RCBC

A YGC Member

29 February, 2016

MS. JANET A. ENCARNACION
Head, Disclosure Department
THE PHILIPPINE STOCK EXCHANGE
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Re: FY 2015 Audited Financial Statement

Good day!

Please find attached the Audited Financial Statement for FY 2015 of Rizal Commercial Banking Corporation.

Thank you.

Sincerely yours,

MA. CHRISTINA P. ALVAREZ
Senior Vice President & Corporate Information Officer

2/29/16
FLORENTINO M. MADONZA
Senior Vice President &
Head, Controllership Group

Encl: a/s

MS. VINA VANESSA S. SALONGA
Head – Issuer Compliance and Disclosure Department
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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

We have audited the accompanying financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2015 and 2014, 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, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rizal Commercial Banking Corporation and subsidiaries and of Rizal Commercial Banking Corporation as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015, in accordance with Financial Reporting Standards in the Philippines for Banks, as described in Note 2 to the financial statements.

Emphasis of a Matter

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

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

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PTR No. 5321722, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-2 (until Oct. 2, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-21-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 29, 2016

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
RESOURCES					
CASH AND OTHER CASH ITEMS	9	**P 14,070**	P 13,085	**P 10,127**	P 9,539
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**50,617**	46,099	**42,026**	37,763
DUE FROM OTHER BANKS	9	**19,701**	16,600	**18,196**	15,535
TRADING AND INVESTMENT SECURITIES - Net	10	**111,201**	100,790	**97,790**	87,540
LOANS AND RECEIVABLES - Net	11	**299,119**	261,574	**231,708**	205,614
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES - Net	12	**363**	321	**8,748**	7,999
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**7,602**	7,031	**4,975**	4,487
INVESTMENT PROPERTIES - Net	14	**3,370**	5,355	**2,883**	3,426
OTHER RESOURCES - Net	15	**10,018**	7,050	**6,201**	5,027
TOTAL RESOURCES		**P 516,061**	P 457,905	**P 422,654**	P 376,930

	Notes	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	17	**P 342,362**	P 315,761	**P 264,070**	P 248,022
BILLS PAYABLE	18	**49,404**	39,799	**45,816**	36,837
BONDS PAYABLE	19	**39,364**	23,486	**39,364**	23,486
SUBORDINATED DEBT	20	**9,936**	9,921	**9,936**	9,921
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**4,453**	4,671	**3,404**	3,498
OTHER LIABILITIES	22	**12,413**	11,136	**9,247**	8,474
Total Liabilities		**457,932**	404,774	**371,837**	330,238
EQUITY	23	**58,129**	53,131	**50,817**	46,692
TOTAL LIABILITIES AND EQUITY		**P 516,061**	P 457,905	**P 422,654**	P 376,930

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	GROUP			PARENT COMPANY		
		2015	2014	2013	**2015**	2014	2013
INTEREST INCOME							
Loans and receivables	11	**P 17,462**	P 15,961	P 14,302	**P 12,163**	P 11,143	P 10,138
Trading and investment securities	10	**3,880**	4,026	4,259	**3,455**	3,578	3,762
Others	9, 24	**178**	213	263	**145**	190	246
		21,520	20,200	18,824	**15,763**	14,911	14,146
INTEREST EXPENSE							
Deposit liabilities	17	**2,992**	2,581	2,682	**2,006**	1,849	1,855
Bills payable and other borrowings	18, 19, 20, 24	**2,951**	2,652	2,831	**2,832**	2,519	2,698
		5,943	5,233	5,513	**4,838**	4,368	4,553
NET INTEREST INCOME		**15,577**	14,967	13,311	**10,925**	10,543	9,593
IMPAIRMENT LOSSES - Net	16	**2,350**	2,509	2,054	**1,150**	1,663	1,380
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**13,227**	12,458	11,257	**9,775**	8,880	8,213
OTHER OPERATING INCOME							
Service fees and commissions	2	**2,897**	2,297	2,398	**1,217**	1,166	1,375
Trading and securities gains - net	2, 10	**1,406**	2,545	2,600	**1,311**	1,869	1,762
Trust fees	27	**286**	297	304	**232**	255	257
Foreign exchange gains - net	2, 19	**181**	237	264	**133**	199	221
Miscellaneous	25	**1,885**	1,726	4,244	**2,054**	2,668	4,208
		6,655	7,102	9,810	**4,947**	6,157	7,823
TOTAL OPERATING INCOME		**P 19,882**	P 19,560	P 21,067	**P 14,722**	P 15,037	P 16,036

