRED TAX ASSETS	26	**1,896**	2,177	**942**	1,285
OTHER RESOURCES - Net	15	**9,012**	9,861	**6,306**	6,316
TOTAL RESOURCES		**P 553,988**	P 521,193	**P 441,576**	P 417,782
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	17	**P 388,412**	P 353,077	**P 288,667**	P 260,165
BILLS PAYABLE	18	**43,967**	37,643	**36,600**	31,712
BONDS PAYABLE	19	**28,060**	41,595	**28,060**	41,595
SUBORDINATED DEBT	20	**9,968**	9,952	**9,968**	9,952
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**4,185**	4,823	**3,218**	3,633
OTHER LIABILITIES	22	**12,369**	11,970	**8,134**	8,688
Total Liabilities		**486,961**	459,060	**374,647**	355,745
EQUITY	23				
Attributable to:					
Parent Company's Shareholders		**66,999**	62,107	**66,929**	62,037
Non-controlling Interests		**28**	26	**-**	-
		67,027	62,133	**66,929**	62,037
TOTAL LIABILITIES AND EQUITY		**P 553,988**	P 521,193	**P 441,576**	P 417,782

See Notes to Financial Statements.

	Notes	GROUP 2017	GROUP 2016	GROUP 2015	PARENT COMPANY 2017	PARENT COMPANY 2016	PARENT COMPANY 2015
INTEREST INCOME							
Loans and receivables	11	**P 21,956**	P 19,442	P 17,462	**P 15,081**	P 13,219	P 12,163
Trading and investment securities	10	**2,784**	3,269	3,880	**2,309**	2,927	3,455
Others	9, 24	**378**	426	178	**277**	383	145
		25,118	23,137	21,520	**17,667**	16,529	15,763
INTEREST EXPENSE							
Deposit liabilities	17	**3,959**	3,269	2,992	**2,389**	2,021	2,006
Bills payable and other borrowings	18, 19, 20, 24	**3,138**	4,161	2,951	**2,883**	3,945	2,832
		7,097	7,430	5,943	**5,272**	5,966	4,838
NET INTEREST INCOME		**18,021**	15,707	15,577	**12,395**	10,563	10,925
IMPAIRMENT LOSSES - Net	16	**2,155**	1,770	2,350	**1,164**	856	1,150
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**15,866**	13,937	13,227	**11,231**	9,707	9,775
OTHER OPERATING INCOME							
Service fees and commissions	2	**3,138**	3,196	3,473	**1,985**	1,762	1,793
Trading and securities gains - net	2, 10	**900**	1,619	1,327	**664**	1,663	1,232
Foreign exchange gains - net	2, 19	**798**	276	260	**773**	244	212
Trust fees	27	**279**	294	286	**226**	243	232
Share in net earnings of subsidiaries and associates	12	**92**	131	93	**2,110**	1,500	1,535
Miscellaneous - net	25	**1,893**	1,598	1,216	**1,129**	1,084	839
		7,100	7,114	6,655	**6,887**	6,496	5,843
TOTAL OPERATING INCOME		**P 22,966**	P 21,051	P 19,882	**P 18,118**	P 16,203	P 15,618
OTHER OPERATING EXPENSES							
Employee benefits	24	**6,037**	5,408	4,731	**4,211**	3,666	3,190
Occupancy and equipment-related	28, 29	**3,165**	2,871	2,607	**2,473**	2,180	1,917
Depreciation and amortization	13, 14, 15	**1,914**	1,766	1,611	**1,085**	985	1,030
Taxes and licenses	14	**1,821**	1,840	1,437	**1,289**	1,287	938
Miscellaneous	25	**4,878**	5,470	4,675	**4,055**	4,556	3,396
		17,815	17,355	15,061	**13,113**	12,674	10,471
PROFIT BEFORE TAX		**5,151**	3,696	4,821	**5,005**	3,529	5,147
TAX EXPENSE (INCOME)	26	**841**	(174)	(307)	**697**	(339)	18
NET PROFIT		**P 4,310**	P 3,870	P 5,128	**P 4,308**	P 3,868	P 5,129
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 4,308**	P 3,868	P 5,129			
NON-CONTROLLING INTERESTS		**2**	2	(1)			
		P 4,310	P 3,870	P 5,128			
Earnings Per Share							
Basic and diluted	30	**P 3.08**	P 2.76	P 3.07			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2017**	2016	2015	**2017**	2016	2015
NET PROFIT		**P 4,310**	P 3,870	P 5,128	**P 4,308**	P 3,868	P 5,129
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**1,510**	(325)	(1,045)	**1,491**	(349)	(987)
Fair value gains (losses) on financial assets at fair value through other comprehensive income	10, 23	**(156)**	1,442	(140)	**(269)**	1,395	(220)
		1,354	1,117	(1,185)	**1,222**	1,046	(1,207)
Share in other comprehensive income of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12, 24	**4**	-	1	**23**	24	(57)
Fair value gains on financial assets at fair value through other comprehensive income	10, 12, 23	**-**	-	-	**113**	47	77
		4	-	1	**136**	71	20
		1,358	1,117	(1,184)	**1,358**	1,117	(1,187)
Items that will be reclassified subsequently to profit or loss							
Share in other comprehensive income (loss) of the subsidiaries - Translation adjustments on foreign operations	12, 23	**(1)**	25	(10)	**(1)**	25	(10)
Total Other Comprehensive Income (Loss)	23	**1,357**	1,142	(1,194)	**1,357**	1,142	(1,197)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 5,667**	P 5,012	P 3,934	**P 5,665**	P 5,010	P 3,932
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 5,665**	P 5,010	P 3,932			
NON-CONTROLLING INTERESTS		**2**	2	2			
		P 5,667	P 5,012	P 3,934			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS CHANGES IN EQUITY

DECEMBER 31, 2017, 2016 AND 2015

(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, 2017		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
Transaction with owners												
Cash dividends	23	-	-	-	-	-	-	-	(773)	(773)	-	(773)
Total comprehensive income for the year	23	-	-	-	-	1,357	-	-	4,308	5,665	2	5,667
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	-	(4)	-	-	4	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	21	-	(21)	-	-	-
		-	-	-	-	1,353	21	-	3,518	4,892	2	4,894
Balance at December 31, 2017		**P 13,999**	**P 3**	**P 22,635**	**-**	**P 1,974**	**P 436**	**(P 97)**	P 28,049	P 66,999	P 28	P 67,027
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												
Cash dividends	23	-	-	-	-	-	-	-	(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	10, 23	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	27	-	(27)	-	-	-
		-	-	-	-	1,139	27	-	2,836	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												
Issuance of common shares during the year	23	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	10, 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

See Notes to Financial Statements.

	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	SURPLUS	TOTAL EQUITY
		PARENT COMPANY							
Balance at January 1, 2017		P 13,999	P 3	P 22,635	-	P 621	P 378	P 24,401	P 62,037
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(773)	(773)
Total comprehensive income for the year	23	-	-	-	-	1,357	-	4,308	5,665
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	(4)	-	4	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	16	(16)	-
		-	-	-	-	1,353	16	3,523	4,892
Balance at December 31, 2017		**P 13,999**	**P 3**	**P 22,635**	**-**	**P 1,974**	**P 394**	P 27,924	P 66,929
Balance at January 1, 2016		P 13,999	P 3	P 22,635	-	(P 518)	P 356	P 21,560	P 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	10, 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 621	P 378	P 24,401	P 62,037
Balance at January 1, 2015		P 12,757	P 3	P 16,148	P 4,883	P 682	P 341	P 18,225	P 53,039
Transactions with owners									
Issuance of common shares during the year	23	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	10, 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

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		GROUP			PARENT COMPANY		
	Notes	**2017**	2016	2015	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 5,151**	P 3,696	P 4,821	**P 5,005**	P 3,529	P 5,147
Adjustments for:							
Interest income		**(25,118)**	(23,137)	(21,520)	**(17,667)**	(16,529)	(15,763)
Interest received		**24,809**	23,570	21,149	**17,536**	16,962	15,593
Interest paid		**(7,240)**	(7,253)	(5,861)	**(5,087)**	(5,889)	(4,720)
Interest expense		**7,097**	7,430	5,943	**5,272**	5,966	4,838
Impairment losses - net	16	**2,155**	1,770	2,350	**1,164**	856	1,150
Depreciation and amortization	13, 14, 15	**1,914**	1,766	1,611	**1,085**	985	1,030
Dividend income	25	**(234)**	(449)	(237)	**(196)**	(307)	(87)
Share in net earnings of subsidiaries and associates	12	**(92)**	(131)	(93)	**(2,112)**	(1,500)	(1,535)
Gains on assets sold	14, 25	**(441)**	(120)	(281)	**(378)**	(139)	(162)
Operating profit before working capital changes		**8,001**	7,142	7,882	**4,622**	3,934	5,491
Decrease (increase) in financial assets at fair value through profit and loss		**10,488**	(12,967)	11,346	**10,522**	(13,082)	11,069
Decrease (increase) in financial assets at fair value through other comprehensive income		**316**	(1,471)	(493)	**139**	48	(339)
Decrease (increase) in loans and receivables		**(50,172)**	(6,748)	(39,323)	**(38,690)**	4,666	(27,179)
Decrease (increase) in investment properties		**(615)**	(212)	1,502	**(12)**	15	408
Decrease (increase) in other resources		**1,693**	(528)	(1,469)	**285**	354	(96)
Increase (decrease) in deposit liabilities		**35,335**	10,715	26,601	**28,502**	(3,905)	16,048
Increase (decrease) in accrued interest, taxes and other expenses		**(593)**	338	(89)	**(292)**	179	(15)
Increase (decrease) in other liabilities		**1,911**	(256)	232	**950**	(1,385)	(93)
Cash generated from (used in) operations		**6,364**	(3,987)	6,189	**6,026**	(9,176)	5,294
Cash paid for taxes		**(605)**	(574)	(602)	**(477)**	(501)	(540)
Net Cash From (Used in) Operating Activities		**5,759**	(4,561)	5,587	**5,549**	(9,677)	4,754
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from disposal and maturity of securities at amortized cost		**25,296**	61,288	42,563	**24,251**	57,087	42,772
Additional investments in securities at amortized cost							
Acquisitions of bank premises, furniture, fixtures, and equipment	13	**(33,570)**	(11,271)	(63,991)	**(27,549)**	(10,473)	(63,972)
Acquisitions of intangible assets	15	**(1,521)**	(2,782)	(1,961)	**(899)**	(1,129)	(1,411)
Cash dividends received	12, 25	**(304)**	(294)	(1,348)	**(267)**	(270)	(1,243)
Proceeds from disposals of bank premises, furniture,	13	**296**	560	313	**600**	307	766
fixtures and equipment	12	**203**	834	461	**102**	344	242
Additional investments in subsidiaries and associates		**-**	-	-	**-**	-	(750)
Net Cash From (Used in) Investing Activities		**(9,600)**	48,335	(23,963)	**(3,762)**	45,866	(23,596)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	18, 32	**20,561**	33,668	47,068	**15,477**	31,325	46,442
Payments of bills payable	18, 32	**(14,472)**	(45,429)	(37,463)	**(10,788)**	(45,429)	(37,463)
Redemption of bonds payable	19, 32	**(13,687)**	-	-	**(13,687)**	-	-
Dividends paid	23	**(773)**	(1,008)	(1,059)	**(773)**	(1,008)	(1,059)
Issuance of bonds payable	19, 32	**-**	-	15,878	**-**	-	15,878
Issuance of common stock		**-**	-	7,729	**-**	-	7,729
Redemption of hybrid perpetual securities		**-**	-	(5,173)	**-**	-	(5,173)
Net Cash From (Used in) Financing Activities		**(8,371)**	(12,769)	26,980	**(9,771)**	(15,112)	26,354
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(P 12,212)**	P 31,005	P 8,604	**(P 7,984)**	P 21,077	P 7,512
CASH AND CASH EQUIVALENTS AT BEGINNING 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 arising from reverse repurchase agreement	9	**7,889**	-	-	**4,931**	-	-
Interbank loans receivable	11	**515**	-	-	**515**	-	-
		115,393	84,388	75,784	**91,426**	70,349	62,837
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**14,693**	15,176	14,070	**10,415**	11,000	10,127
Due from Bangko Sentral ng Pilipinas	9	**58,801**	66,520	50,617	**47,186**	50,871	42,026
Due from other banks	9	**19,818**	25,293	19,701	**18,368**	24,109	18,196
Loans arising from reverse repurchase agreement	9	**9,831**	7,889	-	**7,435**	4,931	-
Interbank loans receivable	11	**38**	515	-	**38**	515	-
		P 103,181	P 115,393	P 84,388	**P 83,442**	P 91,426	P 70,349

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.

(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. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivatives products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. 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 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 the Parent Company's banking network within and outside the Philippines as of December 31 follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Automated teller machines (ATMs)	**1,562**	1,488	**1,103**	1,047
Branches	**473**	446	**306**	281
Extension offices	**35**	35	**25**	25

RCBC is 42.45% 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 2017	2016
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		**99.41**	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 2017	2016
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 pursuant to BSP recommendation and upon receipt of necessary regulatory clearance (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 en ded December 31, 2017 (including the comparatives as of December 31, 2016 and for the years ended December 31, 2016 and 2015) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on February 26, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Group and the Parent Company made a restrospective reclassification in their statements of profit or loss for the year ended December 31, 2016 by transferring P32 services fees reported within Other Operating Income, from Miscellaneous account to Service Fees and Commissions account, to conform with the current presentation.

(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 2017 that are Relevant to the Group

The Group adopted for the first time all the amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017 as follows:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014 - 2016 Cycle)		
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale

Discussed below are the relevant information about these amendments and improvements.

(i) PAS 7 (Amendments), Statement of Cash Flows – Disclosure Initiative. 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 and to apply its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they 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.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions.

The Group's liabilities arising from financing activities include bills payable, bonds payable and subordinated debt. The reconciliation between the opening and closing balances of these liabilities arising from financing activities are disclosed in Note 32.

(ii) PAS 12 (Amendments), Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses. 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 its 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. The application of these amendments has no impact on the Group's financial statements as the Group already assesses the sufficiency of future taxable profit in a way that is consistent with these amendments.

(iii) Annual improvements to PFRS (2014 - 2016 Cycle) on PFRS 12, Disclosure of Interests in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale. The Group has interests in certain SPCs with carrying amount of the net investments presented and classified as assets held-for-sale and disposal group (see Note 15). The Group has not been presenting summarized financial information of these SPCs which is consistent with the amendments.

(b) Effective Subsequent to 2017 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2017, 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 40 (Amendments), Investment Property – Transfers of Investment Property (effective from January 1, 2018). The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments also provided a non-exhaustive list of examples constituting change in use.

(ii) PFRS 9 (2014), Financial Instruments (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, Financial Instruments: Recognition and Measurement, 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 credit loss (ECL) 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.

Based on an assessment and comprehensive study of the Group's financial assets and financial liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined the significant impact of PFRS 9 (2014) on the financial statements as follows:

- Debt securities held for both collecting contractual cash flows solely for payment of principal and interest (SPPI) and selling are designated by the Group to be classified at as fair value through other comprehensive income (FVOCI). Financial asset at FVOCI are measured at fair value, with fair value changes and realized gain or loss on sale directly recognized in other comprehensive income. Upon derecognition of debt securities under FVOCI, the cumulative gains or losses previously recognized in other comprehensive income shall be reclassified from equity to profit or loss. The Group has initially assessed that the application of the standard would result in reclassification of certain financial assets at FVPL to financial assets at FVOCI; hence, will affect the balance of the reported retained earnings and other comprehensive income at transition date.
- In applying the ECL methodology of PFRS 9 (2014), the Group initially assessed to use the loan loss provision methodology as allowed by the standard and as prescribed by the BSP. On the other hand, ECL on government bonds and corporate bonds currently classified as financial asset at amortized cost shall be measured using the 12-month ECL as these financial assets are assessed to have low credit risk, considering their respective credit ratings. Management has assessed that the application of the ECL model will result in an increase in the required allowance for impairment of certain financial instruments as at the beginning of the next reporting period and in impairment losses in that period as compared with the amount that would have been recognized under the impairment provisions of PAS 39.

(iii) PFRS 10 (Amendments), Consolidated Financial Statements, and PAS 28 (Amendments), 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 amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, Business Combinations, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have 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.

(iv) PFRS 15, Revenue from Contracts with Customers. This standard will replace PAS 18, Revenue, and PAS 11, Construction Contracts, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (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 this standard 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. Based on an assessment of the Group's revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenues pertain to its lending activities which generate interest income, service charges, and fees. Except for certain service charges and fees, substantial amount of the Bank's revenues are generated from financial instruments which are outside the scope of PFRS 15.

(v) Annual Improvements to PFRS 2014 - 2016 Cycle. Among the improvements, PAS 28 (Amendments), Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value (effective from January 1, 2018) is relevant to the Group. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

(vi) IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

(vii) PAS 28 (Amendments), Investment in Associates – Long-term Interests in Associates and Joint Ventures (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of these new amendments in its financial statements.

(viii) PFRS 9 (Amendments), Financial Instruments – Prepayment Features with Negative Compensation (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income. Management is currently assessing the impact of these amendments in its financial statements.

(ix) 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 subject to depreciation or amortization. The lease liability is accounted for similarly to a 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 expense 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 with those applied in PAS 17. 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, treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

(x) IFRIC 23, Uncertainty over Income Tax Treatments (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the tax authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation in its financial statements.

(xi) Annual Improvements to PFRS 2015 - 2017 Cycle. Among the improvements effective January 1, 2019, the following are relevant to the Group but were initially assessed by management to have no material impact on the Group's financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), Income Taxes – Tax Consequences of Dividends. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), Borrowing Costs – Eligibility for Capitalization. The amendments clarify that when a specific borrowing remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of an entity's general borrowings used in calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), Business Combinations and PFRS 11 (Amendments), Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

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. 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, impairment and 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 subsidiaries or items that have been directly recognized in the subsidiaries' equity are recognized in other comprehensive income or equity of the Parent Company as applicable. However, when the Parent Company's share in losses of subsidiaries 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. 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, impairment, and 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 in losses of 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 Operations

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 NCI 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 NCI 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 below.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are 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 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, Loans Arising from Reverse Repurchase Agreement, and Interbank loans receivables (part of Loans and Receivables). 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 2017 and 2016, 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 or receivable is determined to be uncollectible, it is written-off against the related allowance for impairment. Such loan or receivable is written-off after all the prescribed procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off are charged against 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 the 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, the 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 Miscellaneous Income under Other Operating 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 acount, 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, represents the right given to RSI, a subsidiary engaged in stock brokerage, to preserve its 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 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.

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 as gain or loss 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 or loss 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 as 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, and 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 arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale, and are recognized when the risks and rewards of ownership of the assets are transferred to the buyer, when the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectibility of the entire sales price is reasonably assured. Gains on assets sold are included as part of Miscellaneous income under Other Operating Income account in the statement of profit or loss.

Costs and expenses are recognized in profit or loss upon utilization of the assets 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 account 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 assets 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) Assets 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 and measured 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 the 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 and Dilutive Earning Per Share

Basic earnings per share (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 belongs 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 necessarily 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, 2017 (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.

As of the end of the reporting period, the Group has certain building which comprise a portion that is held for rental and other portion is used for operations which were classified by the Group as Investment Property or as part of Bank Premises, Furniture, Fixtures and Equipment according to its current use.

(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, 2017 and 2016, 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 rental or 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 internal and external appraisal depending on the Group's threshold policy. 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) *Assessment of Significant Influence on HCPI in which the Group and Parent Company Holds Less than 20% Ownership*

The management considers that the Group and the Parent Company has significant influence on HCPI even though it holds less than 20% of the ordinary shares in the latter. In making this judgment, management considered the Group's and the Parent Company's rights to commit and undertake to vote, and to regulate the conduct of voting and the relationship between them with respect to their exercise of their voting rights (see Note 12.2).

(h) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 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 assets 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, 2017 and 2016. 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 the 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 measured at amortized cost 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 financial 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 the 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, 2017 and 2016, 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, 2017 and 2016 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 or 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, which meets weekly, has the power to act and pass upon such matters as the Board may entrust to it for action in between Board meetings. It may also consider and approve loans and other credit related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for Group's capital adequacy and risk management strategy and actions 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 within the materiality threshold to determine whether or not the transaction is on terms no less favorable to the Parent Company than terms available to any unconnected third party under the same or similar circumstances. On favorable review, the RPT Committee endorses transactions to the BOD for approval.

- The Anti-Money Laundering (AML) Board Committee, which meets monthly, oversees the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) and ensures compliance thereof. The Committee also ensures that infractions are immediately corrected, issues are addressed and AML training of officers and staff are conducted.

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 Management 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 assists the BOD in implementing the Group's MLPP in order to ensure compliance with BSP rules and regulations relating to the prevention of money laundering and terrorist financing.

  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 and Compliance Committee and to the AML Board Committee 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 that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile. In 2016, CRISMS was divided into two sub-groups, the Business Risk Group (BRG) and the Operational Risk Management Group (ORMG), 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 operations, 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 assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses resources and liability maturity gap analysis.