Forward

	Notes	GROUP 2015	GROUP 2014	GROUP 2013	PARENT COMPANY 2015	PARENT COMPANY 2014	PARENT COMPANY 2013
TOTAL OPERATING INCOME		**P 19,882**	P 19,560	P 21,067	**P 14,722**	P 15,037	P 16,036
OTHER OPERATING EXPENSES							
Employee benefits	24	**4,731**	4,064	3,886	**3,190**	2,748	2,639
Occupancy and equipment-related	28, 29	**2,607**	2,528	2,390	**1,917**	1,863	1,731
Depreciation and amortization	13, 14, 15	**1,611**	1,577	1,318	**994**	860	772
Taxes and licenses	14	**1,437**	1,463	1,708	**938**	1,016	1,202
Miscellaneous	25	**4,675**	4,604	5,172	**3,397**	3,483	3,943
		15,061	14,236	14,474	**10,436**	9,970	10,287
PROFIT BEFORE TAX		**4,821**	5,324	6,593	**4,286**	5,067	5,749
TAX EXPENSE (INCOME)	26	**(307)**	914	1,259	**18**	588	967
NET PROFIT		**P 5,128**	P 4,410	P 5,334	**P 4,268**	P 4,479	P 4,782
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 5,129**	P 4,411	P 5,321			
NON-CONTROLLING INTERESTS		**(1)**	(1)	13			
		P 5,128	P 4,410	P 5,334			
Earnings Per Share (EPS)	30						
EPS before impact of capital redemption		**P 3.60**	P 3.11	P 3.95	**P 2.97**	P 3.16	P 3.52
Impact of redemption of Hybrid Perpetual Securities	23	**(0.53)**	-	-	**(0.53)**	-	-
Basic and diluted EPS		**P 3.07**	P 3.11	P 3.95	**P 2.44**	P 3.16	P 3.52

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2015**	2014	2013	**2015**	2014	2013
NET PROFIT		**P 5,128**	P 4,410	P 5,334	**P 4,268**	P 4,479	P 4,782
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**(1,044)**	1	(773)	**(987)**	80	(755)
Fair value gains (losses) on financial assets at fair value through other comprehensive income	10, 23	**(140)**	118	-	**(220)**	56	-
		(1,184)	119	(773)	**(1,207)**	136	(755)
Items that will be reclassified subsequently to profit or loss							
Translation adjustments on foreign operations	23	**(10)**	(5)	4	**-**	-	-
Fair value losses on available-for-sale securities	10, 23	**-**	-	(8,150)	**-**	-	(6,982)
		(10)	(5)	(8,146)	**-**	-	(6,982)
Total Other Comprehensive Income (Loss)	23	**(1,194)**	114	(8,919)	**(1,207)**	136	(7,737)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**P 3,934**	P 4,524	(P 3,585)	**P 3,061**	P 4,615	(P 2,955)
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 3,932**	P 4,525	(P 3,598)			
NON-CONTROLLING INTERESTS		**2**	(1)	13			
		P 3,934	P 4,524	(P 3,585)			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(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, 2015		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131
Transactions with owners	23											
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	-	7,729	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	-	(723)	(5,606)	-	(5,606)
Cash dividends		-	-	-	-	-	-	-	(1,059)	(1,059)	-	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	-	(1,782)	1,064	-	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,197)	-	-	5,129	3,932	2	3,934
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	22	-	(22)	-	-	-
		1,242	-	6,487	(4,883)	(1,200)	22	-	3,328	4,996	2	4,998
Balance at December 31, 2015		**P 13,999**	**P 3**	**P 22,635**	**P -**	**(P 518)**	**P 388**	**(P 97)**	**P 21,695**	**P 58,105**	**P 24**	**P 58,129**
Balance at January 1, 2014, as previously stated		P 12,757	P 3	P 16,148	P 4,883	(P 5,154)	P 348	(P 282)	P 16,082	P 44,785	P 23	P 44,808
Effect of adoption of PFRS 9, *Financial Instruments*	2	-	-	-	-	5,694	-	-	(177)	5,517	-	5,517
Balance at January 1, 2014, as restated		12,757	3	16,148	4,883	540	348	(282)	15,905	50,302	23	50,325
Transactions with owners	23											
Effect of retirement of preferred shares		-	-	-	-	-	-	185	(185)	-	-	-
Cash dividends		-	-	-	-	-	-	-	(1,718)	(1,718)	-	(1,718)
Total transactions with owners		-	-	-	-	-	-	185	(1,903)	(1,718)	-	(1,718)
Total comprehensive income (loss) for the year	23	-	-	-	-	114	-	-	4,411	4,525	(1)	4,524
Transfer of fair value losses on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	28	-	-	(28)	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	18	-	(18)	-	-	-
		-	-	-	-	142	18	185	2,462	2,807	(1)	2,806
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131
Balance at January 1, 2013		P 11,409	P 3	P 9,397	P 4,883	P 3,765	P 329	(P 330)	P 12,676	P 42,132	P 30	P 42,162
Transactions with owners	23											
Issuance of common shares during the year		1,348	-	6,751	-	-	-	-	-	8,099	-	8,099
Effect of change in percentage ownership over subsidiaries		-	-	-	-	-	-	48	(204)	(156)	(20)	(176)
Cash dividends		-	-	-	-	-	-	-	(1,692)	(1,692)	-	(1,692)
Total transactions with owners		1,348	-	6,751	-	-	-	48	(1,896)	6,251	(20)	6,231
Total comprehensive income (loss) for the year	23	-	-	-	-	(8,919)	-	-	5,321	(3,598)	13	(3,585)
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	19	-	(19)	-	-	-
		1,348	-	6,751	-	(8,919)	19	48	3,406	2,653	(7)	2,646
Balance at December 31, 2013		P 12,757	P 3	P 16,148	P 4,883	(P 5,154)	P 348	(P 282)	P 16,082	P 44,785	P 23	P 44,808