The gap analyses as of December 31, 2017 and 2016 are presented below.

	Group					
	2017					
	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 40,867	P 691	P 1,676	P 581	P 59,366	P 103,181
Investments - net	17,506	1,969	14,818	32,915	6,141	73,349
Loans and receivables - net	33,508	62,507	105,486	83,195	69,509	354,205
Other resources - net	9,027	566	512	38	13,110	23,253
Total resources	100,908	65,733	122,492	116,729	148,126	553,988
Liabilities:						
Deposit liabilities	62,028	9,867	11,234	2,505	302,778	388,412
Bills payable	18,538	15,303	6,379	1,499	2,248	43,967
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	9,968	-	-	9,968
Other liabilities	9,370	69	-	-	7,115	16,554
Total liabilities	89,936	25,239	55,641	4,004	312,141	486,961
Equity	-	-	-	-	67,027	67,027
Total liabilities and equity	89,936	25,239	55,641	4,004	379,168	553,988
On-book gap	10,972	40,494	66,851	112,725	(231,042)	-
Cumulative on-book gap	10,972	51,466	118,317	231,042	-	-
Contingent resources	9,969	-	-	-	-	9,969
Contingent liabilities	10,175	-	-	-	-	10,175
Off-book gap	(206)	-	-	-	-	(206)
Cumulative off-book gap	(206)	(206)	(206)	(206)	(206)	-
Periodic gap	**10,766**	**40,494**	**66,851**	**112,725**	**(231,042)**	**(206)**
Cumulative total gap	**P 10,766**	**P 51,260**	**P 118,111**	**P 230,836**	**(P 206)**	**P -**

	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 47,381	P -	P -	P -	P 68,012	P 115,393
Investments - net	18,729	4,683	9,699	37,347	5,547	76,005
Loans and receivables - net	26,063	52,035	83,224	88,427	55,903	305,652
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	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	8,260	24	-	-	8,509	16,793
Total liabilities	83,071	20,799	69,367	1,493	284,330	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	83,071	20,799	69,367	1,493	346,463	521,193
On-book gap	16,407	36,151	24,619	124,315	(201,492)	-
Cumulative on-book gap	16,407	52,558	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	9,859	36,151	24,618	124,315	(201,492)	(6,548)
Cumulative total gap	P 9,859	P 46,010	P 70,629	P 194,944	(P 6,548)	P -

	Parent Company 2017										
		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	34,050	P	673	P	1,441	P	501	P	46,777	P	83,442
Investments - net		14,288		507		11,903		46,207		4,246		77,151
Loans and receivables - net		24,958		46,996		62,684		74,279		56,836		265,753
Other resources - net		5,340		346		32		12		9,500		15,230
Total resources		78,636		48,522		76,060		120,999		117,359		441,576
Liabilities:												
Deposit liabilities		49,147		4,402		10,041		2,505		222,572		288,667
Bills payable		16,009		13,906		5,185		1,500		-		36,600
Bonds payable		-		-		28,060		-		-		28,060
Subordinated debt		-		-		9,968		-		-		9,968
Other liabilities		5,109		-		-		-		6,243		11,352
Total liabilities		70,265		18,308		53,254		4,005		228,815		374,647
Equity		-		-		-		-		66,929		66,929
Total liabilities and equity		70,265		18,308		53,254		4,005		295,744		441,576
On-book gap		8,371		30,214		22,806		116,994	(| 178,385)		-
Cumulative on-book gap		8,371		38,585		61,391		178,385		-		-
Contingent resources		9,824		-		-		-		-		9,824
Contingent liabilities		9,824		-		-		-		-		9,824
Off-book gap		-		-		-		-		-		-
Cumulative off-book gap		-		-		-		-		-		-
Periodic gap		**8,371**		**30,214**		**22,806**		**116,994**	**(** | **178,385)**		**-**
Cumulative total gap	**P**	**8,371**	**P**	**38,585**	**P**	**61,391**	**P**	**178,385**	**P**	**-**	**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 42,154	P -	P -	P -	P 49,272	P 91,426
Investments - net	16,044	3,378	8,099	33,477	21,832	82,830
Loans and receivables - net	14,756	38,062	47,400	77,804	49,895	227,917
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	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	4,698	-	-	-	7,623	12,321
Total liabilities	68,109	11,615	67,130	1,493	207,398	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	68,109	11,615	67,130	1,493	269,435	417,782
On-book gap	8,285	29,830	(11,134)	109,794	(136,775)	-
Cumulative on-book gap	8,285	38,115	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	1,931	29,830	(11,135)	109,794	(136,775)	(6,354)
Cumulative total gap	P 1,931	P 31,761	P 20,627	P 130,421	(P 6,354)	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 the effectiveness of the Group's 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 recognized directly in 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
2017:				
Foreign currency risk	P 7	P 11	P 32	P 2
Interest rate risk	363	287	501	154
Overall	**P 370**	**P 298**	**P 533**	**P 156**
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
2017:				
Foreign currency risk	P 7	P 11	P 31	P 2
Interest rate risk	147	125	277	40
Overall	**P 154**	**P 136**	**P 308**	**P 42**
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**
2017:			
Resources:			
Cash and other cash items	P 1,029	P 13,664	P 14,693
Due from BSP	-	58,801	58,801
Due from other banks	17,922	1,896	19,818
Loans arising from reverse repurchase agreement	37	9,794	9,831
Financial assets at FVPL	1,144	6,447	7,591
Financial assets at FVOCI	51	5,312	5,363
Investment securities at amortized cost	50,044	9,934	59,978
Loans and receivables - net	54,940	299,303	354,243
Other resources	456	436	892
	P 125,623	**P 405,587**	**P 531,210**
Liabilities:			
Deposit liabilities	P 71,868	P 316,544	P 388,412
Bills payable	36,598	7,369	43,967
Bonds payable	28,060	-	28,060
Subordinated debt	-	9,968	9,968
Accrued interest and other expenses	838	3,091	3,929
Other liabilities	4,157	7,076	11,233
	P 141,521	**P 344,048**	**P 485,569**
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 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	3,481	4,584
Other liabilities	802	8,081	8,883
	P 167,493	P 288,241	P 455,734

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2017:			
Resources:			
Cash and other cash items	P 868	P 9,547	P 10,415
Due from BSP	-	47,186	47,186
Due from other banks	17,839	529	18,368
Loans and receivables arising from reverse repurchase agreement	-	7,435	7,435
Financial assets at FVPL	1,145	5,408	6,553
Financial assets at FVOCI	15	3,424	3,439
Investment securities at amortized cost	45,507	2,634	48,141
Loans and receivables - net	54,845	210,946	265,791
Other resources	109	70	179
	P 120,328	**P 287,179**	**P 407,507**
Liabilities:			
Deposit liabilities	P 64,400	P 224,267	P 288,667
Bills payable	36,597	3	36,600
Bonds payable	28,060		28,060
Subordinated debt	-	9,968	9,968
Accrued interest and other expenses	796	2,213	3,009
Other liabilities	695	5,561	6,256
	P 130,548	**P 242,012**	**P 372,560**
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	377	466
	P 136,825	P 248,636	P 385,461

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
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	2,765	3,515
Other liabilities	802	5,292	6,094
	P 140,815	P 212,218	P 353,033

4.3.2 Interest Rate Risk

The interest rate risk inherent in the Group's financial statements arises from re-pricing mismatches between assets and liabilities. The Group follows a policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. ALCO meets at least on a weekly basis to set rates for various assets 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 assets 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 assets and liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

	Group 2017					
	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 31,016	P 261	P 484	P 80	P 71,340	P103,181
Investments - net	9,712	1,969	14,818	32,915	13,935	73,349
Loans and receivables - net	163,355	40,828	87,289	31,778	30,955	354,205
Other resources - net	2,657	374	239	517	19,466	23,253
Total resources	206,740	43,432	102,830	65,290	135,696	553,988
Liabilities:						
Deposit liabilities	136,523	14,161	18,040	2,505	217,183	388,412
Bills payable	32,690	1,225	5,434	1,499	3,119	43,967
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	9,968	-	-	9,968
Other liabilities	1,006	69	-	-	15,479	16,554
Total liabilities	170,219	15,455	61,502	4,004	235,781	486,961
Equity	-	-	-	-	67,027	67,027
Total liabilities and equity	170,219	15,455	61,502	4,004	302,808	553,988
On-book gap	36,521	27,977	41,328	61,286	(167,112)	-
Cumulative on-book gap	36,521	64,498	105,826	167,112	-	-
Contingent resources	9,969	-	-	-	-	9,969
Contingent liabilities	9,977	-	-	-	198	10,175
Off-book gap	(8)	-	-	(198)	(206)	-
Cumulative off-book gap	(8)	(8)	(8)	(8)	(206)	-
Periodic gap	36,513	27,977	41,328	61,286	(167,310)	(206)
Cumulative total gap	P 36,513	P 64,490	P 105,818	P 167,104	(P 206)	P -

	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 42,381	P -	P -	P -	P 73,012	P 115,393
Investments - net	3,359	4,512	9,196	37,347	21,591	76,005
Loans and receivables - net	142,139	32,138	74,189	33,388	23,798	305,652
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	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	625	24	-	-	16,144	16,793
Total liabilities	138,410	31,536	67,989	1	221,124	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	138,410	31,536	67,989	1	283,257	521,193
On-book gap	52,634	5,156	16,122	71,321	(145,233)	-
Cumulative on-book gap	52,634	57,790	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	52,604	5,156	16,122	71,321	(145,415)	(212)
Cumulative total gap	P 52,604	P 57,760	P 73,882	P 145,203	(P 212)	P -

	Parent Company 2017					
	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 26,031	P -	P -	P -	P 57,411	P 83,442
Investments - net	9,021	506	11,903	46,207	9,514	77,151
Loans and receivables - net	157,341	27,556	29,093	29,122	22,641	265,753
Other resources - net	7	346	32	12	14,833	15,230
Total resources	192,400	28,408	41,028	75,341	104,399	441,576
Liabilities:						
Deposit liabilities	88,232	5,873	10,041	2,505	182,016	288,667
Bills payable	30,913	-	4,187	1,500	-	36,600
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	9,968	-	-	9,968
Other liabilities	880	-	-	-	10,472	11,352
Total liabilities	120,025	5,873	52,256	4,005	192,488	374,647
Equity	-	-	-	-	66,929	66,929
Total liabilities and equity	120,025	5,873	52,256	4,005	259,417	441,576
On-book gap	72,375	22,535	(11,228)	71,336	(155,018)	-
Cumulative on-book gap	72,375	94,910	83,682	155,018	-	-
Contingent resources	9,824	-	-	-	-	9,824
Contingent liabilities	9,824	-	-	-	-	9,824
Off-book gap	-	-	-	-	-	-
Cumulative off-book gap	-	-	-	-	-	-
Periodic gap	**72,375**	**22,535**	**(11,228)**	**71,336**	**(155,018)**	**-**
Cumulative total gap	**P 72,375**	**P 94,910**	**P 83,682**	**P 155,018**	**P -**	**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 42,143	P -	P -	P -	P 49,283	P 91,426
Investments - net	674	3,207	7,596	33,477	37,876	82,830
Loans and receivables - net	131,872	21,221	22,475	30,813	21,536	227,917
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	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	514	-	-	-	11,807	12,321
Total liabilities	91,593	15,326	63,071	-	185,755	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	91,593	15,326	63,071	-	247,792	417,782
On-book gap	83,099	9,107	(32,503)	64,307	(124,010)	-
Cumulative on-book gap	83,099	92,206	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	76,745	9,107	(32,503)	64,307	(124,010)	(6,354)
Cumulative total gap	P 76,745	P 85,852	P 53,349	P 117,656	(P 6,354)	P -

The table below summarizes the potential impact on the Group's and the 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, 2017				
Group	**(P 586)**	**(P 1,172)**	**P 586**	**P 1,172**
Parent Company	**(831)**	**(1,661)**	**831**	**1,661**
December 31, 2016				
Group	(P 667)	(P 1,335)	P 667	P 1,335
Parent Company	(906)	(1,811)	906	1,811

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, 2017 and 2016 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 in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual debt issue which is still performing or current in status. The risk ratings determined by the Parent Company for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or 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 of 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			
	2017		2016	
	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	**1,308**	**-**	4,055	-
Sub-standard	**4,181**	**-**	1,318	-
Doubtful	**250**	**-**	59	-
Loss	**1,222**	**-**	903	-
Gross amount	**6,961**	**-**	6,335	-
Unearned interest and discount	**(46)**	**-**	-	-
Allowance for impairment	**(2,249)**	**-**	(1,373)	-
Carrying amount	**4,666**	**-**	4,962	-
Collectively Assessed for Impairment				
Unrated	**103,319**	**-**	88,390	-
AAA to AA-	-	**-**	-	-
A+ to A-	-	**-**	-	-
BBB+ to BBB-	**21,128**	**-**	22,632	-
BB+ to BB	**40,848**	**-**	40,278	-
BB- to BB	**76,321**	**-**	62,455	-
B to B-	**105,963**	**-**	80,706	-
CCC+ and below	**581**	**-**	5,198	-
Especially mentioned	**105**	**-**	154	-
Sub-standard	**678**	**-**	794	-
Doubtful	**726**	**-**	668	-
Loss	**125**	**-**	122	-
Gross amount	**349,794**	**-**	301,397	-
Unearned interest and discount	**(771)**	**-**	(243)	-
Allowance for impairment	**(4,451)**	**-**	(4,932)	-
Carrying amount	**344,572**	**-**	296,222	-
Unquoted debt securities classified as loans	**1,939**	**-**	1,256	-
Other receivables	**4,359**	**-**	4,893	-
Allowance for impairment	**(1,293)**	**-**	(1,106)	-
Carrying amount	**5,005**	**-**	5,043	-
Neither Past Due Nor Impaired	**-**	**68,879**	-	68,378
Total Carrying Amount	**P 354,243**	**P 68,879**	P 306,167	P 68,378

	Parent Company			
	2017		2016	
	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	**995**	**-**	115	-
Doubtful	**22**	**-**	59	-
Loss	**159**	**-**	310	-
Gross amount	**1,176**	**-**	484	-
Allowance for impairment	**(276)**	**-**	(384)	-
Carrying amount	**900**	**-**	100	-
Collectively Assessed for Impairment				
Unrated	**18,314**	**-**	15,023	-
AAA to AA-	**-**	**-**	-	-
A+ to A-	**-**	**-**	-	-
BBB+ to BBB-	**21,128**	**-**	22,632	-
BB+ to BB	**40,848**	**-**	40,278	-
BB- to B+	**76,321**	**-**	62,455	-
B to B-	**105,480**	**-**	80,706	-
CCC+ and below	**581**	**-**	5,198	-
Especially mentioned	**105**	**-**	154	-
Sub-standard	**678**	**-**	794	-
Doubtful	**656**	**-**	668	-
Loss	**125**	**-**	121	-
Gross amount	**264,236**	**-**	228,030	-
Unearned interest and discount	**(332)**	**-**	(226)	-
Allowance for impairment	**(3,632)**	**-**	(3,426)	-
Carrying amount	**260,272**	**-**	224,378	-
Unquoted debt securities classified as loans	**1,177**	**-**	1,196	-
Other receivables	**4,476**	**-**	3,740	-
Allowance for impairment	**(1,034)**	**-**	(982)	-
Carrying amount	**4,619**	**-**	3,954	-
Neither Past Due Nor Impaired	**-**	**54,004**	-	61,228
Total Carrying Amount	**P 265,791**	**P 54,004**	P 228,432	P 61,228

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

4.4.2 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of 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 arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2017 and 2016.

An estimate of the fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2017 and 2016 is shown below.

	Group	
	2017	2016
Against individually impaired		
Real property	**P 1,164**	P 129
Chattels	**207**	201
Against classified accounts but not impaired		
Real property	**54,256**	75,014
Chattels	**10,959**	11,385
Equity securities	**5,356**	55
Others	**630**	1,027
Against neither past due nor impaired		
Real property	**95,088**	82,599
Chattels	**55,026**	48,029
Hold-out deposits	**15,799**	16,379
Others	**28,017**	21,708
	P 266,502	P 256,526

	Parent Company	
	2017	2016
Against individually impaired		
Real property	**P 1,164**	P 129
Chattels	**-**	15
Against classified accounts but not impaired		
Real property	**42,594**	54,987
Equity securities	**5,356**	55
Chattels	**1,434**	2,993
Others	**270**	587
Against neither past due nor impaired		
Real property	**16,707**	12,503
Hold-out deposits	**14,380**	15,925
Others	**25,105**	19,638
	P 107,010	P 106,832

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 analyze 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 adopts a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

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 Group (ORMG) 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 ORMG 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 ORMG to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMG'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 ORMG 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).

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 Group 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. Together with the Terrorism Financing Prevention and Suppression Act (CFT) which was passed in June 2012 by virtue of RA No. 10168, these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations.

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 in the event that there are reasonable grounds to believe that any amounts processed are the proceeds of money laundering or terrorist financing activities.

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 official 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. BSP Circular No. 706 was later amended by BSP Circular No. 950. 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.

An essential aspect in the prevention of money laundering and terrorist financing is the training of Group's personnel. In the latter part of 2016 to the first quarter of 2017, the Group conducted a one-time bank-wide AML Certification training for all its employees with the aid of an external AML expert. Annual AML trainings, classroom and e-learning, are key features of the Group's regular training program.

In addition to the Group's existing transaction monitoring system, the Group has also subscribed to an international watchlist database in 2017 to further strengthen its screening capabilities for client on-boarding and cross-border transactions.

The Group continuously improved controls over Money Laundering risks and had implemented the necessary enhancements of the on-boarding procedures, risk profiling model, transaction processing and monitoring. Corresponding trainings were provided to equip personnel with the necessary skills to perform the enhanced procedures. On July 31, 2017, the AML Board Committee was created to meet on a monthly basis and provide oversight of AML related activities of the Bank.

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.

In the 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, 2017 and 2016 follows:

		Group		Parent Company
2017:				
Tier 1 Capital				
CET 1	**P**	**54,326**	**P**	**40,873**
AT1		**3**		**3**
		54,329		**40,876**
Tier 2 Capital		**13,115**		**12,456**
Total Qualifying Capital	**P**	**67,444**	**P**	**53,332**
Total Risk – Weighted Assets	**P**	**436,269**	**P**	**347,932**
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk weighted assets		**15.46%**		**15.33%**
Tier 1 Capital Ratio		**12.45%**		**11.75%**
Total CET 1 Ratio		**12.45%**		**11.75%**

		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%

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 the 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. Aside from using a simplified application of the HHI, concentration is estimated using the Comprehensive Concentration Index (CCI). The capital charge is estimated by calculating the change in the Economic Capital (EC) requirement of the credit portfolio as an effect of credit deterioration in the largest industry exposure.

(b) 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.

(c) 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.

(d) 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.

(e) Compliance Risk – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. For Business-as-usual scenario, the Group estimates compliance risk charge from historical fines and penalties as the worst-case loss determined via a frequency-severity analysis of each penalty type. The resulting compliance risk charge calculation is likewise directly deducted from earnings.

(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. The Group maintains that the assessment of strategic risk is embedded in the budget of the Group. Its capital impact therefore on a business-as-usual case is already expressed in the amount of risk projected to be taken on in the forecast years. However, the Group does recognize the need to set up processes that would enable to put a number to the risk incurred by going into specific strategies.

(g) 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.