	Notes	PARENT COMPANY							
		COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	SURPLUS	TOTAL EQUITY
Balance at January 1, 2015		P 12,757	P 3	P 16,148	P 4,883	P 749	P 341	P 11,811	P 46,692
Transaction with owners	23								
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	(723)	(5,606)
Cash dividends		-	-	-	-	-	-	(1,059)	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	(1,782)	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,207)	-	4,268	3,061
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
		1,242	-	6,487	(4,883)	(1,207)	15	2,471	4,125
Balance at December 31, 2015		**P 13,999**	**P 3**	**P 22,635**	**P -**	**(P 458)**	**P 356**	**P 14,282**	**P 50,817**
Balance at January 1, 2014, as previously stated		P 12,757	P 3	P 16,148	P 4,883	(P 4,489)	P 327	P 9,521	P 39,150
Effect of adoption of PFRS 9, *Financial Instruments*	2	-	-	-	-	5,102	-	(457)	4,645
Balance at January 1, 2014, as restated		12,757	3	16,148	4,883	613	327	9,064	43,795
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,718)	(1,718)
Total comprehensive income for the year	23	-	-	-	-	136	-	4,479	4,615
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	14	(14)	-
		-	-	-	-	136	14	2,747	2,897
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 749	P 341	P 11,811	P 46,692
Balance at January 1, 2013		P 11,409	P 3	P 9,397	P 4,883	P 3,248	P 312	P 6,446	P 35,698
Transactions with owners	23								
Issuance of common shares during the year		1,348	-	6,751	-	-	-	-	8,099
Cash dividends		-	-	-	-	-	-	(1,692)	(1,692)
Total transactions with owners		1,348	-	6,751	-		-	(1,692)	6,407
Total comprehensive income (loss) for the year	23	-	-	-	-	(7,737)	-	4,782	(2,955)
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
		1,348	-	6,751	-	(7,737)	15	3,075	3,452
Balance at December 31, 2013		P 12,757	P 3	P 16,148	P 4,883	(P 4,489)	P 327	P 9,521	P 39,150