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			
	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 103,181**	**P 103,181**	P 115,393	P 115,393
Investment securities	**59,978**	**56,396**	51,864	49,698
Loans and receivables - net	**354,205**	**354,205**	305,652	305,652
Other resources	**1,138**	**1,138**	873	873
	518,502	**514,920**	473,782	471,616
At FVPL	**7,591**	**7,591**	18,079	18,079
At FVOCI	**5,363**	**5,363**	5,679	5,679
	P 531,456	**P 527,874**	P 497,540	P 495,374
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 388,412**	**P 388,412**	P 353,077	P 353,077
Bills payable	**43,967**	**43,967**	37,643	37,643
Bonds payable	**28,060**	**29,465**	41,595	44,175
Subordinated debt	**9,968**	**15,178**	9,952	20,570
Accrued interest and other expenses	**3,929**	**3,929**	4,584	4,584
Other liabilities	**11,233**	**11,233**	8,883	8,883
	485,569	**492,184**	455,734	468,932
Derivative financial liabilities	**483**	**483**	385	385
	P 486,052	**P 492,667**	P 456,119	P 469,317

	Parent Company			
	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and cash equivalents	**P 83,442**	**P 83,442**	P 91,426	P 91,426
Investment securities	**48,141**	**47,784**	44,842	43,931
Loans and receivables - net	**265,753**	**265,753**	227,917	227,917
Other resources	**179**	**179**	466	466
	397,515	**397,158**	364,651	363,740
At FVPL	**6,553**	**6,553**	17,075	17,075
At FVOCI	**3,439**	**3,439**	3,735	3,735
	P 407,507	**P 407,150**	P 385,461	P 384,550

	Parent Company			
	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 288,667**	**P 288,667**	P 260,165	P 260,165
Bills payable	**36,600**	**36,600**	31,712	31,712
Bonds payable	**28,060**	**29,465**	41,595	44,175
Subordinated debt	**9,968**	**15,178**	9,952	20,570
Accrued interest and other expenses	**3,009**	**3,009**	3,515	3,515
Other liabilities	**6,256**	**6,256**	6,094	6,094
	372,560	**379,175**	353,033	366,231
Derivative financial liabilities	**483**	**483**	385	385
	P 373,043	**P 379,658**	P 353,418	P 366,616

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			
			Related amounts not set off in the statements of financial position		
	Notes	**Gross amounts recognized in the statements of financial position**	**Financial instruments**	**Cash received**	**Net amount**
December 31, 2017					
Loans and receivables – Receivable from customers	11	**P 352,845**	**(P 15,799)**	**P -**	**P 337,046**
Trading and investment securities – Investment securities at amortized cost	10	**72,932**	**(5,686)**	**-**	**67,246**
Other resources – Margin deposits	15	**23**	**-**	**(23)**	**-**
December 31, 2016					
Loans and receivables – Receivable from customers	11	P 305,659	(P 16,379)	P -	P 289,280
Trading and investment securities – Investment securities at amortized cost	10	75,622	(6,859)	-	68,763
Other resources – Margin deposits	15	20	-	(20)	-

	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
		Parent Company			
December 31, 2017					
Loans and receivables – Receivable from customers	11	**P 264,631**	**(P 14,380)**	**P -**	**P 250,251**
Trading and investment securities – Investment securities at amortized cost	10	**58,133**	**(5,686)**	**-**	**52,447**
Other resources – Margin deposits	15	**23**	**-**	**(23)**	**-**
December 31, 2016					
Loans and receivables – Receivable from customers	11	P 227,724	(P 15,925)	P -	P 211,799
Trading and investment securities – Investment securities at amortized cost	10	65,133	(6,859)	-	58,274
Other resources – Margin deposits	15	20	-	(20)	-

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

	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
		Group			
December 31, 2017					
Deposit liabilities	17	**P 388,412**	**(P 15,799)**	**P -**	**P 372,613**
Bills payable	18	**43,967**	**(5,686)**	**-**	**38,281**
Other liabilities – Derivative financial liabilities	22	**483**	**-**	**(23)**	**460**
December 31, 2016					
Deposit liabilities	17	P 353,077	(P 16,379)	P -	P 336,698
Bills payable	18	43,967	(6,859)	-	37,108
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	Cash received	Net amount
December 31, 2017					
Deposit liabilities	17	**P 288,667**	**(P 14,380)**	**P -**	**P 274,287**
Bills payable	18	**43,967**	**(5,686)**	**-**	**38,281**
Other liabilities – Derivative financial liabilities	22	**483**	**-**	**(23)**	**460**
December 31, 2016					
Deposit liabilities	17	P 260,165	(P 15,925)	P -	P 244,240
Bills payable	18	43,967	(6,859)	-	37,108
Other liabilities – Derivative financial liabilities	22	385	-	(20)	365

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and its counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits which serve as the Group's collateral enhancement for certain loans and receivables; (b) collaterized bills payable under sale and repurchase agreement; and, (c) margin deposits which serve as security for outstanding financial market transactions and other liabilities. The financial instruments that can be set off are only disclosed to the extent of the amounts of the Group's obligations to counterparties.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurement, 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, 2017 and 2016.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2017:				
Financial assets at FVPL:				
Government securities	P 4,386	P -	P -	P 4,386
Corporate debt securities	1,396	-	-	1,396
Equity securities	147	-	543	690
Derivative assets	29	1,090	-	1,119
	5,958	1,090	543	7,591
Financial assets at FVOCI – Equity securities	3,456	197	1,710	5,363
Total Resources at Fair Value	**P 9,414**	**P 1,287**	**P 2,253**	**P 12,954**
Derivative liabilities	**P -**	**P 483**	**P -**	**P 483**
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	3,743	192	1,744	5,679
Total Resources at Fair Value	P 20,089	P 1,339	P 2,330	P 23,758
Derivative liabilities	P -	P 385	P -	P 385

	Parent Company			
	Level 1	Level 2	Level 3	Total
2017:				
Financial assets at FVPL:				
Government securities	P 4,289	P -	P -	P 4,289
Corporate debt securities	455	-	-	455
Equity securities	147	-	543	690
Derivative assets	29	1,090	-	1,119
	4,920	1,090	543	6,553
Financial assets at FVOCI – Equity securities	1,761	197	1,481	3,439
Total Resources at Fair Value	**P 6,681**	**P 1,287**	**P 2,024**	**P 9,992**
Derivative liabilities	**P -**	**P 483**	**P -**	**P 483**
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	2,035	185	1,515	3,735
Total Resources at Fair Value	P 17,377	P 1,332	P 2,101	P 20,810
Derivative liabilities	P -	P 385	P -	P 385

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, 2017 and 2016 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 classified as financial assets at FVPL as of December 31, 2017 and 2016 ranges from 0.578:1 to 2.290:1 and from 0.746:1 to 2.797:1, respectively.

Increase or decrease in the price-to-book ratio and net asset value would result in higher or lower fair values, all else equal.

A reconciliation of the carrying amounts of level 3 equity securities at the beginning and end of 2017 and 2016 is shown below.

	Group		
	Financial Assets at FVOCI	Financial Assets at FVPL	Total
2017:			
Balance at beginning of year	P 1,744	P 586	P 2,330
Fair value losses	(34)	(43)	(77)
Balance at end of year	**P 1,710**	**P 543**	**P 2,253**
2016:			
Balance at beginning of year	P 2,165	P 367	P 2,532
Additions	1,845	-	1,845
Fair value gains (losses)	(251)	219	(32)
Transfer to level 1	(2,015)	-	(2,015)
Balance at end of year	P 1,744	P 586	P 2,330

	Parent Company		
	Financial Assets at FVOCI	Financial Assets at FVPL	Total
2017:			
Balance at beginning of year	P 1,515	P 586	P 2,101
Fair value losses	(34)	(43)	(77)
Balance at end of year	**P 1,481**	**P 543**	**P 2,024**
2016:			
Balance at beginning of year	P 2,145	P 367	P 2,512
Fair value gains	1,385	219	1,604
Transfer to level 1	(2,015)	-	(2,015)
Balance at end of year	P 1,515	P 586	P 2,101

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. There were no transfers between the levels of the fair value hierarchy for the year ended December 31, 2017.

(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**
2017:				
Financial Assets:				
Cash and other cash items	P 14,693	P -	P -	P 14,693
Due from BSP	58,801	-	-	58,801
Due from other banks	19,818	-	-	19,818
Loans arising from reverse repurchase agreement	9,831	-	-	9,831
Investment securities at amortized cost	56,396	-	-	56,396
Loans and receivables - net	-	-	354,243	354,243
Other resources	-	-	1,138	1,138
	P 159,539	**P -**	**P 355,381**	**P 514,920**

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Liabilities:				
Deposit liabilities	P 388,412	P -	P -	P 388,412
Bills payable	-	43,967	-	43,967
Bonds payable	-	29,465	-	29,465
Subordinated debt	-	15,178	-	15,178
Accrued interest and other expenses	-	-	3,929	3,929
Other liabilities	-	-	11,233	11,233
	P 388,412	**P 88,610**	**P 15,162**	**P 492,184**

	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 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	-	-	873	873
	P 164,576	P -	P 307,040	P 471,616

	Group			
	Level 1	Level 2	Level 3	Total
Financial Liabilities:				
Deposit liabilities	P 353,077	P -	P -	P 353,077
Bills payable	-	37,643	-	37,643
Bonds payable	-	44,175	-	44,175
Subordinated debt	-	20,570	-	20,570
Accrued interest and other expenses	-	-	4,584	4,584
Other liabilities	-	-	8,883	8,883
	P 353,077	P 102,388	P 13,467	P 468,932

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
2017:				
Financial Assets:				
Cash and other cash items	P 10,415	P -	P -	P 10,415
Due from BSP	47,186	-	-	47,186
Due from other banks	18,368	-	-	18,368
Loans arising from reverse repurchase agreement	7,435	-	-	7,435
Investment securities at amortized cost	47,784	-	-	47,784
Loans and receivables - net	-	-	265,791	265,791
Other resources	-	-	179	179
	P 131,188	**P -**	**P 265,970**	**P 397,158**
Financial Liabilities:				
Deposit liabilities	P 288,667	P -	P -	P 288,667
Bills payable	-	36,600	-	36,600
Bonds payable	-	29,465	-	29,465
Subordinated debt	-	15,178	-	15,178
Accrued interest and other expenses	-	-	3,009	3,009
Other liabilities	-	-	6,256	6,256
	P 288,667	**P 81,243**	**P 9,265**	**P 379,175**

	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 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
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	-	20,570	-	20,570
Accrued interest and other expenses	-	-	3,515	3,515
Other liabilities	-	-	6,094	6,094
	P 260,165	P 96,457	P 9,609	P 366,231

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) *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.

(d) *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 P4,940 and P4,700 in the Group's financial statements and P6,161 and P5,799 in the Parent Company's financial statements as of December 31, 2017 and 2016, respectively (see Note 14.3). The fair value hierarchy of these properties as of December 31, 2017 and 2016 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, credit cards, 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. This segment includes portfolios of RSB and Rizal Microbank.

(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 other 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 2017 and 2016.

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, 2017, 2016 and 2015 follow:

	Retail	Corporate	Treasury	Others	Total
2017:					
Revenues					
From external customers					
Interest income	P 19,692	P 14,705	P 3,398	P 501	P 38,296
Interest expense	(4,262)	(9,210)	(2,161)	(256)	(15,889)
Net interest income	15,430	5,495	1,237	245	22,407
Non-interest income	3,944	2,120	1,738	1,125	8,927
	19,374	7,615	2,975	1,370	31,334
Intersegment revenues					
Interest income	-	2,892	-	7	2,899
Non-interest income	-	-	-	499	499
	-	2,892	-	506	3,398
Total revenues	19,374	10,507	2,975	1,876	34,732
Expenses					
Operating expenses excluding depreciation and amortization	11,840	1,988	551	986	15,365
Depreciation and amortization	823	94	13	341	1,271
	12,663	2,082	564	1,327	16,636
Segment operating income	**P 6,711**	**P 8,425**	**P 2,411**	**P 549**	**P 18,096**

	Retail	Corporate	Treasury	Others	Total
2017:					
Total resources and liabilities					
Total resources	**P 136,619**	**P 257,406**	**P 83,728**	**P 14,941**	**P 492,694**
Total liabilities	**P 402,809**	**P 182,495**	**P 20,692**	**P 9,261**	**P 615,257**
2016:					
Revenues					
From external customers					
Interest income	P 17,075	P 13,064	P 3,946	P 386	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	28,594
Intersegment revenues					
Interest income	-	2,235	-	5	2,240
Non-interest income	-	-	-	460	460
	-	2,235	-	465	2,700
Total revenues	17,500	9,029	2,946	1,819	31,294
Expenses					
Operating expenses excluding depreciation and amortization	10,889	1,756	546	1,186	14,377
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
2015:					
Revenues					
From external customers					
Interest income	P 13,372	P 11,280	P 2,715	P 285	P 27,652
Interest expense	(2,716)	(4,078)	(2,740)	(130)	(9,664)
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

	Retail	Corporate	Treasury	Others	Total
Expenses					
Operating expenses, excluding depreciation and amortization	11,066	2,071	433	1,520	15,090
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 12,932
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

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.

	2017	2016	2015
Revenue			
Total segment revenues	**P 34,732**	P 31,294	P 28,930
Unallocated income	**(6,023)**	(5,587)	(3,932)
Elimination of intersegment revenues	**(3,588)**	(2,886)	(2,766)
Revenues as reported in profit or loss	**P 25,121**	P 22,821	P 22,232
Profit or loss			
Total segment operating income	**P 18,096**	P 15,742	P 12,932
Unallocated profit	**(10,887)**	(9,633)	(5,629)
Elimination of intersegment profit	**(2,899)**	(2,239)	(2,175)
Group net profit as reported in profit or loss	**P 4,310**	P 3,870	P 5,128
Resources			
Total segment resources	**P 492,694**	P 461,320	P 754,034
Unallocated assets	**63,355**	62,291	(235,676)
Elimination of intersegment assets	**(2,061)**	(2,418)	(2,297)
Total resources	**P 553,988**	P 521,193	P 516,061

	2017	2016	2015
Liabilities			
Total segment liabilities	**P 615,257**	P 554,901	P 754,034
Unallocated liabilities	**(126,235)**	(92,955)	(298,805)
Elimination of intersegment liabilities	**(2,061)**	(2,886)	(2,297)
Total liabilities	**P 486,961**	P 459,060	P 457,932

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2017, 2016 and 2015 follow:

	Philippines	United States	Asia and Europe	Total
2017:				
Statement of profit or loss				
Total income	P 32,212	P -	P 6	P 32,218
Total expenses	27,877	-	31	27,908
Net profit (loss)	**P 4,335**	**P -**	**(P 25)**	**P 4,310**
2017:				
Statement of financial position				
Total resources	**P 553,844**	**P 1**	**P 143**	**P 553,988**
Total liabilities	**P 486,889**	**P 1**	**P 71**	**P 486,961**
Other segment Information – Depreciation and amortization	**P 1,914**	**P -**	**P -**	**P 1,914**
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
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

	Philippines		United States		Asia and Europe		Total	
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

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group				Parent Company			
	2017		2016		**2017**		2016	
Cash and other cash items	**P**	**14,693**	P	15,176	**P**	**10,415**	P	11,000
Due from BSP		**58,801**		66,520		**47,186**		50,871
Due from other banks		**19,818**		25,293		**18,368**		24,109
Loans arising from reverse repurchase agreement		**9,831**		7,889		**7,435**		4,931
Interbank loans receivables (see Note 11)		**38**		515		**38**		515
	P	**103,181**	P	115,393	**P**	**83,442**	P	91,426

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. Due from BSP also includes Overnight Deposit and Term Deposit Accounts. The balance of Overnight Deposit amounted to P2,017 and P7,005 for the Group and, nil and P3,800 for the Parent Company, in 2017 and 2016, respectively, while Term Deposit Account amounted to P200 and P13,500 for the Group, and P200 and P9,000 for the Parent Company as of December 31, 2017 and 2016, respectively. Overnight deposit bears interest of 2.5% years in 2017, 2016 and 2015, while term deposit account earns interest of 3.4%, 3.3%, and 2.5% in 2017, 2016 and 2015, respectively.

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

	Group				Parent Company			
		2017		2016		**2017**		2016
Foreign banks	**P**	**17,724**	P	23,232	**P**	**17,284**	P	23,043
Local banks		**2,094**		2,061		**1,084**		1,066
	P	**19,818**	P	25,293	**P**	**18,368**	P	24,109

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

	Group				Parent Company			
		2017		2016		**2017**		2016
Foreign currencies	**P**	**17,922**	P	23,775	**P**	**17,839**	P	23,561
Philippine peso		**1,896**		1,518		**529**		548
	P	**19,818**	P	25,293	**P**	**18,368**	P	24,109

Interest rates per annum on these deposits in other banks range from 0.00% to 1.20% in 2017, from 0.35% to 1.00% in 2016, and from 0.00% to 0.30% in 2015.

The Group has loans and receivables from BSP as of December 31, 2017 and 2016 arising from overnight lending from excess liquidity which earn effective interest of 3.00% in both years. These loans normally mature within 30 days. Interest income earned from these financial assets is presented under Interest Income account in the statements of profit or loss.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group				Parent Company			
		2017		2016		**2017**		2016
Financial assets at FVPL	**P**	**7,591**	P	18,079	**P**	**6,553**	P	17,075
Financial assets at FVOCI		**5,363**		5,679		**3,439**		3,735
Investment securities at amortized cost		**59,978**		51,864		**48,141**		44,842
	P	**72,932**	P	75,622	**P**	**58,133**	P	65,652

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVPL is composed of the following:

	Group				Parent Company			
		2017		2016		**2017**		2016
Government securities	**P**	**4,386**	P	14,822	**P**	**4,289**	P	14,790
Corporate debt securities		**462**		514		**455**		418
Equity securities		**1,624**		1,565		**690**		689
Derivative financial assets		**1,119**		1,178		**1,119**		1,178
	P	**7,591**	P	18,079	**P**	**6,553**	P	17,075

The carrying amounts of financial assets at FVPL are classified as follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Held-for-trading	**P 4,848**	P 15,336	**P 4,744**	P 15,208
Designated as at FVPL	**1,624**	1,565	**690**	689
Derivatives	**1,119**	1,178	**1,119**	1,178
	P 7,591	P 18,079	**P 6,553**	P 17,075

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

	2017	2016	2015
Peso denominated	**2.13% - 8.75%**	1.63% - 12.13%	2.63% - 8.44%
Foreign currency denominated	**2.95% - 10.63%**	1.30% - 11.63%	3.45% - 9.63%

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**
2017:			
Currency swaps and forwards	P 51,060	P 911	P 402
Interest rate swaps and futures	26,999	174	80
Debt warrants	6,250	29	-
Options	3,718	5	1
Credit default swap	25	-	-
	P 88,052	**P 1,119**	**P 483**
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**

Derivative liabilities amounting to P483 and P385 as of December 31, 2017 and 2016, respectively, are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The significant portion of such derivative liabilities have maturity periods of less than a year.

Other information about the fair value measurement of the Group's and Parent Company'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, 2017 and 2016 consist of:

	Group		Parent Company	
	2017	2016	**2017**	2016
Quoted equity securities	**P 3,653**	P 3,935	**P 1,958**	P 2,200
Unquoted equity securities	**1,710**	1,744	**1,481**	1,535
	P 5,363	P 5,679	**P 3,439**	P 3,735

The Group has designated the above local 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, 2017 and 2016 are unquoted equity securities with fair value of P1,710 and P1,744, respectively, 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 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 (see Note 10.5). In addition, as a result of the Group's disposal of certain financial assets at FVOCI, the related fair value gain of P4 in 2017, and P3 in both 2016 and 2015 recognized in other comprehensive income prior to the year of disposal was transferred from Revaluation Reserves to Surplus account during those years.

In 2017, 2016 and 2015, dividends on these equity securities were recognized amounting to P234, P449 and P237 by the Group and, P196, P307 and P87 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, 2017 and 2016 consist of:

	Group		Parent Company	
	2017	2016	**2017**	2016
Government securities	**P 39,044**	P 25,990	**P 29,379**	P 21,866
Corporate debt securities	**20,934**	25,874	**18,762**	22,976
	P 59,978	P 51,864	**P 48,141**	P 44,842

The breakdown of these investment securities at amortized cost by currency is shown below.

	Group		Parent Company	
	2017	2016	**2017**	2016
Philippine peso	**P 9,934**	P 11,322	**P 2,634**	P 4,300
Foreign currencies	**50,044**	40,542	**45,507**	40,542
	P 59,978	P 51,864	**P 48,141**	P 44,842

Interest rates per annum on government securities and corporate debt securities range from 2.13% to 8.60% in 2017, 2.13% to 8.44% in 2016 and 1.63% to 8.44% in 2015 for peso denominated securities and 1.63% to 10.63% in 2017, 1.40% to 10.63% in 2016 and 1.40% to 10.63% in 2015 for foreign currency denominated securities.

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).

In 2017, the Parent Company disposed of certain peso and US dollar-denominated bonds under its HTC portfolio and classified as investment securities at amortized cost with aggregate carrying amount of P22,279, resulting in gains amounting to P683. The disposal was made connection with the Parent Company's adoption of PFRS 9 (2014), in 2018 which would require additional allowance for impairment on certain financial assets under the expected credit loss model, and as a result, may diminish the Parent Company's existing level of qualifying capital. The disposal also aims to ensure the Parent Company's continuing regulatory compliance with the required minimum CET 1 ratio. In 2016, the Parent Company and RSB also disposed of certain investment securities under its HTC portfolio with total carrying amount of P54,906 which resulted in net gains of P1,352. Those investments were disposed of in compliance with regulatory capital and liquidity requirement. Gains arising from these disposals were recognized as part of Trading and Securities Gains account in the 2017 and 2016 statements of profit loss.

Management had assessed that the Group's and Parent Company's disposals of the investment securities during those periods are consistent with the Group's HTC business model for the portfolio with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Group's business model in managing financial assets manual and the requirements of PFRS 9 and BSP Circular 708.

The above disposals of investment securities were approved by the respective Executive Committee of the Parent Company and RSB in compliance with the documentation requirements of the BSP, and were accordingly ratified by their respective BOD.

As of December 31, 2017 and 2016, investment securities of both the Group and the Parent Company with an aggregate amortized cost of P7,437 and P4,931, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 18).

10.4 Interest Income from Trading and Investment Securities

Interest income from trading and investment securities recognized by the Group and Parent Company in 2017, 2016 and 2015 amounts to:

	Group		
	2017	2016	2015
Financial asset at FVPL	**P 647**	P 938	P 824
Investment securities at amortized cost	**2,137**	2,331	3,056
	P 2,784	P 3,269	P 3,880

	Parent Company		
	2017	2016	2015
Financial asset at FVPL	**P 557**	P 931	P 815
Investment securities at amortized cost	**1,752**	1,996	2,640
	P 2,309	P 2,927	P 3,455

10.5 Trading and Securities Gains (Losses)

The Group and the Parent Company recognized trading and securities gains (losses) in its trading or disposals of investment securities, including their fair value changes, in 2017, 2016, and 2015 as follows:

	Group		
	2017	2016	2015
Profit or loss:			
Financial asset at FVPL	**P 195**	P 267	P 68
Investment securities at amortized cost	**705**	1,352	1,259
	P 900	P 1,619	P 1,327
Other comprehensive income:			
Financial assets at FVOCI	**(P 156)**	P 1,442	(P 140)
Transfer of fair value gain to surplus	**(4)**	(3)	(3)
	P 160	P 1,439	(P 143)

	Parent Company		
	2017	2016	2015
Profit or loss:			
Financial asset at FVPL	**(P 20)**	P 136	P 68
Investment securities at amortized cost	**684**	1,527	1,164
	P 664	**P** 1,663	P 1,232
Other comprehensive income:			
Financial asset at FVOCI	**(269)**	1,395	(220)
Transfer of fair value gain to surplus	**(4)**	(3)	(3)
	(P 273)	P 1,392	(P 223)

11. LOANS AND RECEIVABLES

This account consists of the following (see also Note 28.1):

	Group		Parent Company	
	2017	2016	**2017**	2016
Receivables from customers:				
Loans and discounts	**P 319,099**	P 281,025	**P 233,549**	P 205,390
Credit card receivables	**16,405**	12,760	**16,405**	12,760
Customers' liabilities on acceptances, import bills and trust receipts	**12,404**	7,675	**12,404**	7,675
Lease contract receivables	**2,893**	2,085	**-**	-
Bills purchased	**2,612**	2,128	**2,605**	2,125
Receivables financed	**249**	229	**-**	-
	353,662	305,902	**264,963**	227,950
Unearned discount	**(817)**	(243)	**(332)**	(226)
	352,845	305,659	**264,631**	227,724

	Group		Parent Company	
	2017	2016	**2017**	2016
Other receivables:				
Accrued interest receivables	**3,094**	2,784	**2,232**	2,075
Accounts receivables [see Notes 15.1 and 28.5 (a) and (b)]	**2,641**	1,594	**2,206**	1,150
Unquoted debt securities classified as loans	**1,939**	1,256	**1,177**	1,196
Sales contract receivables	**1,679**	1,770	**449**	564
Interbank loans receivables (see Note 9)	**38**	515	**38**	515
	9,391	7,919	**6,102**	5,500
	362,236	313,578	**270,733**	233,224
Allowance for impairment (see Note 16)	**(7,993)**	(7,411)	**(4,942)**	(4,792)
	P 354,243	P 306,167	**P 265,791**	P 228,432

Receivables from customer's portfolio earn on average annual interest or range of interest as follows:

	2017	2016	2015
Loans and discounts:			
Philippine peso	**5.00%**	5.08%	5.05%
Foreign currencies	**3.63%**	3.50%	2.95%
Credit card receivables	**17.00% - 27.00%**	19.00% - 29.00%	16.00% - 31.00%
Lease contract receivables	**8.00% - 20.00%**	8.00% - 20.00%	8.00% - 26.88%
Receivable financed	**11.00% - 12.50%**	10.00% - 12.00%	10.00% - 25.00%

Included in unquoted debt securities classified as loans and receivable as of December 31, 2017 and 2016 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. Also included in the unquoted debt securities is RSB's 10-year note, which bears 6.44% interest per annum with present value of P742. In June 2017, RSB entered into an agreement with a third party for the sale of various foreclosed real properties with book value of P1,127, for a total consideration of P1,385; of which P396 and P989 (face amount) were in the form of cash and note receivable, respectively. Accordingly, the Group recognized a gain on sale amounting to P11 and is presented as part of Gains on assets sold under Miscellaneous income in the 2017 statement of profit or loss (see Notes 15.1 and 25.1).

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 and in 2017, substantial amount of receivables from the BIR was recovered including the legal interest of P43 which is presented as part of Other Interest Income account in the 2017 statement of profit or loss (see Note 29.2).

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, 2017 and 2016, the outstanding balance amounted to P192. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 28).

There is no impairment recognized in this account for the year ended December 31, 2017 and 2016.

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	
	2017	2016	**2017**	2016
Real estate, renting and other related activities	**P 81,927**	P 70,532	**P 52,669**	P 42,853
Electricity, gas and water	**64,794**	52,062	**64,453**	51,480
Consumer	**54,196**	44,174	**18,055**	13,003
Wholesale and retail trade	**40,500**	26,279	**35,692**	23,522
Manufacturing (various industries)	**35,034**	41,689	**33,504**	41,067
Transportation and communication	**22,918**	18,270	**17,162**	14,509
Financial intermediaries	**21,521**	18,783	**19,534**	17,273
Other community, social and personal activities	**14,799**	19,231	**10,755**	14,910
Agriculture, fishing and forestry	**4,928**	4,090	**4,479**	3,770
Hotels and restaurants	**4,133**	3,260	**4,133**	3,260
Mining and quarrying	**1,922**	1,984	**1,779**	1,901
Others	**6,173**	5,305	**2,416**	176
	P 352,845	P 305,659	**P 264,631**	P 227,724

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	
	2017	2016	**2017**	2016
Secured:				
Real estate mortgage	**P 86,193**	P 78,707	**P 42,326**	P 41,034
Chattel mortgage	**37,975**	31,831	**623**	454
Hold-out deposit	**15,799**	16,379	**14,380**	15,925
Other securities	**26,718**	29,294	**25,375**	29,294
	166,685	156,211	**82,704**	86,707
Unsecured	**186,160**	149,448	**181,927**	141,017
	P 352,845	P 305,659	**P 264,631**	P 227,724

The maturity profile of the receivables from customers' portfolio follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Due within one year	**P 92,550**	P 78,613	**P 71,992**	P 53,333
Due beyond one year	**260,295**	227,046	**192,639**	174,391
	P 352,845	P 305,659	**P 264,631**	P 227,724

11.2 Non-performing Loans and Impairment

NPLs included in the total loan portfolio of the Group and the Parent Company as of December 31, 2017 and 2016 are presented below, net of allowance for impairment in compliance with the BSP Circular 772, Amendments to Regulations on Non-performing Loans.

	Group		Parent Company	
	2017	2016	**2017**	2016
Gross NPLs	**P 7,907**	P 6,311	**P 2,851**	P 1,913
Allowance for impairment	**(3,416)**	(3,279)	**(1,394)**	(1,523)
	P 4,491	P 3,032	**P 1,457**	P 390

Based on BSP regulations, NPLs 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. If a loan become non-performing, no accrual of interest income is recognized. Interest is recognized as income only when actual collection thereon is received.

A reconciliation of the allowance for impairment of loans and receivables at the beginning and end of 2017 and 2016 is shown below (see Note 16).

	Group		Parent Company	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 7,411**	P 7,040	**P 4,792**	P 4,825
Impairment losses during the year – net	**2,076**	1,736	**1,086**	841
Accounts written off and others	**(1,494)**	(1,365)	**(936)**	(874)
Balance at end of year	**P 7,993**	P 7,411	**P 4,942**	P 4,792

12. INVESTMENTS IN 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 2017	Group 2016
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		**231**	211
Share in net earnings for the year		**92**	131
Share in actuarial gains on defined benefit plan	23.6	**4**	-
Cash dividends		**(62)**	(111)
Balance at end of year		**265**	231
Carrying amount		**P 417**	P 383

	Note	Parent Company 2017	Parent Company 2016
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**	1,187
RCBC JPL		**375**	375
RCBC Forex		**150**	150
RCBC North America		**134**	134
RCBC Telemoney		**72**	72
RCBC IFL		**58**	58
		8,639	8,639
Accumulated equity in net earnings:			
Balance at beginning of year		**7,817**	6,482
Share in net earnings for the year		**1,960**	1,364
Share in actuarial gains on defined benefit plan	23.6	**19**	24
Share in fair value gains on financial assets at FVOCI	23.6	**113**	47
Share in translation adjustments on foreign operations	23.6	**(1)**	25
Cash dividends		**(315)**	(165)
Others		**(31)**	40
Balance at end of year		**9,562**	7,817
Carrying amount *(carried forward)*		**P 18,201**	P 16,456

	Note	Parent Company 2017	Parent Company 2016
Carrying amount *(brought forward)*		**P 18,201**	P 16,456
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		**182**	223
Share in net earnings for the year		**150**	136
Share in actuarial gains on defined benefit plan	23.6	**4**	-
Cash dividends		**(59)**	(177)
Balance at end of year		**277**	182
		817	722
Carrying amount		**P 19,018**	P 17,178

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 P315 and P59, respectively, in 2017, P191 and P111, respectively, in 2016, and P602 and P76, respectively, in 2015.

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. In 2016, RCBC LFC filed application with the SEC for increase in authorized capital stock after it has secured the certificate of authority to amend the articles of incorporation from the BSP. Accordingly, as of December 31, 2016, the subscription to P500 worth of shares of stock of RCBC LFC was reclassified to the related investment account. As of December 31, 2017, approval from SEC is still pending.

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 holding 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	Net Profit
2017:				
HCPI	**P 6,110**	**P 2,965**	**P 25,215**	**P 589**
2016:				
HCPI	P 5,921	P 3,090	P 16,231	P 718

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 2017 and 2016 are shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2017					
Cost	P 1,283	P 3,368	P 9,684	P 1,167	P 15,502
Accumulated depreciation and amortization	-	(1,318)	(5,238)	-	(6,556)
Net carrying amount	**P 1,283**	**P 2,050**	**P 4,446**	**P 1,167**	**P 8,946**
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
January 1, 2016					
Cost	P 1,297	P 3,239	P 7,946	P 1,015	P 13,497
Accumulated depreciation and amortization	-	(1,131)	(4,764)	-	(5,895)
Net carrying amount	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
December 31, 2017					
Cost	P 771	P 2,419	P 6,196	P 890	P 10,276
Accumulated depreciation and amortization	-	(1,000)	(4,079)	-	(5,079)
Net carrying amount	**P 771**	**P 1,419**	**P 2,117**	**P 890**	**P 5,197**
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
January 1, 2016					
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

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2017 and 2016 is shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876
Additions	-	47	779	695	1,521
Disposals	(6)	(8)	(81)	(24)	(119)
Depreciation and amortization charges for the year	-	(78)	(650)	(604)	(1,332)
Balance at December 31, 2017, net of accumulated depreciation and amortization	**P 1,283**	**P 2,050**	**P 4,446**	**P 1,167**	**P 8,946**

	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

	Parent Company				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 777	P 1,449	P 2,151	P 815	P 5,192
Additions	-	40	576	283	899
Disposals	(6)	(2)	(75)	(18)	(101)
Depreciation and amortization charges for the year	-	(68)	(535)	(190)	(793)
Balance at December 31, 2017, net of accumulated depreciation and amortization	**P 771**	**P 1,419**	**P 2,117**	**P 890**	**P 5,197**
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
Disposals	(9)	(2)	(146)	(36)	(193)
Depreciation and amortization charges for the year	-	(68)	(481)	(170)	(719)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 777	P 1,449	P 2,151	P 816	P 5,192

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, 2017 and 2016, 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 P3,789 and P3,638, respectively, as of December 31, 2017 and P4,174 and P3,637, respectively, as of December 31, 2016.

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 2017 and 2016 are shown below.

	Group			Parent Company		
	Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
December 31, 2017						
Cost	P 2,472	P 1,534	P 4,006	P 995	P 2,005	P 3,000
Accumulated depreciation	-	(549)	(549)	-	(215)	(215)
Accumulated impairment (see Note 16)	(58)	-	(58)	-	-	-
Net carrying amount	**P 2,414**	**P 985**	**P 3,399**	**P 995**	**P 1,790**	**P 2,785**
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
January 1, 2016						
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 impairment (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

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2017 and 2016 follow:

	Group		Parent Company	
	2017	2016	**2017**	2016
Balance at January 1, net of accumulated depreciation and impairment	**P 3,229**	P 3,370	**P 2,816**	P 2,883
Additions	**2,360**	559	**19**	46
Disposals	**(1,822)**	(430)	**(7)**	(71)
Impairment losses	**(79)**	(34)	**-**	-
Depreciation charges for the year	**(289)**	(236)	**(43)**	(42)
Balance at December 31, net of accumulated depreciation and impairment	**P 3,399**	P 3,229	**P 2,785**	P 2,816

As of December 31, 2017 and 2016, 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 P2,360 and P19, respectively, in 2017, P559 and P46, respectively, in 2016 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 (see Note 11). 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 P441 and P378, respectively, in 2017, P120 and P139, respectively, in 2016, and P281 and P162, respectively, in 2015, which is presented as part of Gains 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 P416 and P400, respectively, in 2017, P414 and P399, respectively, in 2016, and P310 and P330, respectively, in 2015 and are presented as part of Rentals under Miscellaneous Income account in the statement of profit or loss [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, both in 2017 and 2016, P17 and P15, respectively, in 2015.

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, 2017 and 2016, based on the available appraisal reports, amounted to P4,940 and P4,700, respectively, for the Group; and, P6,161 and P5,799, respectively, for the Parent Company (see Note 7.4).

15. OTHER RESOURCES

Other resources consist of the following:

	Notes	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Creditable withholding taxes		**P 2,110**	P 1,569	**P 1,976**	P 1,532
Assets held-for-sale and disposal group	15.1	**1,594**	3,888	**862**	1,515
Branch licenses	15.5	**1,000**	1,005	**1,000**	1,005
Software – net	15.2	**977**	960	**874**	850
Prepaid expenses		**538**	457	**274**	295
Goodwill	15.3	**426**	426	**-**	-
Refundable deposits		**334**	304	**235**	198
Unused stationery and supplies		**288**	202	**229**	154
Due from clearing house		**246**	92	**-**	-
Foreign currency notes		**98**	52	**87**	45
Returned checks and other cash items		**87**	220	**69**	203
Inter-office float items		**81**	112	**107**	123
Sundry debits		**29**	6	**2**	-
Margin deposits	15.4	**23**	20	**23**	20
Miscellaneous		**1,372**	836	**570**	377
		9,203	10,149	**6,308**	6,317
Allowance for impairment	15.3, 16	**(191)**	(288)	**(2)**	(1)
		P 9,012	P 9,861	**P 6,306**	P 6,316

Prepaid expenses include prepayments for insurance, taxes and licenses, and software maintenance. Miscellaneous account includes various deposits, advance rentals, service provider fund and other assets.

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 a portion of investment properties amounting to P1,351 as assets held-for-sale (see Note 14) since the carrying amount of those properties will be recovered principally through a sale transaction. The properties were readily available for immediate sale in its present condition and that management believes that the sale was highly probable at the time of reclassification. In June 2017, the properties were sold to a third party with total consideration of P1,385; of which P396 and P989 (present value is P742) were in the form of cash and note receivable, respectively (see Note 11).

In 2013, the Parent Company entered into a joint venture agreement with a third party developer to develop certain investment properties (see Note 14) for the purpose of recovering the cost through eventual sale which led to the reclassification of the properties amounting to P337 as assets held-for-sale. This joint arrangement is accounted for as a jointly controlled operation as 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. In 2017, the joint venture agreement was terminated and both parties entered into a contract of sale, with the joint venturer property developer purchasing the properties contributed by the Parent Company at a consideration of P551 resulting in a gain from sale of P198, which is recognized as part of Gains on assets sold under Miscellaneous Income account in the 2017 statement of profit or loss (see Note 25.1). The outstanding receivables related to this transaction as of December 31, 2017 amounted to P463 and is presented as part of Accounts receivables under Loans and Receivables account in the 2017 statement of financial position (see Note 11).

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 the 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 was 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 2018, 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 2017 and 2016 is shown below.

	Group		**Parent Company**	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 960**	P 936	**P 850**	P 786
Additions	**304**	294	**267**	270
Amortization	**(287)**	(269)	**(243)**	(206)
Balance at end of year	**P 977**	P 960	**P 874**	P 850

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, 2017 and 2016 pertains to the following:

RSB	P	268
Rizal Microbank		158
		426
Allowance for impairment	(	158)
	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 2017 and 2016, 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 28, 2018 and January 30, 2017 with valuation date as of the end of 2017 and 2016, respectively, 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 both years.

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 granted by the BSP 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	**2017**	2016	**2017**	2016
Balance at beginning 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
		7,733	7,350	**4,793**	4,833
Impairment losses:					
Loans and receivables	11	**2,076**	1,856	**1,086**	1,040
Other resources	15	**79**	(86)	**78**	(184)
		2,155	1,770	**1,164**	856
Charge-offs and other adjustments during the year		**(1,646)**	(1,387)	**(1,013)**	(1,327)
		P 509	P 383	**P 151**	(P 471)
Balance at end of year					
Loans and receivables	11	**P 7,993**	P 7,411	**P 4,942**	P4,792
Investment properties	14	**58**	34	**-**	-
Other resources	15	**191**	288	**2**	1
		P 8,242	P 7,733	**P 4,944**	P 4,793

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities (see also Note 28.2):

	Group		Parent Company	
	2017	2016	**2017**	2016
Demand	**P 51,996**	P 42,053	**P 40,857**	P 33,027
Savings	**165,187**	162,926	**141,160**	140,921
Time	**161,727**	136,217	**97,148**	74,336
Long-term Negotiable Certificate of Deposits (LTNCD)	**9,502**	11,881	**9,502**	11,881
	P 388,412	P 353,077	**P 288,667**	P 260,165

The Parent Company's LTNCDs as of December 31, 2017 and 2016 are as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2017	Outstanding Balance 2016
August 11, 2017	February 11, 2023	3.75%	**P 2,502**	P -
December 19, 2014	June 19, 2020	4.13%	**2,100**	2,100
November 14, 2013	May 14, 2019	3.25%	**2,860**	2,860
November 14, 2013	May 14, 2019	0.00%	**2,040**	1,970
May 7, 2012	November 7, 2017	5.25%	**-**	1,150
December 29, 2011	June 29, 2017	5.25%	**-**	2,033
December 29, 2011	June 29, 2017	0.00%	**-**	1,768
			P 9,502	P 11,881

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. As of December 31, 2017 and 2016, unamortized debt issue cost amounted to P20 and P8, respectively. Amortization of debt issue cost of P3 in 2017 and P2 both in 2016 and 2015, respectively, is recorded as part of Interest expenses in the statements of profit or loss.

The maturity profile of the deposit on bills payable liabilities follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Within one year	**P 71,895**	P 66,733	**P 53,549**	P 50,604
One year to more than five years	**13,739**	10,523	**12,546**	9,786
Non-maturing	**302,778**	275,821	**222,572**	199,775
	P 388,412	P 353,077	**P 288,667**	P 260,165

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.24% to 1.77% in 2017, 0.13% to 1.38% in 2016, and 0.15% to 1.00% in 2015. 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 tax exempt long-term Negotiable Certificate of Time Deposits, of the Parent Company is subject to reserve requirement equivalent to 20% in 2017 and 2016, while RSB and Rizal Microbank are subject to reserve requirement equivalent to 8% in 2017 and 2016. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 6% in 2017 and 2016. As of December 31, 2017 and 2016, 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 P55,386 and P54,069 for the Group and P46,986 and P38,071 for the Parent Company as of December 31, 2017 and 2016, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2017	2016	**2017**	2016
Foreign banks	**P 33,102**	P 26,985	**P 33,102**	P 26,985
Local banks	**10,862**	10,548	**3,495**	4,723
Others	**3**	110	**3**	4
	P 43,967	P 37,643	**P 36,600**	P 31,712

The maturity profile of bills payable follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Within one year	**P 33,841**	P 15,180	**P 29,915**	P 10,749
Beyond one year but within five years	**6,379**	20,970	**5,185**	19,470
More than five years	**3,747**	1,493	**1,500**	1,493
	P 43,967	P 37,643	**P 36,600**	P 31,712

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	2017	2016	2015
Group			
Peso denominated	**1.06% - 4.50%**	0.88% - 2.98%	0.02% - 2.00%
Foreign currency denominated	**1.06% - 3.46%**	0.10% - 2.86%	0.02% - 2.67%
Parent Company			
Foreign currency denominated	**1.06% - 3.46%**	0.10% - 2.86%	0.02% - 2.67%

The total interest expense incurred by the Group on the bills payable amounted to P891 in 2017, P931 in 2016, and P302 in 2015.

As of December 31, 2017 and 2016, certain bills payable availed under repurchase agreements are secured by the Group's and Parent Company's investment securities (see Note 10.3).