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2015**	2014	2013	**2015**	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 4,821**	P 5,324	P 6,593	**P 4,286**	P 5,067	P 5,749
Adjustments for:							
Interest income		**(21,520)**	(20,200)	(18,824)	**(15,763)**	(14,911)	(14,146)
Interest received		**21,149**	19,980	19,106	**15,593**	14,757	14,433
Interest expense		**5,943**	5,233	5,513	**4,838**	4,368	4,553
Interest paid		**(5,861)**	(5,162)	(5,637)	**(4,720)**	(4,412)	(4,658)
Impairment losses	16	**2,350**	2,509	2,054	**1,150**	1,663	1,380
Depreciation and amortization	13, 14, 15	**1,611**	1,577	1,318	**994**	860	772
Gain on assets sold	14, 25	**(281)**	(333)	(696)	**(162)**	(18)	(512)
Dividend income	25	**(237)**	(285)	(182)	**(766)**	(1,682)	(1,000)
Share in net earnings of associates	12	**(93)**	(24)	(243)	**-**	-	-
Gain from disposals of investments in subsidiary and associates		**-**	-	(1,380)	**-**	-	(1,787)
Operating profit before working capital changes		**7,882**	8,619	7,622	**5,450**	5,692	4,784
Decrease in financial assets at fair value through profit and loss		**11,346**	21,018	8,204	**11,069**	19,381	6,688
Increase in financial assets at fair value through other comprehensive income		**(493)**	(76)	-	**(339)**	-	-
Increase in loans and receivables		**(39,323)**	(28,046)	(50,531)	**(27,179)**	(17,819)	(40,680)
Decrease in investment properties		**1,502**	242	2,905	**408**	657	1,674
Decrease (increase) in other resources		**(1,469)**	942	(414)	**(96)**	(234)	20
Increase in deposit liabilities		**26,601**	17,908	51,096	**16,048**	4,402	47,185
Increase (decrease) in accrued interest, taxes and other expenses		**(89)**	(59)	(502)	**(15)**	(2)	235
Increase (decrease) in other liabilities		**232**	(119)	2,287	**(214)**	337	1,568
Cash generated from operations		**6,189**	20,429	20,667	**5,132**	12,414	21,474
Cash paid for taxes		**(602)**	(792)	(1,382)	**(540)**	(593)	(955)
Net Cash From Operating Activities		**5,587**	19,637	19,285	**4,592**	11,821	20,519
CASH FLOWS FROM INVESTING ACTIVITIES							
Increase in investment securities at amortized cost		**(21,428)**	(20,993)	-	**(21,200)**	(20,577)	-
Acquisitions of bank premises, furniture, fixtures, and equipment	13	**(1,961)**	(912)	(2,751)	**(1,411)**	(573)	(3,319)
Cash dividends received	12, 25	**313**	285	466	**766**	1,682	1,000
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**461**	98	362	**242**	185	52
Acquisitions of intangible assets	15	**(1,348)**	(288)	(304)	**(1,243)**	(124)	(249)
Additional investments in and advances to subsidiaries and associates	12	**-**	(4)	-	**(750)**	(4)	-
Increase in available-for-sale securities		**-**	-	(12,783)	**-**	-	(13,570)
Proceeds from disposals of investments in subsidiary and associates		**-**	-	4,772	**-**	-	5,344
Net Cash Used in Investing Activities		**(23,963)**	(21,814)	(10,238)	**(23,596)**	(19,411)	(10,742)
CASH FLOWS FROM FINANCING ACTIVITIES							
Net proceeds from issuance of bonds payable	19	**15,878**	-	-	**15,878**	-	-
Proceeds from (payments of) bills payable	18	**9,605**	(96)	13,508	**8,979**	(230)	13,096
Issuance of common stock	23	**7,729**	-	8,099	**7,729**	-	8,099
Redemption of hybrid perpetual securities	23	**(5,173)**	-	-	**(5,173)**	-	-
Dividends paid	23	**(1,059)**	(1,718)	(1,692)	**(1,059)**	(1,718)	(1,692)
Net proceeds from issuance of subordinated debt	20	**-**	9,921	-	**-**	9,921	-
Redemption of subordinated debt	20	**-**	-	(10,987)	**-**	-	(10,987)
Net Cash From Financing Activities		**26,980**	8,107	8,928	**26,354**	7,973	8,516
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Balance Carried Forward)*		**P 8,604**	P 5,930	P 17,975	**P 7,350**	P 383	P 18,293