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 2017	Outstanding Balance 2016
November 2, 2015	February 2, 2021	3.45%	$ 320	**P 15,977**	P 15,869
January 21, 2015	January 22, 2020	4.25%	243	**12,083**	12,053
January 30, 2012	January 31, 2017	5.25%	275	**-**	13,673
			$ 838	**P 28,060**	P 41,595

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, 2017 and 2016, the peso equivalent of this outstanding bond issue amounted to P15,977 and P15,869, 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, 2017 and 2016, the peso equivalent of this outstanding bond issue amounted to P12,083 and P12,053, 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, the peso equivalent of this outstanding bond issue amounted to P13,673. The Senior Notes matured on January 31, 2017.

The interest expense incurred on these bonds payable amounted to P1,155 in 2017, P1,715 in 2016, and P1,262 in 2015. The Group and Parent Company recognized foreign currency exchange losses related to these bonds payable amounting to P118 in 2017, P516 in 2016, and P24 in 2015, which are netted against Foreign exchange gains presented under Other Operating Income account 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 P7,000 Tier 2 Notes. The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10,000, 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 and Parent Company on the notes amounted to P554 in 2017, P553 in 2016, and P552 in 2015.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Accrued expenses	**P 2,809**	P 3,321	**P 2,171**	P 2,492
Accrued interest	**1,120**	1,263	**838**	1,023
Taxes payable	**256**	239	**209**	118
	P 4,185	P 4,823	**P 3,218**	P 3,633

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:

		Group		Parent Company	
	Notes	**2017**	2016	**2017**	2016
Accounts payable	28.5(a), 28.5(c)	**P 6,451**	P 5,210	P **3,735**	P 3,089
Manager's checks		**1,575**	1,108	**835**	586
Bills purchased – contra		**1,079**	721	**1,074**	718
Derivative financial liabilities	10.1	**483**	385	**483**	385
Outstanding acceptances payable		**405**	822	**405**	822
Other credits		**370**	342	**232**	232
Deposit on lease contracts		**342**	167	**-**	-
Withholding taxes payable		**243**	205	**143**	142
Payment orders payable		**193**	167	**181**	144
Sundry credits		**121**	82	**96**	80
Post-employment defined benefit obligation	24.2	**111**	1,735	**33**	1,557
Guaranty deposits		**62**	58	**62**	58
Due to BSP		**39**	33	**39**	30
Miscellaneous		**895**	935	**816**	845
		P 12,369	P 11,970	**P 8,134**	P 8,688

Accounts payable is mainly composed of prepaid card balances of customers, settlement billing from credit card operations and the 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 of the Parent Company are as follows:

	Number of Shares		
	2017	2016	2015
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	**293,987**	310,145	338,291
Conversion of shares during the year	**(17,142)**	(16,158)	(28,146)
Balance at end of year	**276,845**	293,987	310,145
Common stock – P10 par value			
Authorized – 1,400,000,000 shares			
Balance at beginning of year	**1,399,912,464**	1,399,908,746	1,275,659,728
Conversion of shares during the year	**3,900**	3,718	6,746
Issuances during the year	**-**	-	124,242,272
Balance at end of year	**1,399,916,364**	1,399,912,464	1,399,908,746

On November 27, 2017, the BOD of the Parent Company approved the increase in the Parent Company's authorized capital through the increase in the authorized common shares from 1,400,000,000 shares to 2,600,000,000 shares at P10 par value per share or for a total of capital stock of P14,000 to P26,000. The BOD also approved the amendment of the Parent Company's Articles of Incorporation for the principal purpose of reflecting the said increase in authorized capital. These resolutions were approved by the Parent Company's stockholders representing at least two-thirds of its outstanding capital stock in a special meeting held on January 29, 2018. In the same meeting, the Parent Company's BOD approved the stock rights offering (Rights Offer) which will be subscribed out of the increase in the authorized capital. Subject to the relevant regulatory approvals and market condition, the Rights Offer aims to raise up to P15,000 fresh Common Equity Tier 1 capital for the Parent Company.

As of December 31, 2017 and 2016, there are 758 and 779 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 P55.35 per share and P33.55 per share as of December 31, 2017 and 2016, 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 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
January 30, 2017	0.0749	0.02	March 21, 2017	January 30, 2017	March 22, 2017	March 24, 2017
April 24, 2017	0.0807	0.02	June 21, 2017	April 24, 2017	April 26, 2017	June 23, 2017
April 24, 2017	0.5520	772.75	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
April 24, 2017	0.5520	0.15	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
July 31, 2017	0.0840	0.02	September 21, 2017	July 31, 2017	September 5, 2017	September 22, 2017
October 30, 2017	0.0840	0.02	December 21, 2017	October 30, 2017	December 12, 2017	December 22, 2017

** Pertains to cash dividends on hybrid perpetual securities*

*** Not applicable, BSP approval not anymore required during these periods*

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 P9,839 and P8,539 as of December 31, 2017 and 2016, 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, 2017 and 2016, this account consists of reserves arising from the acquisition of RCBC LFC and Rizal Microbank for a total of P97 and P86, 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 (PDIC) and they may not be used as collateral for any loan made by the Parent Company or any of its subsidiaries or affiliates;

(f) The Parent Company undertakes that, if on any Interest Payment Date, payment of all Interest Payments scheduled to be made on such date is not made in full, it shall not declare or pay any distribution or dividend or make any other payment on, any junior share capital or any parity security, and it shall not redeem, repurchase, cancel, reduce or otherwise acquire any junior share capital or any parity securities, other than in the case of any partial interest payment, pro rata payments on, or redemptions of, parity securities the dividend and capital stopper shall remain in force so as to prevent the Parent Company from undertaking any such declaration, payment or other activity as aforesaid unless and until a payment is made to the holders in an amount equal to the unpaid amount (if any) of interest payments in respect of interest periods in the twelve months including and immediately preceding the date such interest payment was due and the BSP does not otherwise object; and,

(g) The Parent Company, at its option, may redeem the Perpetual Securities at the fixed or final redemption date although the Parent Company may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and the Holders, redeem all (but not some only) of the securities: (i) on the first optional redemption date; and, (ii) on each interest payment date thereafter, at an amount equal to the liquidation preference plus accrued interest.

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 Adjustments on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2017	P 2,128	P 86	(P 1,593)	P 621
Actuarial gains on defined benefit plan	-	-	1,514	1,514
Fair value gain on financial assets at FVOCI	(156)	-	-	(156)
Translation adjustments on foreign operation	-	(1)	-	(1)
Other comprehensive income (loss)	(156)	(1)	1,514	1,357
Transfer from fair value gains on financial asset at FVOCI to Surplus	(4)	-	-	(4)
Balance as of December 31, 2017	**P 1,968**	**P 85**	**(P 79)**	**P 1,974**

	Group			
	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments 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 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 2,128	P 86	(P 1,593)	P 621
Balance at January 1, 2015	P 835	P 71	(P 224)	P 682
Actuarial losses on defined benefit plan	-	-	(1,044)	(1,044)
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
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 689	P 61	(P 1,268)	(P 518)

	Parent Company			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustments on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2017	P 2,020	P 86	(P 1,485)	P 621
Actuarial gains on defined benefit plan	-	-	1,514	1,514
Fair value gains on financial assets at FVOCI	(156)	-	-	(156)
Translation adjustments on foreign operation	-	(1)	-	(1)
Other comprehensive income (loss)	(156)	(1)	1,514	1,357
Transfer from fair value gains on financial asset at FVOCI to Surplus	(4)	-	-	(4)
Balance as of December 31, 2017	**P 1,860**	**P 85**	**P 29**	**P 1,974**
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**

	Parent Company			
	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2015	P 727	P 71	(P 116)	P 682
Actuarial losses on defined benefit plan	-	-	(1,044)	(1,044)
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
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)

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are shown below.

	Group		
	2017	2016	2015
Short-term employee benefits	**P 5,663**	P 5,039	P 4,370
Post-employment defined benefits	**374**	369	361
	P 6,037	P 5,408	P 4,731

	Parent Company		
	2017	2016	2015
Short-term employee benefits	**P 3,904**	P 3,386	P 2,924
Post-employment defined benefits	**307**	280	266
	P 4,211	P 3,666	P 3,190

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 2017 and 2016.

The amounts of post-employment benefit obligation recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Present value of the obligation	**P 4,995**	P 4,953	**P 4,126**	P 4,156
Fair value of plan assets	**(4,891)**	(3,218)	**(4,100)**	(2,599)
Effect of asset ceiling test	**7**	-	**7**	-
Deficiency of plan assets	**P 111**	P 1,735	**P 33**	P 1,557

The Group's and Parent Company's post-employment defined benefit obligation as of December 31, 2017 and 2016 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	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 4,953**	P 4,859	**P 4,156**	P 4,037
Current service cost	**374**	369	**307**	280
Interest expense	**274**	241	**230**	208
Remeasurements – actuarial losses (gains) arising from changes in:				
– financial assumptions	**(230)**	(73)	**(206)**	(63)
– experience adjustments	**(113)**	2	**(125)**	18
– demographic assumptions	**-**	(6)	**-**	-
Benefits paid by the plan	**(263)**	(439)	**(236)**	(324)
Balance at end of year	**P 4,995**	P 4,953	**P 4,126**	P 4,156

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

	Group		Parent Company	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 3,218**	P 3,585	**P 2,599**	P 2,898
Interest income	**186**	179	**149**	148
Return on plan assets (excluding amounts included in net interest)	**1,174**	(402)	**1,167**	(394)
Contributions paid into the plan	**576**	295	**421**	271
Benefits paid by the plan	**(263)**	(439)	**(236)**	(324)
Balance at end of year	**P 4,891**	P 3,218	**P 4,100**	P 2,599

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	
	2017	2016	**2017**	2016
Cash and cash equivalents	**P 402**	P 226	**P 311**	P 72
Debt securities:				
Corporate debt securities	**299**	291	**-**	51
Government bonds	**127**	114	**4**	4
Equity securities:				
Quoted equity securities				
Financial intermediaries	**3,354**	1,900	**3,124**	1,900
Transportation and communication	**208**	194	**208**	192
Electricity, gas and water	**170**	119	**169**	115
Diversified holding companies	**26**	31	**22**	16
Others	**22**	58	**1**	1
Unquoted long-term equity investments	**169**	171	**169**	168
UITF	**107**	94	**85**	76
Investment properties	**6**	4	**6**	4
Loans and receivables	**1**	15	**1**	-
Other investments	**-**	1	**-**	-
	P 4,891	P 3,218	**P 4,100**	P 2,599

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 unquoted 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	
	2017	2016	**2017**	2016
Fair value gains (losses)	**P 1,157**	(P 402)	**P 1,167**	(P 394)
Interest income	**186**	179	**149**	148
Actual returns	**P 1,343**	(P 223)	**P 1,316**	(P 246)

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		
	2017	2016	2015
Reported in profit or loss:			
Current service cost	**P 374**	P 369	P 361
Net interest expense (income)	**88**	62	(51)
	P 462	P 431	P 310

	Group		
	2017	2016	2015
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 230**	P 73	P 73
Experience adjustments	**113**	(2)	(127)
Demographic assumptions	**-**	6	22
Effect of asset ceiling test	**(7)**	-	-
Return on plan assets (excluding amounts included in net interest)	**1,174**	(402)	(1,013)
	P 1,510	(P 325)	(P 1,045)

	Parent Company		
	2017	2016	2015
Reported in profit or loss:			
Current service costs	**P 307**	P 280	P 266
Net interest expense	**81**	60	5
	P 388	P 340	P 271
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 206**	P 63	P 68
Experience adjustments	**125**	(18)	(57)
Effect of asset ceiling	**(7)**	-	-
Return on plan assets (excluding amounts included in net interest)	**1,167**	(394)	(998)
	P 1,491	(P 349)	(P 987)

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 or income is presented as part of Interest Expense – Bills Payable and Other Borrowings or 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:

	2017	2016	2015
Group			
Discount rates	**5.48% - 6.00%**	5.00% - 5.60%	5.05% - 5.15%
Expected rate of salary increases	**4.00% - 8.00%**	3.00% - 11.00%	5.00% - 10.00%
Parent Company			
Discount rates	**6.00%**	5.53%	5.15%
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 six 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, 2017 and 2016:

	Group		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2017:			
Discount rate	**+/-1 %**	**(P 323)**	**P 403**
Salary growth rate	**+/-1 %**	**480**	**(388)**
2016:			
Discount rate	+/- 1%	(P 166)	P 92
Salary growth rate	+/- 1%	186	(71)

	Parent Company		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2017:			
Discount rate	**+/- 1%**	**(P 391)**	**P 456**
Salary growth rate	**+/- 1%**	**413**	**(363)**
2016:			
Discount rate	+/- 1%	(P 153)	P 172
Salary growth rate	+/- 1%	147	(133)

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, 2017 and 2016 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 P111 and P33 for the Group and Parent Company, respectively, based on the latest funding actuarial valuations in 2017.

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	
	2017	2016	**2017**	2016
Less than one year	**P 226**	P 139	**P 44**	P 75
More than one year to five years	**1,319**	1,068	**1,094**	888
More than five years to ten years	**2,425**	1,970	**1,984**	1,752
	P 3,970	P 3,177	**P 3,122**	P 2,715

The Group and Parent Company expects to contribute P418 and P318, respectively, to the plan in 2018.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group		
		2017	2016	2015
Rentals	14.2	**P 741**	P 614	P 355
Gains on assets sold	11, 14.1, 15.1	**441**	120	281
Dividend income	10.2	**234**	449	237
Recoveries from written off assets		**187**	161	169
Others		**290**	254	174
		P 1,893	P 1,598	P 1,216

	Notes	Parent Company		
		2017	2016	2015
Rentals	14.2, 28.5(a)	**P 419**	P 407	P 375
Gains on assets sold	14.1	**378**	139	162
Dividend income	10.2	**196**	307	87
Others		**136**	231	215
		P 1,129	P 1,084	P 839

Miscellaneous income classified as Others includes rebates, penalty charges and other income that cannot be appropriately classified under any of the foregoing income accounts.

25.2 Miscellaneous Expenses

	Note	Group 2017	2016	2015
Credit card-related expenses		**P 884**	P 663	P 584
Insurance		**759**	738	656
Communication and information services		**447**	450	443
Management and other professional fees		**368**	408	529
Advertising and publicity		**323**	276	289
Transportation and travel		**214**	206	295
Banking fees		**193**	194	190
Stationery and office supplies		**149**	132	129
Other outside services		**130**	126	112
Donation and charitable contribution		**51**	38	61
Representation and entertainment		**22**	45	94
Litigation/assets acquired expenses		**166**	385	247
Membership fees		**19**	21	19
Others	29.6	**1,153**	1,788	1,027
		P 4,878	P 5,470	P 4,675

	Notes	Parent Company 2017	2016	2015
Credit card-related expenses		**P 884**	P 663	P 584
Insurance	28.5(c)	**564**	594	527
Service and processing fees		**697**	501	511
Communication and information services		**328**	281	258
Advertising and publicity		**244**	206	191
Management and other professional fees		**188**	217	175
Banking fees		**148**	144	141
Other outside services		**115**	113	100
Transportation and travel		**110**	93	159
Stationery and office supplies		**92**	86	81
Donations and charitable contributions		**51**	35	56
Litigation/assets acquired expense		**50**	181	81
Representation and entertainment		**22**	13	41
Membership fees		**19**	18	15
Others	29.6	**543**	1,411	476
		P 4,055	P 4,556	P 3,396

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 P36, P55 and P53 in 2017, 2016 and 2015 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).

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 2017, 2016 and 2015, the Group opted to continue claiming itemized deductions for income tax purposes.

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		
	2017	2016	2015
Current tax expense:			
RCIT	**P 711**	P 414	P 459
Final tax	**203**	177	326
Excess MCIT over RCIT	**2**	190	46
	916	781	831
Application of MCIT	**(356)**	-	-
	560	781	831
Deferred tax expense (income) relating to origination and reversal of temporary differences	**281**	(955)	(1,138)
	P 841	(P 174)	(P 307)

	Parent Company		
	2017	2016	2015
Current tax expense:			
RCIT	**P 563**	P 140	P 161
Final tax	**147**	173	254
Excess MCIT over RCIT	**-**	190	46
	710	503	461
Application of MCIT	**(356)**	-	-
	354	503	461
Deferred tax expense (income) relating to origination and reversal of temporary differences	**343**	(842)	(443)
	P 697	(P 339)	P 18

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		
	2017	2016	2015
Tax on pretax profit at 30%	**P 1,545**	P 1,109	P 1,446
Adjustments for income subjected to lower income tax rates	**(434)**	(180)	(142)
Tax effects of:			
Non-taxable income	**(786)**	(845)	(539)
Non-deductible expenses	**595**	520	356
Recognition of previously unrecognized deferred tax asset	**-**	(865)	(992)
Utilization of MCIT	**356**	-	-
FCDU income	**(306)**	(388)	(125)
Unrecognized temporary differences	**(130)**	97	129
Utilization of NOLCO	**1**	374	(443)
Others	**-**	4	3
	P 841	(P 174)	(P 307)

	Parent Company		
	2017	2016	2015
Tax on pretax profit at 30%	**P 1,502**	P 1,059	P 1,544
Adjustments for income subjected to lower income tax rates	**(384)**	(118)	(108)
Tax effects of:			
Non-taxable income	**(899)**	(889)	(548)
Non-deductible expenses	**531**	420	423
Recognition of previously unrecognized deferred tax asset	**-**	(797)	(992)
Utilization of MCIT	**356**	-	-
FCDU income	**(275)**	(388)	(125)
Unrecognized temporary differences	**(134)**	-	(282)
Utilization of NOLCO	**-**	374	(443)
	P 697	(P 339)	P 18

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2017 and 2016 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2017	2016	**2017**	2016	2015
Allowance for impairment	**P 1,610**	P 1,619	**(P 9)**	P 867	P 695
Provision for credit card reward payments	**127**	105	**22**	105	-
Excess MCIT	**60**	356	**(296)**	356	-
Post-employment benefit obligation	**52**	60	**(8)**	39	-
Deferred rent – PAS 17	**30**	17	**13**	16	-
NOLCO	**-**	-	**-**	(443)	443
Others	**17**	20	**(3)**	15	-
Deferred tax assets	**P 1,896**	P 2,177			
Deferred tax income (expense) – net			**(P 281)**	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, 2017 and 2016 is shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2017	2016	**2017**	2016	2015
Allowance for impairment	**P 720**	P 780	**(P 60)**	P 780	P -
Provision for credit card reward payments	**127**	105	**22**	105	-
Post-employment benefit obligation	**52**	18	**34**	18	-
Deferred rent – PAS 17	**30**	17	**13**	17	-
Excess MCIT	**-**	356	**(356)**	356	-
NOLCO	**-**	-	**-**	(443)	443
Others	**13**	9	**4**	9	-
Deferred tax assets	**P 942**	P 1,285			
Deferred tax income (expense) – net			**(P 343)**	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	
	2017	2016	**2017**	2016
Allowance for impairment	**P 925**	P 2,169	**P 763**	P 629
Excess MCIT	**60**	6	**-**	-
NOLCO	**51**	77	**-**	-
Post-employment benefit obligation	**24**	478	**-**	446
Advance rental	**1**	2	**-**	-
	P 1,061	P 2,732	**P 763**	P 1,075

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, 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 details 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 20	P -	P 170	2019
2014	67	-	67	-	
	P 257	**P 20**	**P 67**	**P 170**	

The breakdown of the Group's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	**Amount**	**Utilized**	**Expired**	**Balance**	**Expiry Year**
2017	P 56	P -	P -	P 56	2020
2016	194	190	-	4	2019
2015	46	46	-	-	
2014	122	120	2	-	
	P 418	**P 356**	**P 2**	**P 60**	

The P356 available MCIT applied by the Group in 2017 solely pertains to the MCIT of the Parent Company as it has generated net taxable income and is liable for RCIT for the year ended December 31, 2017.

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 P91,585 and P84,804 as of December 31, 2017 and 2016, respectively. The Parent Company's total trust resources amounted to P64,395 and P61,260 as of December 31, 2017 and 2016, respectively (see Note 29.1).

In connection with the trust operations of the Parent Company and RSB, time deposit placements and government securities with a total face value of P953 for the Group and
P704 for the Parent Company were deposited with the BSP in 2016. On October 27, 2016, the BSP issued a memorandum notifying the approval of Monetary Board on the discontinuance of access of trust entities to the BSP deposit facilities effective on July 1, 2017. The BSP mandates that the BSP deposit facilities should serve as a monetary policy instrument for managing domestic liquidity in the financial system and these are not intended to become an investment outlet of banks and trust entities. Consequently, the Group has withdrawn all its outstanding deposits and placements with BSP in 2017.

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 P21 and P16, respectively, in 2017; P27 and P22, respectively, in 2016; and, P22 and P15, respectively, in 2015.

28. RELATED PARTY TRANSACTIONS

The Group and Parent Company's related parties include its ultimate parent company, subsidiaries, entities under common ownership, key management personnel and others.

A summary of the Group's and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2017, 2016 and 2015 is presented below.

		Group					
		2017		2016		2015	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	**(P 55)**	**P 316**	(P 55)	P 371	(P 537)	P 426
Deposit liabilities	28.2	**(751)**	**480**	(1,785)	1,231	1,545	3,018
Interest expense on deposits	28.2	**5**	**-**	6	-	5	-
Issuance of shares of stock	23.2	**-**	**-**	-	-	7,729	-
Interest income from loans and receivables	28.2	**16**	**-**	21	-	29	-
Associates							
Deposit liabilities	28.2	**266**	**277**	(53)	11	(60)	65
Interest expense on deposits	28.2	**3**	**-**	5	-	3	-
Dividend	12	**59**	**-**	124	-	76	-
Related Parties Under Common Ownership							
Loans and receivables	28.2	**14**	**14**	(541)	-	(1,966)	541
Deposit liabilities	28.2	**2,695**	**2,851**	(2,124)	156	(596)	2,282
Interest expense on deposits	28.2	**9**	**-**	16	-	10	-
Occupancy and equipment related expenses	28.5(a)	**715**	**-**	926	-	829	9
Miscellaneous expenses – others	25.2	**67**	**-**	52	-	54	-
Interest income from loans and receivables	28.1	**-**	**-**	19	-	35	-
Key Management Personnel							
Loans and receivables	28.1	**210**	**211**	(1)	1	(3)	4
Deposit liabilities	28.2	**43**	**286**	(67)	243	(287)	176
Interest income from loans and receivables	28.1	**2**	**-**	-	-	-	-
Interest expense on deposits	28.1	**3**	**-**	1	-	3	-
Salaries and employee benefits	28.5(d)	**458**	**-**	376	-	356	-
Other Related Interests							
Loans and receivables	28.1	**5,565**	**10,106**	(2,855)	4,541	(249)	1,686
Deposit liabilities	28.2	**2,179**	**2,294**	(361)	115	78	601
Interest income from loans and receivables	28.1	**560**	**-**	567	-	103	-
Interest expense on deposits	28.2	**16**	**-**	3	-	2	-

		Parent Company					
		2017		2016		2015	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.2	**(P 55)**	**P 316**	(P 55)	P 371	(P 537)	P 426
Deposit liabilities	28.2	**(751)**	**480**	(1,785)	1,231	1,545	3,018
Interest expense on deposits	28.2	**5**	**-**	6	-	5	-
Issuance of shares of stock	23.2	**-**	**-**	-	-	7,729	-
Interest income from loans and receivables	28.1	**16**	**-**	21	-	29	-
Subsidiaries							
Loans and receivable	28.1	**(222)**	**-**	-	222	142	222
Deposit liabilities	28.2	**(2,155)**	**443**	553	2,598	26	2,065
Interest income from loans and receivable	23.1	**-**	**-**	-	-	3	-
Interest expense on deposits	28.2	**1**	**-**	5	-	6	-
Dividend	12	**315**	**-**	1,406	-	602	-
Rental income	28.5(a) 28.5(b)	**191**	**-**	186	-	175	6
Occupancy and equipment-related expenses	28.5(a)	**13**	**-**	186	-	153	3
Service and processing fees	28.5(c)	**499**	**-**	460	29	410	33
Sale of investment securities	28.3	**175**	**-**	810	-	1,236	-
Purchase of investment securities	28.3	**5**	**-**	601	-	846	-
Capital subscriptions	12.1	**-**	**-**	-	-	750	500
Assignment of receivables	11, 28.1	**(10)**	**192**	(20)	202	222	222
Associates							
Deposit liabilities	28.2	**266**	**277**	(53)	11	(60)	65
Interest expense on deposits	28.2	**3**	**-**	5	-	3	-
Dividend		**59**	**-**	124	-	76	-
Related Parties Under Common Ownership							
Loans and receivables	28.1	**14**	**14**	(541)	-	(1,966)	P 541
Deposit liabilities	28.2	**(2,584)**	**2,740**	(2,124)	156	(596)	2,282
Interest income from loans and receivables	28.1	**-**	**-**	19	-	35	-
Interest expense on deposits	28.2	**8**	**-**	15	-	10	-
Occupancy and equipment-related expenses	28.5(d)	**715**	**-**	926	-	829	-
Miscellaneous expenses – others	25.2	**67**	**-**	52	-	54	-
Key Management Personnel							
Loans and receivables	28.2	**196**	**197**	(1)	1	(5)	2
Deposit liabilities	28.2	**43**	**286**	67	243	(287)	176
Interest income from loans and receivables	28.1	**2**	**-**	-	-	-	-
Interest expense on deposits	28.2	**3**	**-**	1	-	3	-
Salaries and employee benefits	28.5(d)	**328**	**-**	271	-	221	-
Other Related Interests							
Loans and receivables	28.1	**5,565**	**10,106**	2,855	4,541	63	1,686
Deposit liabilities	28.2	**2,145**	**2,260**	(361)	115	-	476
Interest income from loans and receivables	28.1	**560**	**-**	567	-	103	-
Interest expense on deposits	28.2	**16**	**-**	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, 2017, 2016 and 2015 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2017:				
Stockholders	P -	P 55	P 16	P 316
Related parties under common ownership	210	196	-	14
Key management personnel	691	481	2	211
Other related interests	8,267	2,702	560	10,106
	P 9,168	**P 3,434**	**P 578**	**P 10,647**
2016:				
Stockholders	P -	P 55	P 21	P 371
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,331	4,476	567	4,541
	P 7,332	P 5,074	P 607	P 4,913
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**
2017:				
Stockholders	P -	P 55	P 16	P 316
Subsidiaries	-	222	-	-
Related parties under common ownership	210	196	-	14
Key management personnel	663	467	2	197
Other related interests	8,267	2,702	560	10,106
	P 9,140	**P 3,642**	**P 578**	**P 10,633**

Related Party Category	Parent Company Issuances	Repayments	Interest Income	Loans Outstanding
2016:				
Stockholders	P -	P 55	P 21	P 371
Subsidiaries	1,276	1,276	-	222
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,331	4,476	567	4,541
	P 8,608	P 6,350	P 607	P 5,135
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 6,194	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, 2017 and 2016, the Group and 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	
	2017	2016	**2017**	2016
Total outstanding DOSRI loans	**P 542**	P 587	**P 509**	P 553
Unsecured DOSRI	**71**	60	**61**	49
Past due DOSRI	**1**	-	**1**	-
Non-accruing DOSRI	**1**	-	**1**	-
Percent of DOSRI loans to total loan portfolio	**0.15%**	0.19%	**0.19%**	0.24%
Percent of unsecured DOSRI loans to total DOSRI loans	**13.10%**	10.22%	**11.98%**	8.86%
Percent of past due DOSRI loans to total DOSRI	**0.13%**	0.05%	**0.14%**	0.04%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.13%**	0.05%	**0.14%**	0.04%

In 2017, the Group recognized impairment loss on certain loans and receivables from DOSRI amounting to P.06 and is recognized as part of Impairment Losses account in the 2017 statement of profit or loss. There are no impairment losses incurred 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, 2017, 2016 and 2015 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2017:				
Stockholders	P 25,106	P 25,857	P 5	P 480
Associates	32,335	32,069	3	277
Related parties under common ownership	14,007	11,312	9	2,851
Key management personnel	416	373	3	286
Other related interest	213,907	211,728	16	2,294
	P 285,771	**P 281,339**	**P 36**	**P 6,188**
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Associates	35,592	35,645	5	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 2,400,320	P 2,404,576	P 30	P 1,756
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	4,365	4,078	3	176
Other related interests	54,586	54,508	2	601
	P 250,250	P 248,996	P 23	P 6,142

	Parent Company			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2017:				
Stockholders	P 25,106	P 25,857	P 5	P 480
Subsidiaries	100,523	102,678	1	443
Associates	32,335	32,069	3	277
Related parties under common ownership	9,058	6,474	8	2,740
Key management personnel	416	373	3	286
Other related interests	136,192	134,047	16	2,260
	P 303,630	**P 301,498**	**P 36**	**P 6,486**

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	973,728	5	2,598
Associates	35,592	35,645	9	11
Related parties under common ownership	1,287,730	1,289,854	16	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 3,378,304	P 40	P 4,354
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 in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period.

28.4 Retirement Fund

The Parent Company 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, 2017, 2016 and 2015 as follows:

	Group		Parent Company	
Nature of Transactions	**Net Amount of Transaction**	**Outstanding Balance**	**Net Amount of Transaction**	**Outstanding Balance**
2017:				
Investment in common shares of Parent Company	**(P 6)**	**P 3,125**	**(P 6)**	**P 3,123**
Investment in corporate debt securities	**(47)**	**2**	**(49)**	**-**
Deposits with the Parent Company	**226**	**427**	**239**	**311**
Fair value gains	**1,266**	**-**	**1,266**	**-**
Interest income	**4**	**-**	**4**	**-**

	Group		Parent Company	
Nature of Transactions	**Net Amount of Transaction**	**Outstanding Balance**	**Net Amount of Transaction**	**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	-
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, 2017 and 2016 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 expenses account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2020 after it was renewed in 2015 for another five years. The outstanding payable on the lease contract is presented as part of Accounts payable under Other Liabilities account in the 2017 and 2016 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 Company 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). The outstanding receivable on the lease contracts is presented as part of Accounts receivable under Loans and Receivables account 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 account 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

The Parent Company has Service Agreement (the Agreement) with RBSC, wherein 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 and processing fees under the Miscellaneous Expenses account in the statements of profit or loss (see Note 25.2). The outstanding payable related to the service agreement is presented as part of Accounts payable under Other Liabilities account 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		
	2017	2016	2015
Short-term employee benefits	**P 442**	P 361	P 338
Post-employment defined benefits	**16**	15	18
	P 458	P 376	P 356

	Parent Company		
	2017	2016	2015
Short-term employee benefits	**P 328**	P 271	P 221
Post-employment defined benefits	**-**	-	-
	P 328	P 271	P 221

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, claims from customers and third parties, 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 transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2017 and 2016:

	Group		Parent Company	
	2017	2016	**2017**	2016
Trust department accounts	**P 91,585**	P 84,804	**P 64,395**	P 61,260
Derivative assets	**46,230**	32,172	**46,230**	32,172
Outstanding guarantees issued	**41,858**	31,828	**41,858**	31,828
Derivative liabilities	**41,822**	27,256	**41,822**	27,256
Unused commercial letters of credit	**17,055**	10,783	**17,055**	10,724
Spot exchange sold	**6,307**	5,455	**6,198**	5,452
Spot exchange bought	**6,204**	5,452	**6,204**	5,455
Inward bills for collection	**1,407**	540	**1,407**	2,048
Late deposits/payments received	**566**	2,169	**434**	540
Outward bills for collection	**133**	84	**133**	84
Others	**17**	17	**17**	17

29.2 Poverty Eradication and Alleviation Certificates Bonds

In October 2011, the Bank filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Bank subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 in October 2011 from the Bank on the interest on its PEACe bonds holdings. The amount was originally recognized as part of Accounts receivables under Loans and Receivables account in the statements of financial position until it was settled in 2017.

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 the 20% final withholding tax it withheld on the PEACe Bonds on October 18, 2011. On March 16, 2015, the Bank and RCAP filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition "deposit substitutes" the PEACe Bonds since there was only one lender at the primary market, and subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax. The Parent Company and RCAP 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 RCAP/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 Bank and RCAP also reiterated its arguments that the tax constitutes double taxation, violates the non-impairment clause of the Constitution, and is a breach of the obligations by the Bureau of Treasury when it issued the PEACe Bonds. The Office of the Solicitor General ("OSG"), as counsel for the Republic and other public respondents, 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 Bank and RCAP's Motion for Clarification and/or Partial Reconsideration, 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 RCAP 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, 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, which it withheld upon maturity of the PEACe Bonds, in violation of the order issued by the Supreme Court, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of P4,966, counted from October 19, 2011 until fully paid.

On April 11, 2017, the Parent Company received a copy of the Entry of Judgment stating, among others, that the Decision dated January 13, 2015 and the Resolution dated August 16, 2016, which partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company became final and executory on October 20, 2016. The Bureau of Treasury has so far settled P197 of the Parent Company's claim. The balance of P2 is currently the subject of discussion between the Parent Company, the PDIC and the Bureau of Treasury. The PDIC is evaluating, among others, the deed of assignment executed in favor of the Parent Company by a rural bank, which has since then been placed under liquidation, of its PEACe bonds holdings in partial settlement of its past loan obligation.

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) (collectively, "Global Steel"), which purchased the Iligan Plant assets of the NSC ("NSC Plant Assets") from the Liquidator in 2004, initiated arbitration proceedings with the Singapore International Arbitration Centre ("SIAC") seeking damages on account of the failure of the Liquidator and the Secured Creditors, including the Bank and RCBC Capital Corporation ("RCAP"), to deliver the NSC Plant Assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the said assets to secure additional loans to fund the operations of the Plant and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of Global Steel in the total amount of (a) US$80, as and by way of lost opportunity to make profits and (b) P1,403, representing the value of the undelivered Billet Shop Land measuring 3.4071 hectares (the "Lost Land Claim").

On appeal, and on July 31, 2014, the Singapore High Court set aside the Partial Award, and subsequently granted the Secured Creditors' application for the lifting of the injunctions issued in 2008 and directed the release of Global Steel's installment payment to the Secured Creditors. Accordingly, the Bank and RCAP received their respective share in the funds previously held in escrow. Moreover, the Secured Creditors may now compel Global Steel to comply with their obligations under the Omnibus Agreement (OMNA)/Asset Purchase Agreement (APA) and take legal action upon Global Steel's failure to do so.

On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court insofar as it set aside (a) the monetary award of US$80 and P1,403 representing lost opportunity to make profit and the value of the Lost Land Claim in favor of Global Steel, respectively, and (b) the deferment of Global Steel's obligation to pay the purchase price of the NSC Plant Assets. The Singapore Court of Appeals ruled that (a) aside from the lack of jurisdiction to rule on the issue of lost opportunity to make profit and absence of evidentiary support for the award, and (b) the premature ruling on the issue of the Lost Land Claim, the dispute relating to Global Steel's payment obligation is an obligation under the OMNA, which is beyond the ambit of arbitration, so that the SIAC Arbitral Tribunal could not properly order the Bank, RCAP and the other Secured Creditors to defer holding Global Steel in default. However, the Singapore Court of Appeals held that the NSC Liquidator and Secured Creditors are still required to deliver to Global Steel clean title to the NSC Plant Assets.

On November 27, 2015, the Singapore Court of Appeals further held that the issue of Global Steel's lost opportunity to make profit cannot be remanded to the Arbitral Tribunal, or to a new Arbitral Tribunal for that matter, to be litigated anew after the setting aside of the Partial Award. The doctrines of res judicata and abuse of process also operated to preclude the reopening of this issue. However, the Singapore Court of Appeals held that the Lost Land Claim 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 estimated exposure is approximately P209 in terms of estimated property taxes and transfer costs due on the NSC Plant Assets, while it has a receivable from Global Steel in the amount of P486, taking into consideration the P49 installment payment it had received from the funds previously in escrow. The Parent Company has recognized full impairment loss on the receivable since then, with the gross amount of receivable classified as UDSCL under Loans and Receivable account. 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 NSC assets sold to Global Steel, 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 the case initiated solely by the NSC Liquidator.

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 local government unit (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 October 13. 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.

In an Order dated April 4, 2017, the Makati Trial Court (a) nullified the public auction of the NSC Plant Assets, among others, (b) enjoined any and all real property tax collection actions against the NSC until the Decision dated October 7, 2011, which held that the NSC pre-closing taxes have been paid, is fully executed and NSC's remaining tax liabilities are correctly computed. The Makati Trial Court likewise (a) directed the Iligan City Treasurer to show cause why she should not be held in contempt of court for holding the auction sale of the NSC Plant Assets without clearing NSC of the pre-closing taxes, and (b) directed the Iligan City Treasurer, among others, to inform the Makati Trial Court of the names of the responsible persons who ordered, aided and abetted her assailed conduct. The LGU and the Iligan City Treasurer, among others, moved the reconsideration of the April 4, 2017 Order.

29.4 Verotel Merchant Services B.V. Case

In 2011, Verotel Merchant Services B.V. (VMS), a Netherlands corporation, 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.

After nearly five years, and after being transferred to a fourth judge, the case went to trial from January 13, 2016 to January 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 Michael J. Raphael's disposition. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. On March 10, 2016, the Parent Company/Bankard informed Judge Raphael that they will, instead, be filing a motion for judgment notwithstanding verdict (JNOV) and motion for new trial. On April 11, 2016, the Parent Company /Bankard timely filed their motions for JNOV and new trial, and on April 27, 2016, the Parent Company / 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/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 fraudulent acts, and (b) Janet 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, and sustained the award of US$1.5 million. Judge Raphael likewise denied the Parent Company/Bankard's Motion for New Trial, and likewise 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/Bankard timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and 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 Rafael.

On September 8, 2016, VMS filed its unsealed Certificate of Interested Persons, after the California Court of Appeals sustained the Parent Company/Bankard's position that the identities subject of the disclosure was, in fact, a central issue in this case and the appeal, as it relates to whether VMS has standing in this case and is entitled to any damages. In an Order dated, and filed, on November 16, 2016, the California Court of Appeals adopted the briefing sequence proposed by the Parent Company/Bankard, thus, allowing the full ventilation of the case on appeal. In a notice dated January 25, 2017, the California Court of Appeals informed the parties of the filing of the reporter's transcripts.

Subsequently, on March 7, 2017, Judge Raphael granted VMS's motion for cost of proof sanction and directed the Parent Company/Bankard to pay VMS the additional amount of US$0.08 million to cover the cost of (a) the services of expert witnesses and (b) their presentation during the trial, given his ruling that the Parent Company/Bankard unjustifiably denied VMS's request for admission that they failed to comply with MasterCard and VISA association rules. The Parent Company/Bankard timely filed their Notice of Appeal on the aforementioned Order of Judge Raphael but no longer posted any additional filing fees, following VMS's agreement not seek to enforce of the said award during the pendency of the appeal.

The Parent Company/Bankard filed their Revised Opening Brief on their Appeal with the California Court of Appeals on October 2, 2017, raising the following arguments: (a) there is no substantial evidence to establish that the Parent Company/Bankard caused VMS' loss, which arose as a result of the processing of VMS' transactions under and using the merchant ID of another merchant, in a side deal without Bankard's knowledge and consent; (b) there is, therefore, no contract/no processing relationship between VMS and Bankard; (c) there is no substantial evidence to establish that the Parent Company/Bankard caused VMS' loss under agency law, given that (i) Conway could not be Bankard's agent as a matter of law, because she was defrauding Bankard, (ii) plaintiffs did not establish that Conway was an agent of Bankard, (iii) plaintiff did not establish that Conway was a purported agent of Bankard, and, (iv) plaintiffs did not establish that Conway's wrongful conduct was within the scope of her agency; and. (d) the Trial Court abused its discretion in awarding cost of proof sanctions. The Parent Company/Bankard is awaiting the filing of VMS' Reply Brief.

29.5 Applicability of RR 4-2011

On March 15, 2011, the BIR issued 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.

On April 6, 2015, the Parent Company and other member-banks of the Bankers Association of the Philippines ("BAP") (the "Petitioners"), filed the above-captioned case with Application for TRO and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati ("Makati Trial Court"), wherein the Petitioners assailed the validity of RR 4-2011 on the ground, among others, that (a) RR 4-2011 violates the Petitioners' substantive due process rights; (b) it is not only illegal but also unfair; (c) it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation; (e) it was promulgated without prior consultation, thus, violating the procedural due process rights of the petitioners; and (f) it violated the equal protection clause guaranteed in the Constitution for requiring Banks and other financial institutions to adopt a method of allocation when other institutions and taxpayers were not being required to do so by the Department of Finance ("DOF") and BIR.

On April 8, 2015, the RTC-Makati issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, RTC-Makati issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the Parent Company and other BAP member banks, including the issuance of Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the RTC-Makati issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Parent Company and other BAP member banks are concerned. The Pre-trial Conference of the case began on August 2, 2016 and continued to August 3, 2017. During the August 3, 2017 hearing, in lieu of trial for the resolution of the case, the Makati Trial Court directed the parties to file their respective Memorandum on September 15, 2017. As of October 5, 2017, the parties to the case have submitted their respective Memorandum

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. 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 account (see Note 25.2), and has fully paid the same. 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.

The AMLC has filed a criminal complaint against former and current officers and employees of the Parent Company for alleged violation of Section 4(f) of RA No. 9160, as amended, otherwise known as the "Anti-Money Laundering Law", in connection with the alleged unauthorized transfer of funds taken from the account of the Bank of Bangladesh with the New York Federal Reserve Bank. The AMLC alleged that each of the respondents supposedly performed or failed to perform an act, which facilitated the crime of money laundering, particularly the remittance and eventual withdrawal of the aforementioned amount from the US Dollar accounts of Enrico T. Vasquez, Michael F. Cruz, Alfred Vergara and Jessie Christopher M. Lagrosas (the "Beneficiary Accounts"), which were then being maintained at the Parent Company's Jupiter Business Center. In particular, the AMLC alleged that each of the respondents failed to effect a hold out on the Beneficiary Accounts despite the supposed "red flags" in the SWIFT payment orders and their supposed receipt on February 9, 2016 of the SWIFT MT999 and MT199 messages of the Bank of Bangladesh requesting for the stop payment of the remittances in issue, resulting in the withdrawals from the said accounts. The AMLC also charged the respondents for their alleged failure to perform Enhanced Due Diligence (EDD), despite the aforementioned "red flags" or alleged irregularities in the remittances.