	Note	GROUP 2015	GROUP 2014	GROUP 2013	PARENT COMPANY 2015	PARENT COMPANY 2014	PARENT COMPANY 2013
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Balance Brought Forward)*		**P 8,604**	P 5,930	P 17,975	**P 7,350**	P 383	P 18,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	**13,085**	9,826	9,380	**9,539**	7,563	7,432
Due from Bangko Sentral ng Pilipinas	9	**46,099**	52,491	36,620	**37,763**	48,679	31,590
Due from other banks	9	**16,600**	7,537	5,879	**15,535**	6,212	5,139
		75,784	69,854	51,879	**62,837**	62,454	44,161
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**14,070**	13,085	9,826	**10,127**	9,539	7,563
Due from Bangko Sentral ng Pilipinas	9	**50,617**	46,099	52,491	**42,026**	37,763	48,679
Due from other banks	9	**19,701**	16,600	7,537	**18,196**	15,535	6,212
		P 84,388	P 75,784	P 69,854	**P 70,187**	P 62,837	P 62,454

Supplemental Information on Non-cash Investing and Financing Activities:

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

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

3. In 2014, the Parent Company reclassified a portion of RSB Corporate Center including the land where it is located with carrying amount of P1,985 and P419, respectively, from Bank Premises, Furniture, 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).

4. In 2013, 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).

5. The Group and the Parent Company foreclosed real and other properties totalling to P1,631 and P13, respectively, in 2015, P834 and P18, respectively, in 2014, and P690 and P16, respectively, in 2013, in settlement of certain loan accounts (see Note 14).

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. It also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans and mortgage/housing loans), remittance, leasing and stock brokering.

As a banking institution, the Group's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). As such, the Group is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Group's activities are subject to the provisions of Republic Act (RA) No. 8791, the General Banking Law of 2000, and other related banking laws.

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE).

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

	Group		**Parent Company**	
	2015	2014	**2015**	2014
Automated teller machines (ATMs)	**1,342**	1,202	**906**	812
Branches	**420**	414	**259**	252
Extension offices	**36**	35	**26**	25

RCBC is 41.68% owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address located at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

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

1.2 Subsidiaries and Associates

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

Subsidiaries/Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2015	2014
Subsidiaries:				
RCBC Savings Bank, Inc. (RSB)	Consumer and retail banking		**100.00**	100.00
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	Remittance	(a)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(b)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.39**	99.39
Merchants Savings and Loan Association, Inc. (Rizal Microbank)	Thrift banking		**98.03**	97.47
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**97.79**	97.79
RCBC Rental Corporation	Property leasing	(d)	**97.79**	97.79
Special Purpose Companies (SPCs):	Real estate buying and selling	(e)		
Best Value Property and Development Corporation (Best Value)			**100.00**	100.00
Cajel Realty Corporation (Cajel)			**100.00**	100.00
Crescent Park Property and Development Corporation (Crescent Park)			**100.00**	100.00
Crestview Properties Development Corporation (Crestview)			**100.00**	100.00
Eight Hills Property and Development Corporation (Eight Hills)			**100.00**	100.00
Fairplace Property and Development Corporation			**100.00**	100.00
Gold Place Properties Development Corporation (Gold Place)			**100.00**	100.00
Goldpath Properties Development Corporation (Goldpath)			**100.00**	100.00
Greatwings Properties Development Corporation (Greatwings)			**100.00**	100.00
Happyville Property and Development Corporation			**100.00**	100.00
Landview Property and Development Corporation			**100.00**	100.00
Lifeway Property and Development Corporation (Lifeway)			**100.00**	100.00
Niceview Property and Development Corporation (Niceview)			**100.00**	100.00
Niyog Property Holdings, Inc. (NPHI)		(f)	**100.00**	100.00

Subsidiaries/Associates	Line of Business	Effective Percentage of Ownership 2015	2014
SPCs:			
Princeway Properties Development Corporation (Princeway)		**100.00**	100.00
Stockton Realty Development Corporation		**100.00**	100.00
Top Place Properties Development Corporation (Top Place)		**100.00**	100.00
Associates:			
YGC Corporate Services, Inc. (YCS)	Support services for YGC	**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	**12.88**	12.88

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

Explanatory Notes:

(a) The Parent Company has 83.97% direct ownership interest and 16.03% indirect ownership interest through RCBC IFL. RCBC North America was operational only until March 31, 2014.
(b) A wholly-owned subsidiary of RCBC IFL.
(c) Wholly-owned subsidiaries of RCBC Capital.
(d) A wholly-owned subsidiary of RCBC LFC.
(e) Except for NPHI, the SPCs are wholly-owned subsidiaries of RSB; the SPCs except for NPHI and Cajel, will be liquidated in 2016 pursuant to BSP recommendation (see Note 15.1).
(f) The Parent Company has 48.11% direct ownership interest and 51.89% indirect ownership interest through RSB.