On March 27, 2017, the former and current officers of the Parent Company filed their Joint Counter-Affidavit, pointing out that: (a) the AMLC failed to establish that they had actual knowledge, as required by the AMLA, as amended, that the US$81 million inward remittance proceeded from an unlawful activity or that the willful blindness doctrine under US jurisprudence is applicable; (b) no predicate crime was established, in the absence of evidence showing the occurrence of the supposed "hacking incident"; and (c) their supposed failure to conduct EDD and the lifting of the hold out on the Beneficiary Accounts cannot amount to facilitation of money-laundering, considering that none of the scenarios required prior to conducting EDD is present, and banks are not legally allowed to effect any unilateral freezing of a depositor's account under the AMLA, as amended, and relevant jurisprudence.

On May 18, 2017, the AMLC filed its Consolidated and Joint Reply Affidavit. On July 10, 2017, the former and current officers of the Parent Company filed their respective Individual Rejoinder Affidavits. There are no known claims, demands, and commitments, events, or uncertainties that will have a material impact on the Bank'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

The Parent Company has entered into various lease contracts related to RSB Corporate Center, an investment property held for rental, with lease terms ranging from one to five years and with monthly rent depending on market price with 5% escalation rate every year. Total rent income earned from these leases amounted to P297, P280, and P218 in 2017, 2016 and 2015, respectively, which are presented as part of Rental under the Miscellaneous Income account in the statements of profit or loss (see Note 25.1). A certain office and parking spaces in RSB Corporate Center are being lease-out to RSB [see Note 28.5 (a)].

The Parent Company's future minimum rental receivables under this non-cancellable operating lease arrangement are as follows:

	2017	2016
Within one year	**P 375**	P 410
After one year but not more than five years	**486**	861
	P 861	P 1,271

(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 for lease periods from one to 25 years. The Group's rental expense related to these leases (included as part of Occupancy and Equipment-related expenses account in the statements of profit or loss) amounted to P977, P742 and P754 in 2017, 2016 and 2015, respectively. 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.

The future minimum rental payables under these non-cancellable operating leases are as follow:

		Group		Parent Company
2017:				
Within one year	P	811	P	673
After one year but not more than five years		2,640		2,375
More than five years		335		291
	P	**3,786**	**P**	**3,339**

		Group		Parent Company
2016:				
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 shows the profit and per share data used in the basic and diluted EPS computations for the three years presented:

	Group					
		2017		2016		2015
Basic and Diluted EPS						
a. Net profit attributable to Parent Company's shareholders	**P**	**4,308**	P	3,868	P	5,129
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends		**-**		-	(	219)
b. Adjusted net profit before capital redemption		**4,308**		3,868		4,910
Redemption premium on HT1		**-**		-	(	723)
c. Adjusted net profit	**P**	**4,308**	P	3,868	P	4,187
d. Weighted average number of outstanding common stocks		**1,400**		1,400		1,362
EPS before capital redemption (b/d)	**P**	**3.08**	P	2.76	P	3.60
Basic and diluted EPS (c/d)	**P**	**3.08**	P	2.76	P	3.07

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented. The Group and the Parent Company has no potential dilutive shares as of the end of each reporting period.

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2017	2016	2015
Return on average equity			
$\frac{\text{Net profit}}{\text{Average total equity}}$	**6.72%**	6.42%	9.23%
Return on average resources			
$\frac{\text{Net profit}}{\text{Average total resources}}$	**0.82%**	0.77%	1.09%
Net interest margin			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	**4.25%**	4.06%	4.15%
Profit margin			
$\frac{\text{Net profit}}{\text{Revenues}}$	**17.15%**	16.95%	23.07%
Debt-to-equity ratio			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	**7.27**	7.39	7.88
Resources-to-equity ratio			
$\frac{\text{Total resources}}{\text{Total equity}}$	**8.27**	8.39	8.88
Interest rate coverage			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	**1.73**	1.50	1.81

	Parent Comapny		
	2017	2016	2015
Return on average equity			
Net profit / Average total equity	6.74%	6.43%	9.34%
Return on average resources			
Net profit / Average total resources	1.02%	0.93%	1.30%
Net interest margin			
Net interest income / Average interest earning resources	3.85%	3.47%	3.62%
Profit margin			
Net profit / Revenues	22.34%	22.67%	32.32%
Debt-to-equity ratio			
Total liabilities / Total equity	5.60	5.73	6.40
Resources-to-equity ratio			
Total resources / Total equity	6.60	6.73	7.40
Interest rate coverage			
Earnings before interest and taxes / Interest expense	1.95	1.60	2.06

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's and Parent Company's 2017 liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bills Payable (see Note 18)		Bonds Payable (see Note 19)		Total Financing Activities	
	Group	**Parent**	**Group**	**Parent**	**Group**	**Parent**
Balance as of January 1, 2017	P 37,643	P 31,712	P 41,595	P 41,595	P 79,238	P 73,307
Cash flow from financing activities:						
Availments	20,561	15,477	-	-	20,561	15,477
Payments/redemption	(14,472)	(10,788)	(13,687)	(13,687)	(28,159)	(24,475)
Non-cash financing activities:						
Foreign exchange losses	235	199	118	118	353	317
Amortization of premium	-	-	34	34	34	34
	P 43,967	**P 36,600**	**P 28,060**	**P 28,060**	**P 72,027**	**P 64,660**

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President and Chief Executive Officer
GIL A. BUENAVENTURA

Corporate Secretary
GEORGE GILBERT G. DELA CUESTA
First Senior Vice President and Head, Legal Affairs Group

Assistant Corporate Secretary
JOYCE CORINE O. LACSON
Vice President

Senior Executive Vice Presidents
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Chief of Staff and Head, Information Technology Shared Services Group

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KATSUNORI ISHII

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KAZUHITO TAMURA

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Vice President
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ADB Ave. and Garnet Rd.,
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727-2374; 632-1397
Fax No.: 632-1395

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Fax No: 252-9418

AGUIRRE-BF HOMES
290 Aguirre Ave., BF Homes Parañaque City
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809-0403
Fax No.: 850-9044

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Unit 5 and 6, G/F CTP Alpha Bldg.
Investment Drive, Madrigal Business Park
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Fax No.: 635-0249

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Heights, Quezon City
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Fax No.: 253-2103

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G/F Platinum 2000, 7 Annapolis St.
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244-8438

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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

C. RAYMUNDO
261 Unit C, C. Raymundo, Maybunga, Pasig City
Tel. Nos.: 532-0294 to 95; 532-0298;
532-0304 to 05
Fax: 532-0296

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

CARUNCHO
Prima 3 Commercial Center
7 Caruncho Ave., Pasig City
Tel. Nos.: 725-5241; 727-5370

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
188 cor. Congressional Ave. and Sinagtala St.
Brgy. Bahay Toro, Quezon City
Tel. No.: 288-5022; 288-5024 to 25; 288-5029;
288-5015
Fax No.: 288-5223

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

DELA ROSA-PASONG TAMO
G/F Kings Court, 2129 Chino Roces Ave.
Makati City
Tel. Nos.: 894-9000 loc. 5299
Fax No.: 8246238

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

EAST CAPITOL DRIVE
26 Trinity Bldg., East Capitol Drive
Barangay Kapitolyo, Pasig City
Tel. Nos.: 721-8968; 721-8970; 721-8972
Fax No.: 721-8965

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.: 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

EVANGELISTA
cor. Evangelista and Gen. Alejandrino Sts.
Bangkal, Makati City
Tel. Nos.: 845-1843 to 46; 845-1849

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

LEE-SHAW BOULEVARD
Unit 1-C, G/F Lee Gardens Condominium
cor. Lee St. and Shaw Blvd.,
Brgy. Addition Hills, Mandaluyong City
Tel. Nos.: 635-0150; 634-1497; 635-5769

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. – EDSA
G/F Double Dragon Plaza
cor. EDSA and Macapagal Ave., Pasay City
Tel. Nos.: 824-0314; 824-0322; 824-0317;824-0321

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

MAGINHAWA
129 Maginhawa St., Teacher's Village East
Quezon City
Tel. Nos.: 426-4152; 426-4063; 426-4736;
426-4536
Fax No.: 426-4584

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

ORTIGAS AVE.-SAN JUAN
Unit 104 and 105, G/F Medecor Bldg.
222 Ortigas Ave., Greenhills, San Juan City
Tel. Nos.: 635-7860; 635-7874; 635-7871;
635-7873;635-7875
Fax No.: 635-7866

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

PIONEER
Lot #1A-1 and 2B Pioneer St.
Brgy. Highway Hills, Mandaluyong City
Tel. Nos.: 245-4046; 245-4056; 245-4037;
245-3906

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 BC
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

RELIANCE
TV5 Media Center, cor. Reliance and Sheridan Sts.
Mandaluyong City
Tel. Nos.: 637-9931; 637-6673; 656-7921;
654-5552, 645-7396

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

ROXAS BLVD.-LIBERTAD
Unit 103, Coko Bldg. 1
2550 Roxas Blvd., PAsay City
Tel Nos.: 821-1226; 821-1228 to 30

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 STRIP-ORTIGAS AVENUE
G/F, The Strip Commercial Complex, Lopez Bldg.
Meralco Cmpd., Ugong, Pasig City
Tel. Nos.: 871-3847; 871-3913

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
8 Calahi Commercial Bldg.
FN Dy Blvd., Cauayan City
Tel. Nos.: (078) 652-2371; 652-1157
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

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
Dasmariñas, 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 Malhacan 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.: (075) 568-2925

VISAYAS

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
G/F Zimar's Place, cor. Magsaysay Blvd.
and Rueda St., Calbayog City
Tel. Nos.: (055) 209-1338; 209-1565; 209-2728
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 Tan 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

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. No.: (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 II, 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
3916 Quirino Ave. cor. 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 Blumentritt St. corner Andrade St.
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 Pacifi c 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

STA ROSA BEL-AIR
G/F CW Home Depot
Santa Rosa Tagaytay Road Brgy.Pulong
Sta. Cruz Santa Rosa City Laguna
Tel. Nos.: (049) 530-0793; 530-0795; (02)520-8426

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.: (02) 520-8920; (049) 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) 683-5869; (02) 529-8119

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
Nueño Ave., Tansang Luma
Imus City, Cavite
Tel. Nos.: (02) 519-4447; (046) 471-3989;
(046) 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 Bldg.
cor. V. A. 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 Pacifi c 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 Perlas Village Bgry. Tagapo
Santa Rosa City, Laguna
Tel. Nos.: (02) 520-8190; (049) 534-3207 to 08

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 Pacifi c 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
Ground Floor Macaibay Bldg. Waling-Waling St.
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 MICRO BANKING BRANCH DIRECTORY

LUZON

BAUAN
Don Quintin Castillo St.
Bauan, Batangas
Landmark: Near Jollibee Bauan, Bauan Public Market & Bauan National High School)
Tel. Nos.: (043) 727-3189; (02) 894-9000 loc. 5707

CALAMBA
P. Burgos St., Calamba City, Laguna
Tel. Nos.: (049) 508-2177; (02) 8940-9000 loc. 5703

LAUREL
C. P. Garcia St., Poblacion 3
Laurel, Batangas
Tel. Nos.: (043) 741-4030; (02) 894-9000 loc. 5705

MBO LIPA (MICRO BANKING OFFICE)
Receno Cmpd., Brgy. Sabang
Lipa City, Batangas
Tel. No.: (043) 702-7679

MBO SAN PABLO (MICRO BANKING OFFICE)
175 San Rafael, Maharlika Highway
San Pablo City, Laguna
Tel. No.: (049) 521-1288

MBO STA. CRUZ (MICRO BANKING OFFICE)
Yelka Bldg., Sitio Huwaran
Brgy. Pagsawitan, Sta. Cruz, Laguna
Tel. No.: (049) 523-0441

NASUGBU
J. P. Laurel St., Brgy. 9
Nasugbu, Batangas
Tel. Nos.: (043) 416-0878; (02) 894-9000 loc. 5706

PUERTO PRINCESA
Unit 3 ARL Bldg., Rizal Ave., San Miguel
Puerto Princesa, Palawan
Tel. Nos.: (048) 433-0160; (02) 894-9000 loc. 5709

ROSARIO
Gualberto Ave., Rosario, Batangas
Tel. Nos.: (043) 321-1463; 414-0038; (02) 894-9000 loc. 5715

SAN JOSE
Liboro St., San Jose, Occidental Mindoro
Tel. Nos.: (043) 457-0078; (02) 894-9000 loc. 5701

TANAUAN
A. Mabini Ave., Tanauan, Batangas
Tel. Nos.: (043) 405-2074; (043) 784-8193; (02) 894-9000 loc. 5700

VISAYAS

CONSOLACION
812 National Highway, Brgy. Pitogo
Consolacion, Cebu City
Tel. Nos.: (032) 232-4241; (02) 894-9000 loc. 5704

TALISAY
G/F, South Agora, Tabulasan, San Isidro St.
Talisay, Cebu
Tel. Nos.: (032) 272-5857; (02) 894-9000 loc. 5740

MINDANAO

BUTUAN
Door 1 & 2, CJU Bldg., Langihan Rd., Purok 12
Brgy. Limaha, Butuan City
Tel. Nos.: (085) 225-0298; (02) 894-9000 loc. 5718

CAGAYAN DE ORO
G/F, GRC Bldg., Limketkai Drive
Brgy. 35, Cagayan De Oro City
Tel. Nos.: (088) 880-3115; (02) 894-9000 local 5712

DAVAO
2/F, EDES 2 Bldg., Acacia Section
J.P. Laurel Ave., Davao City
Tel. Nos.: (082) 222-3947; (02) 894-9000 loc. 5716

DIGOS
DLN Bldg., Vinzon St., Zone 3
Digos City, Davao Del Sur
Tel. Nos.: (082) 272-1658; (02) 894-9000 loc. 5710

GENERAL SANTOS
Door A5, ECA Bldg., National Highway
City Heights, General Santos City
Tel. Nos.: (083) 552-2700; (02) 894-9000 loc. 5713

KORONADAL
Celeste Bldg., 67 Antipolo St.
Purok Magsaysay, Koronadal City
Tel. Nos.: (083) 228-3198; 228-7693; (02) 894-9000 loc. 5711

MBO PANABO (MICRO BANKING OFFICE)
Purok Mangga, Sto. Nino
Panabo City, Davao Del Norte
Tel. No.: (084) 822-6138

MBO TACURONG (MICRO BANKING OFFICE)
F Daniel Bldg., National Highway
Tacurong City, Sultan Kudarat
Tel. No.: (064) 477-0012

TAGUM
Door 9, Cacayorin Bldg., Circumferential Rd.
Tagum City, Davao Del Norte
Tel. Nos.: (084) 216-4465; (02) 894-9000 loc. 5714

VALENCIA
G/F, JTAM Bldg., Purok 3A, Poblacion
National Highway, Valencia City, Bukidnon
Tel. Nos.: (088) 828-5906; (02) 894-9000 loc. 5717

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) 894-3397
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: JOSEPH COLIN B. RODRIGUEZ

NIYOG PROPE RTY HOLDINGS, INC.
12F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel Nos.: (632) 894-9000(2356)
PRESIDENT: JOHN THOMAS G. DEVERAS

RCBC-JPL HOLDING CO., INC.
(Formerly President Jose P. Laurel Rural Bank, Inc.)
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 FINANCE 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: ATTY. 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 18/F Li Dong Bldg.
9 Li Yuen St., East Central, Hong Kong
Tel No.: (852) 2167-7400; 2167-7471
Fax No.: (852) 2167-7422
Email: feagus@rcbc.com
CONTACT PERSON: MR. FEDERICO E. AGUS, JR.

TSUEN -WAN BRANCH – closed on Dec 4, 2017
Shop 221, Lik Sang Plaza
269 Castle Peak Road, Tsuen Wan
New Territories, Hong Kong
Tel No.: (852) 2492-9747
Fax No.: (852) 2316-7344
Email: rcbchktw@biznetvigator.com
CONTACT PERSON: MR. ARTEMIO ROY R. PANES

WORLDWIDE BRANCH
Shop 129, 1/F, Worldwide Plaza
19 Des Voeux Road, Central Hong Kong
Tel No.: (852) 2501-0703; 2537-8342
Email: feagus@rcbc.com
CONTACT PERSON: MR. FEDERICO E. AGUS, JR.

PRODUCTS AND SERVICES

DEPOSITS	
Products/ Services	**Short Description**
Peso Deposits	
Checking Accounts	
Regular Checking	Regular: A non-interest earning checking account that comes with a debit card and allows deposit, encashment, and settlement of obligation via check Regular with Interest: An interest-earning checking account that comes with a transaction journal and debit card, and allows deposit, encashment, and settlement of obligation via check
SuperValue Checking	A checking account that earns tiered interest, comes with non-life insurance, transaction journal, debit card, and allows deposit, encashment, and settlement of obligation via check
eWoman Checking	A premier checking account that is especially designed for women that comes with a transaction journal, debit card, and free life insurance
eLite 2500 Checking	A checking account exclusively for accredited developer-referred clients which offers low opening and maintaining balances.
eVIP Checking	It is an all in one checking account that comes with an ATM (for personal accounts only) checkbook and a passbook.
Dragon Checking	An all-in-one account that combines the tiered interest income feature of a savings account and the functionalities of a checking account that comes with a debit card, transaction journal, and checkbook
Savings Accounts	
Regular Savings	A deposit product that safe keeps funds while it earns interest that comes with a passbook and/or debit card
iSave	A virtual savings account that provides free personal accident insurance, hospitalization benefit, and tiered interest rates
Dragon Savings	A premier savings account that lets depositors earn higher interest as their deposits grow with no lock-out period, thereby giving them access to their funds anytime
Super Earner Loyalty Plus	A savings account that lets you earn high interest when you let your funds stay in the bank for a longer period with no lock-in requirement (passbook only).
eWoman Savings	A premier savings account that is especially designed for women that comes with a debit card, passbook, and free life insurance
Telemoney ATM Savings Account	This is a savings account for OFWs and their beneficiaries with no initial deposit and no maintaining balance. They keep the accounts active by remitting at least once a year so they will not be charged any fees for falling below the required maintaining balance.
SSS Pensioner	A savings account for Filipino retirees intended to secure SSS pension funds that earns interest and comes with a debit card
Payroll Savings	
WISE Savings	A kiddie savings account designed to teach children how to budget, save and plan for their future. It's a low-maintaining account that can be opened for as low as Php 100 only. It also accords Free Personal Accident Insurance for the first year and perks and privileges from partner establishments.
Time Deposits	
Regular Time Deposit	Short-Term Peso Time Deposit account that rewards clients' patience by giving them a risk-free investment option that gives them more in return the longer they save, with deposit term ranging from 30 days to 1 year
Special Time Deposit	
Time Deposit 2 Year, 3 Year, 4 Year, 5 Year	Long-Term Peso Time Deposit account available in 2, 3, 4, and 5 year durations • Interest is paid out through a settlement account upon maturity (except for 5-Year Peso Time Deposit which is paid every month)

DEPOSITS	
Products/ Services	**Short Description**
Foreign Currency Deposits	
Regular Savings	A foreign currency denominated savings deposit
US Dollar	
Japanese Yen	
Euro	
British Pounds	
Canadian Dollar	
Chinese Yuan	
Australian Dollar	
Swiss Franc	
Dragon Dollar Savings	A premier dollar savings account that lets depositors earn higher interest as their deposits grow with no lock-out period, thereby giving them access to their funds anytime
Time Deposits	
US Dollar	Short-Term US Dollar Time Deposit: Short-Term US Dollar Time Deposit account that rewards clients' patience by giving them a risk-free investment option that gives them more in return the longer they save, with deposit term ranging from 30 days to 1 year Long-Term US Dollar Time Deposit: A dollar time deposit account available in 2, 3, 4, and 5 year durations • Interest is paid out through a settlement account upon maturity (except for 5-Year US Dollar Time Deposit which is paid every quarter)
Japanese Yen	Other Foreign Currency Deposit Unit (FCDU) Time Deposits: Foreign Currency Deposit Unit (FCDU) Time Deposit account that rewards clients' patience by giving them a risk-free investment option that gives them more in return the longer they save, with a minimum term of 30 days
Euro Dollar	
British Pounds	
Canadian Dollar	
Australian Dollar	
Swiss Franc	
Day and Night Depository Services	
Safety Deposit Box	
Premier Banking	
Hexagon Club	Experience a whole new level of banking with Hexagon Club, RSB's premier offering to its most valued clients. Members get to enjoy premium banking services and exclusive perks and privileges. It is divided into two segments: Hexagon Club-Privilege for individual accounts and Hexagon Club-Prestige for corporate accounts.
Hexagon Club - Privilege	
Hexagon Club Prestige	

CASH CARDS	
Products/ Services	**Short Description**
Debit Card	
RCBC MyDebit Mastercard	RCBC MyDebit Mastercard is the Bank's debit card linked to a deposit account and requires a minimum balance of Php 3,000. It allows one to have easy access to cash through an automated teller machine (ATM) and can be also used in over 38 Million Mastercard affiliated establishments and online merchants for POS and eCommerce which allows customers to use their cards for all kinds of purchases. It is perfect for everyday spending as well as purchases abroad. It provides secure cashless convenience whenever, wherever.
MyWallet Co-Branding Cards	
RCBC MyWallet Visa	The RCBC MyWallet Visa is a reloadable prepaid stored value card that does not require maintaining a bank account. It can serve as a basic tool to jumpstart cashless shopping and manage one's spending. It is a virtual wallet that can be loaded with just the amount one is willing to spend helping the customer stay within budget. It is powered by Visa giving the customer access to the worldwide Visa network. It can be used in millions of Visa affiliated establishments and merchants for ATM, POS and eCommerce transactions. It can also be used to settle bills (i.e. Meralco, Globe/Smart, credit cards, etc.) via cashless payments and may still perform usual transactions like an ATM card does. It is a convenient cashless tool option that can be easily availed with very minimal requirements needed to own one.
>>RCBC Telemoney – MyWallet Visa Cash Card	RCBC Telemoney - MyWallet Visa Cash Card is a reloadable prepaid stored value card with zero maintaining balance. It gives customers access to the worldwide Visa network and 24/7 ATM access thru RCBC, RCBC Savings, Megalink, Bancnet and Expressnet ATMs nationwide.
RCBC Savings Bank MyWallet	RCBC Savings Bank MyWallet is a pre-paid stored value card with no minimum maintaining balance requirement. Just like an ATM card, it allows customers to enjoy banking convenience 24/7 for withdrawals, bills payment, fund transfer and cashless shopping.

ELECTRONIC BANKING CHANNELS

Products/ Services	Short Description
Automated Teller Machines	Provides the customer 24/7 access to his/her account and perform multiple types of transactions such as withdrawal, bills payment, funds transfer, balance inquiry, cash advance, change pin, MyWallet reloading.
RCBC Online Banking for Retail	The RCBC Online banking Retail (ROR) allows customers to conveniently perform various banking services such as account information, fund transfers and bill payments, checkbook requests and locking one's cards as additional security. ROR also enables other services for our customers such as purchase Electronic PC pins, reload PayMaya or GCash wallets using their RCBC account and buying eloads from telecoms companies. It is our platform to provide banking at our client's finger tips, anytime from anywhere.
Mobile Banking	This facility allows customers to access their accounts using their Apple/Android smartphones and tablets once they are registered with RCBC Online Banking Retail. The application may be downloaded from the Apple App Store and Google Play Store for free.
Cash Express (MPOS)/ POS	RCBC Cash Express is the first and only mobile ATM enabled by a POS terminal. RCBC designed the Cash Express to be the accessible neighborhood ATM that can reach even far flung areas. RCBC CashExpress provides customers the functionalities of an ATM (account inquiry, bill payments, fund transfers, cash in and cash out). It enables customers to do their banking transactions outside the regular Business Centers (BCs) and Automated Teller Machines (ATMs), conveniently through the Bank's partner merchants right within their very own communities.
TouchQ	Touch-Q is RCBC's queuing platform/system that allows quick and efficient servicing by managing queuing in branches. Touch Q is a self-service kiosks found in our business centers and at the same time is an online portal that enables online advanced preparation of banking requests such as Cash or Check Deposit, Cash Withdrawal, Check Encashment , Bills Payment, Fund Transfer or Account Opening so that customers can quickly complete their banking transactions once they arrive at the branch. This online feature extends convenience given to our customers by pre-staging their transactions already ahead of time.

REMITTANCE SERVICES

Products/ Services	Short Description
RCBC TeleCredit (Credit to a Bank Account)	With RCBC TeleCredit, OFWs can have their remittances credited directly to an RCBC, RCBC Savings account or any account with other local banks. This is the safest and fastest way to remit funds as proceeds are immediately credited to the beneficiary's account.
RCBC TeleRemit (Cash Pick-Up)	The beneficiary has the option of picking up the cash from any branch of RCBC, RCBC Savings Bank, RMB or branch of domestic tie-up partners. These domestic tie-up partners make it possible for the beneficiary to claim his/her remittance even after banking hours or during weekends and holidays.
RCBC TelePay (International Bills Payment)	Telepay is RCBC's international bills payment service that allows overseas Filipinos to course their payments intended to around forty (40) Telepay-accredited companies in the Philippines. Remitters may pay for their SSS contributions, home amortizations and insurance premiums, among others, with the use of this service.
RCBC TeleDoor2Door (Cash Delivery)	With RCBC Telemoney Door2Door, cash is delivered via courier directly to the beneficiary's given address, providing ease and convenience to the beneficiary.
Maritime Allotment Payment System (MAPS)	A complete payroll solution system designed specifically for shipping and manning companies that deploy employees abroad. A 201 HR file, it can generate reports such as Philhealth, Pag-ibig and SSS as well as print payslips for both seafarers and beneficiaries.

CREDIT CARDS	
Products/ Services	**Short Description**
RCBC Bankard	
Black Platinum Mastercard	The prestigious card for highly career-oriented individuals who seek the finer aspects of life. Available in Peso and U.S. Dollar variants. Cardholders can get free Travel Insurance & Purchase Protection, access to Cash in the Philippines and abroad through the Cash Advance facility, up to five (5) supplementary cardholders with free annual membership fees for life, Flexible Rewards Program that allows them to choose how they want to be rewarded: Points, AIRMILES, Cash Rebates.
Visa Infinite Card	The premium lifestyle card that provides cardholders 5% rebate on clothing and apparel purchases, both here and abroad. Cardholders can also avail of free Travel Insurance and Purchase Protection, free Membership to Priority Pass which provides access to top airport lounges worldwide, up to nine (9) supplementary cardholders with free annual membership fees for life , and a flexible Rewards Program that allows them to choose how they want to be rewarded: Points, AIRMILES, Cash Rebates.
World Mastercard	The highly esteemed card for select cardholders that provides them with FREE Travel Insurance of up to Php1 Million; access to over 600 Airport VIP Lounges worldwide via complimentary membership to Priority Pass; access to worldwide offers like a competitively priced and high-quality international phone service; and free-for-life supplementary cards.
Fully Booked-RCBC Bankard MasterCard	The co-brand card that gives cardholders who are book-lovers access to unique finds and latest releases from Fully Booked. Its exlusive benefits include a year-round 10% Discount on purchases at Fully Booked, Bibliarch and Sketch Books; 10% cash rebate everytime the card is used in Fully Booked branches; 0% installment on selected items at Fully Booked, Bibliarch and Sketch Books at 3 and 6 months installment terms for a minimun purchase of Php3,000 and Php5,000, respectively; plus, a welcome gift of Php500 Fully Booked Gift Certificate for new cardholders.
RCBC Bankard Web Shopper	An online security feature offered by RCBC Bankard whereby a separate card is provided specifically for online purchases carrying only a portion of the available limit of the main card. The RCBC Bankard Webshopper provides an ideal means to pay recurring bills because it has a different card number, expiry date and CVV/CVC from the regular card; it operates using a one-time password (OTP) and it is automatically enrolled in Spend Monitor for real-time alerts whenever an online purchase is made. Webshopper also offers exclusive deals, rewards, rebates and 0% installment on online purchases.
Diamond Platinum Mastercard	The only platinum card that lets cardholders enjoy heart-fulfilling shopping through its Diamond Cares program whereby every Php100 charged to the card generates a donation of Php0.20 to Gawad Kalinga's Kusina ng Kalinga whose aim is to fight malnutrition among public school children. In addition, it also gives cardholders access to exclusive benefits like Unli 0% installment; free travel privileges that include free travel insurance and purchase protection; a flexible and generous Rewards Program that offers free flights, cash rebates, shopping credits, gift checks and even deposits to an RCBC or RCBC Savings Bank account; free-for-life supplementary cards; and financial management tools to help the cardholder stay on top of his/her spending.
UnionPay Card	The best card for people who make frequent trips to Hong Kong and Mainland China. This card offers cardholders 2X Rewards Points when it is used in hotels and restaurants in China; FREE access to luxurious airport lounges in NAIA; and free-for-life supplementary cards.
Classic and Gold Card	RCBC Bankard's core brands for the young professional enjoying financial independence or moving up the ladder of success, these cards carry exclusive benenfits like a flexible and generous Rewards Program that offers free flights, cash rebates, shopping credits, gift checks and even deposits to an RCBC or RCBC Savings Bank account; financial management tools to help the cardholder stay on top of his/her spending; and special discounts and treats from RCBC Bankard partner establishments nationwide.
RCBC Bankard Balesin World Mastercard	Co-branded card for members of the prestigious Balesin Island Club, this card offers cardholders Free-for-Life Membership Fee; exclusive travel, shopping, and dining deals with Mastercard Moments; non-expiring Rewards Points that can be redeemed as payment for Club transactions at point-of-sale, as Airmiles or as cash rebate; complimentary Priority Pass™ membership; free access to the Miascor and Skyview Lounges; and free Travel Insurance up to Php1 Million.

TRUST SERVICES	
Products/ Services	**Short Description**
Trusteeship	
Retirement Fund Management	An arrangement which provides companies with expert assistance and advice in the setting-up, management and administration of employee benefit plans to provide for retirement, welfare, savings and other benefits to its employees.
Corporate and Institutional Trust	An arrangement established by juridical entities, institutions, foundations, NGOs, agencies, whether government or private, primarily for charitable, religious, educational, athletic, scientific, medical, cultural, specialized lending or developmental project or such other purposes of similar nature for the purpose of seeking assistance in the management of their investible funds.
Pre-Need Trust Fund Management	A trust fund set up by a pre-need company with a duly licensed trust entity for the delivery of benefits to plan holders under their respective plan contracts, which trust funds shall be managed and administered by the trust entity in accordance with the Pre-need Code and the regulations of the Insurance Commission.
Customized Employee Savings Plan	A product which allows companies to augment their retirement or provident funds through a disciplined approach to saving by encouraging its employees to set aside some of their regular pay for investment and savings purposes.
Employee Savings Plan	A savings plan established by a company for its employees for the purpose of pooling together employee contributions for collective investment and reinvestment in RCBC's Rizal Peso Money Market Fund.
Personal Management Trust	A living trust created by an agreement whereby the trustor conveys property of funds to be managed by the trustee, based on the terms and conditions in the agreement.
Estate Planning	An arrangement where the trust institution provides advice and facilitates for an individual the process of accumulating wealth, conserving and growing the family fortune and preparing for the orderly and cost-efficient distribution of assets to the intended beneficiaries.
Mortgage/Collateral Trust	An arrangement wherein the trust institution acts as an intermediary between a borrower and its creditors in the administration of a single property or a pool of properties securing the loans of a borrower.
Bond Trusteeship	An arrangement wherein the trust institution is given the authority and power by a bond issuer to monitor the terms of a bond indenture and protect the interest of the bondholders.
Legal/Quasi-judicial Trust	Trust agreements mandated by law, executive order, a court or other government regulatory agency, such as in cases of but not limited to receivership, receiving/custodianship arrangements for IPOs or rights offering.
Project Accounts Trusteeship	An arrangement wherein a trust entity manages and administers the cash flows and project accounts in relation to project finance arrangements between a borrower and a group of creditors.
Agency	
Safekeeping	Agency agreements where the property owner turns over to the trust institution his valuables or other instruments such as or those similar to transfer certificate of title or certificate of deposits, where the trust institution has no other duty but to keep the property safe and return or deliver the same to the owner upon the latter's order or instruction.
Escrow	An arrangement wherein a trust entity, as escrow agent, acts as a neutral third party to protect the interest of two or more contracting parties while conditions upon which the contract is contingent are being fulfilled, or to protect the parties' interests in case of default.
Investment Management	An agency account wherein the trust institution manages and invests funds delivered by individual or corporate clients in accordance with certain client-prescribed guidelines and parameters.
Loan/Facility and Paying Agency	An arrangement wherein the trust institution acts for and in behalf of a borrower for the purpose of overseeing the timely and organized implementation of the terms and conditions of a loan/facility arrangement with a group of creditors, including the collection of payments on the facility/loan accounts for remittance to the creditors.
Bond Registry and Paying Agency	Agency agreement where the trust institution is appointed as registrar and/or paying agent for various financial transactions such as but not limited to loan paying services to distribute interest payments and prinicpal amortizations, bond paying services to distribute coupon and principal payments to bond investors or simple distribution of funds to numerous investors.
Receiving Agency	An agency arrangement where the trust institution provides receiving bank services in connection with initial public offerings, secondary rights offerings, rights offering and other transactions requiring the recording and receipt of funds from various clients.
Sinking Fund Management	An arrangement whereby an individual or corporation sets aside a certain sum of money for a certain period of time, proceeds of which shall be used to pay certain obligations or shall be utilized for the specific purpose for which the sinking fund was intended.
Stock Transfer and Dividend Paying Agency	An agency arrangement where the trust entity is engaged in ascertaining, verifying and recording the ownership and transfer of the shares of stock of a corporation as well as the issuance of cash or stock dividends to the company's shareholders.

TRUST SERVICES	
Products/ Services	**Short Description**
Unit Investment Trust Fund	An open-ended pooled trust funds denominated in any acceptable currency operated and administered by trust entities and made available by participation of various clients, both individual and corporate.
Rizal Peso Money Market Fund	A peso-denominated money market UITF which invests and reinvests in a portfolio of short-term peso fixed-income securities with a maximum portfolio duration of one year.
Rizal Peso Cash Management Fund	A peso-denominated money market UITF which invests and reinvests in a portfolio of short-term peso fixed-income securities with a maximum portfolio duration of one year and has a higher minimum initial investment requirement, a shorter minimum holding period and a lower trust fee.
Rizal Peso Bond	A peso-denominated long-term bond UITF which invests and reinvests in a portfolio of short-term and long-term peso fixed-income securities with a minimum portfolio duration of three years.
Rizal Balanced Fund	A peso-denominated balanced UITF which invests and reinvests up to a maximum of 60% of the Fund in equities listed and to be listed in the Philippine Stock Exchange, with the balance invested in fixed income securities.
Rizal Equity Fund	A peso-denominated equity UITF which invests and reinvests up to 100% of the Fund in equities listed and to be listed in the Philippine Stock Exchange, with the balance invested in fixed income securities.
Rizal Dollar Money Market Fund	A dollar-denominated money market UITF which invests and reinvests in a portfolio of short-term dollar fixed-income securities with a maximum portfolio duration of one year.
Rizal Dollar Bond Fund	A dollar-denominated long-term bond UITF which invests and reinvests in a portfolio of short-term and long-term dollar fixed-income securities with a minimum portfolio duration of three years.
Rizal Global Equity Feeder Fund*	A dollar-denominated equity UITF which invests and reinvests in the Morgan Stanley Global Quality Fund (GQF), a Fund which invests in equities of companies who have a dominant position in the industries they operate in the world's developed countries.
Bond Trusteeship	An arrangement wherein the trust institution is given the authority and power by a bond issuer to monitor the terms of a bond indenture and protect the interest of the bondholders.
Legal/Quasi-judicial Trust	Trust agreements mandated by law, executive order, a court or other government regulatory agency, such as in cases of but not limited to receivership, receiving/custodianship arrangements for IPOs or rights offering.
Project Accounts Trusteeship	An arrangement wherein a trust entity manages and administers the cash flows and project accounts in relation to project finance arrangements between a borrower and a group of creditors.

TREASURY	
Products/ Services	**Short Description**
Foreign Exchange	
Foreign Exchange Spot	Exchange of one currency for another currency (USD/PHP, USD vs Euro, JPY, GBP, SGD, etc.)
Foreign Exchange Forwards	Exchange of one currency for another at a future date (USD/PHP fwd)
Foreign Exchange Swaps	Combination of a spot FX deal and forward an FX forward (USD/PHP up to one year)
Fixed Income	Trading of government and corporate debt papers for various debt issuers
Peso-denominated government securities and other debt instruments	
Treasury bills	
Fixed rate treasury notes (FXTNs)	
Retail treasury bonds	
Local government units bonds	
Quasi-sovereign bonds or government-owned and controlled corporate bonds	
Short and long-term commercial papers (STCPs/LTCPs)	
Global peso notes	
Corporate bonds	
Foreign currency denominated bonds	
Republic of the Philippines 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	
Interbank Money Market	Market in which Banks lend to one another for a specified term (usually one week or less with majority being overnight)
Derivatives	
Interest rate swaps	Exchange of interest rate cash flows, usually from fixed rate to floating rate (net settlement) (PHP IRS , USD IRS, etc.)
Cross currency swaps	An agreement between two parties to exchange interest payments and principal of two different currencies.
Cross Currency Asset swaps	Swap dealt with clients to convert from once currency cash flow to another currency cash flow, usually a fixed to fixed or fixed to float swap.

CORPORATE CASH MANAGEMENT SERVICES	
Products/ Services	**Short Description**
Collection and Receivables Services	
Bills Collection	Billers or merchants can efficiently and conveniently collect payments from their payors/ customers through RCBC's strategically located branches nationwide, RCBC Online Retail Internet Facility, RCBC Mobile Banking and through Automated Teller Machines. Payments will be credited centrally to the biller/merchants account at the end-of-day and daily collection report summarizing all collections received may be transmitted.
Auto Debit Agreement (ADA)	It facilitates the collection of bills/dues of our client's billers by automatically debiting the payor's RCBC account enrolled in ADA Facility.
Deposit Pick-up	RCBC's fleet of armored cars is dispatched to the client's offices or outlets to pick-up funds and deposit to the client's nominated RCBC account. This service fulfills the client's need of having its sales collections and other funds collected in a secure and safe manner.
PDC Warehousing	Safekeeping or custodianship of post-dated checks are outsourced to RCBC. All checks will be safe kept in vaults and will be deposited to the customer's RCBC account on maturity date. The status of the PDCs in RCBC custody may be viewed or monitored online through the RCBC Online Corporate (ROC) internet banking system.
Channels	
Over the Counter (OTC)	Transact Over-the-Counter payments in over 400 RCBC branches nationwide.
Automated Teller Machine (ATM)	With over 1,400 ATMs nationwide, you can save time and evade the queing at payment centers
Internet – RCBC Online Corporate (ROC)	The latest internet banking experience for RCBC corporate clients. ROC is equipt with the latest securities, and notifications that will help client feel more secure and experience almost real time updates and notifications. Plus other services such as Fund Transfer, Payroll Creditings, Accounts Inquiry and Transaction History, ACA, ADA, just to name a few.
Mobile App	Approve your online transactions, anytime, anywhere.
Disbursements	
ROC Managers & Corporate Checks	"Check Printing facilities that allow customers to prepare their checks, vouchers, and acknowledgment receipts via ROC. Printing and releasing can either be done in the comfort of the customer's own office, or can be outsourced to RCBC though its releasing branches nationwide.
Employee Payments Service (Payroll Services)	The Employee Payments Service is RCBC's payroll facility that allows clients to conveniently send payroll instructions to credit the RCBC accounts of their employees.
Auto Credit Arrangement (ACA)	Facility to transfer funds from an ROC user account to an enrolled RCBC account of suppliers and/or payees.
Government Payment	
Payment Gateway	Payment Gateway is an internet-based facility that connects to BIR's filing website, eFPS, for the completion of tax payment transactions. After a payment goes through a corporate client's approval workflow, funds are transferred from the client's enrolled current/savings account and remitted to BIR the following day.
Third Party Services	
Collection and Receivables Services	same as above receivable products
Bancnet eGov - SSS/PAg-Ibig/Philhealth	BancNet's e-Gov Online Facility is a web-based electronic filing and payment facility administered by BancNet. It acts as a gateway for the electronic processing of loan and contribution payments between employers and government agencies (SSS, PhilHealth, & Pag-IBIG).

INVESTMENT BANKING	
Products/ Services	**Short Description**
Underwriting of Debt and Equity Securities for distribution via Public Offering or Private Placement:	Guaranteeing the distribution and sale of equity and debt securities issued by private institutions via public offering or private placement. This also includes securities of the Government or its instrumentalities.
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:	Facilitates the raising of funds from a lender or a party of lenders which provide credit facilities, either in peso or fcdu. It also includes negotiating the financing structure for project finance loans.
Syndicated Loans (Peso and Dollar)	
Joint Ventures	
Project Finance	
Financial Advisory and Consultancy	Providing long-term and/or short-term advice to clients, in the areas of mergers and acquisitions, corporate finance strategies, restructurings, company valuation and spin-offs.
Mergers and Acquisitions	

RCBC
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