1.3 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the financial statements of RCBC as of and for the year ended December 31, 2015 (including the comparatives as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on February 29, 2016.

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 Financial Reporting Standards in the Philippines for Banks

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

FRSPB are similar to Philippine Financial Reporting Standards (PFRS), which are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy, except for the following accounting treatments for certain financial instruments which are not allowed under PFRS, but were allowed under FRSPB as permitted by the BSP for prudential reporting, and by the Securities and Exchange Commission (SEC) for financial reporting purposes: (i) the non-separation of the embedded derivatives in credit-linked notes (CLNs) and other similar instruments that are linked to Republic of the Philippines (ROP) bonds to their host instruments and reclassification of ROP bonds together with the embedded derivatives in CLNs from the fair value through profit or loss (FVPL) classification to loans and receivables and available-for-sale (AFS) securities classifications; and, (ii) the reclassification of certain financial assets previously classified under AFS Securities category back to held-to-maturity (HTM) category due to the tainting of HTM investments portfolio. The effects of the reclassifications to certain accounts in the statement of profit or loss for the year ended December 31, 2013 under FRSPB are discussed fully in Note 11.3. However, these reclassifications were no longer applicable upon the adoption of PFRS 9 (2009, 2010 and 2013 versions), hereinafter referred to as PFRS 9, effective January 1, 2014.

These financial statements have been prepared using the measurement bases specified by FRSPB 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.

(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 2015 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amended standard and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

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

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

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

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

Annual Improvements to PFRS (2011-2013 Cycle)

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

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

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

(b) Effective in 2015 that is not Relevant to the Company

Among the annual improvements to PFRS (2010-2012 Cycle) that are mandatory for accounting periods beginning on or after July 1, 2014, but not relevant to the Group is PFRS 2 (Amendment) – *Share-based Payment – Definition of Vesting Condition.*

(c) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 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 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that the materiality principle applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented in the statement of comprehensive income based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

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

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

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

(v) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., January 1, 2016), indefinitely.

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

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

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

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

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

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

The detailed information about the Group's early adoption of PFRS 9 is disclosed in its financial statements as of and for the year ended December 31, 2014.

(ix) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group:

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

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

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

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

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

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

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. On the other hand, negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at the date of acquisition over acquisition cost 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 Associates under Miscellaneous Income in the Group's statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

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

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

The Group reassesses whether or not an entity qualifies as an associate in the occurrence of changes to facts and circumstances surrounding its ability to exert significant influence.

(c) Interest in Jointly Controlled Operation

For interests in jointly controlled operations, the Group recognizes in its financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

(d) Transactions with Non-controlling Interests

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

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

In the Parent Company's financial statements, investments in subsidiaries and associates are accounted for at cost, less any impairment loss (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. All other non-derivative financial instruments are treated as debt instruments.

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

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below.

(i) Financial Assets at Amortized Cost

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

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, Investment Securities at Amortized Cost under Trading and Investment Securities, Loans and Receivables and certain Other Resources accounts.

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

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2015 and 2014, the Group has not made such designation.

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

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

A financial asset is considered as held for trading if:

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

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

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

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

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Surplus account.

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

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

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

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

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

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

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

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

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

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

(ii) Loans and Receivables

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Loans and Receivables, Advances to RCBC LFC (in the Parent Company's financial statements) and certain Other Resources accounts in the statement of financial position. Cash and cash equivalents comprise accounts with original maturities of three months or less, including cash and other cash items and non-restricted balances Due from BSP and Due from Other Banks.

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

(iii) HTM Investments

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

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

Should the Group sell other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified to AFS Securities. The tainting provision will not apply if the sales or reclassifications of HTM investments are: (i) so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on its fair value; (ii) occur after the Group has collected substantially all of the financial assets' original principal through scheduled payments or prepayments; or, (iii) are attributable to an isolated event that is beyond the control of the Group, is non-recurring and could have not been reasonably anticipated by the Group.

(iv) AFS Securities

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. As of December 31, 2013, the Group's AFS Securities include government and corporate debt securities and equity securities.

All AFS Securities are measured at fair value. Gains and losses are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity, except for interest, dividend income, impairment losses and foreign exchange difference on monetary assets, which are recognized in profit or loss. When the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserves to profit or loss and is presented as a reclassification adjustment within other comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of profit or loss. Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

A financial asset is reclassified out of the FVPL category when the financial asset is no longer held for the purpose of selling or repurchasing it in the near term or under rare circumstances. A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

For a financial asset reclassified out of the AFS Securities category to Loans and Receivables or HTM Investments, any previous gain or loss on that asset that has been recognized as other comprehensive income is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using effective interest method.

(c) 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 (including Investment Securities at Amortized Cost from January 1, 2014), the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment for individually assessed financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective evaluation of impairment for loans and receivables, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When possible, the Group seeks to restructure loans rather than to take possession of the collateral. This may involve extending the payment arrangement and agreement for new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria evidencing the good quality of the loan are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized as part of Impairment Losses account in profit or loss.

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

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

(ii) Financial Assets Carried at Fair Value Prior to January 1, 2014

For AFS Securities, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS Securities under PAS 39 prior to the application of PFRS 9, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves and recognized in profit or loss.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

In the case of debt instruments classified as AFS Securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss.

If, in a subsequent period, the fair value of debt instruments classified as AFS Securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(iii) Financial Assets Carried at Cost Prior to January 1, 2014

If there is objective evidence of impairment for any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost, the amount of impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

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

Derivatives are categorized as Financial Assets at FVPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value, except for the embedded derivatives in CLNs linked to ROP bonds reclassified to Loans and Receivables together with the host contract prior to January 1, 2014 (see Note 11.3). Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognizes a gain or loss at initial recognition.

Certain derivatives embedded in other financial instruments, such as credit default swaps in a CLN, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at FVPL. These embedded derivatives are measured at fair value, with changes in fair value recognized in profit or loss, except for the embedded derivatives in CLNs linked to ROP bonds which were not bifurcated from the host contracts and were reclassified to loans and receivables as permitted by the BSP for prudential reporting and the SEC for financial reporting purposes prior to January 1, 2014 [see Note 2.1(a)].

2.7 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

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

Buildings	20-40 years
Furniture, fixtures and equipment	3-15 years

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment which are neither held by the Group for sale in the next 12 months nor used in the rendering of services or for administrative purposes. This also includes properties held for rental.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.19). The cost of an investment property comprises its purchases price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss under the Miscellaneous Income account in the year of retirement or disposal.

2.10 Assets Held-for-Sale and Disposal Group

Assets held-for-sale and disposal group which are presented as part of Other Resources, include real and other properties acquired through repossession, foreclosure or purchase that the Group intends to sell within one year from the date of classification as held-for-sale and for which the Group is committed to immediately dispose through an active marketing plan. The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell. Assets classified as held-for-sale are not subject to depreciation or amortization. Asset that ceases to be classified as held-for-sale is measured at the lower of: (a) its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (b) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale resulting in either a gain or loss, is recognized in profit or loss. The Group recognizes an impairment loss for any initial or subsequent write-down of the assets held-for-sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss. On the other hand, any gain from any subsequent increase in fair value less to costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

The gains or losses arising from the sale or remeasurement of assets held-for-sale is recognized in Miscellaneous Income (Expenses) under the Other Operating Income (Expenses) account in the statement of profit or loss.

2.11 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position. The cost of the asset is the amount of cash and cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Branch licenses represent the rights given by the BSP to the Group to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but would require an annual test for impairment (see Note 2.19). Goodwill and branch licenses are subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account represent the right given to RSI which is engaged in stock brokerage to preserve access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in realizable value (see Note 2.19).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight line basis over the expected useful lives of the software of three to ten years.

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

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

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.12 Other Resources

Other resources excluding items classified as intangible assets and deferred tax assets pertain to other assets controlled by the Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.13 Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, bonds payable, subordinated debt, accrued interest and other expenses, and other liabilities (except tax-related payables, post-employment defined benefit obligation and deferred income) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable, bonds payable and subordinated debt are recognized initially at fair value, which is the issue proceeds (fair value of consideration received), net of direct issue costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

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

In 2014 and 2013, dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group and subsequent approval of the BSP. In 2015, BSP approval is no longer necessary as provided by the liberalized rules for banks and quasi-banks on dividend declaration.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g. legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

The Parent Company offers monetized rewards to active cardholders in relation to its credit card business' rewards program. Provisions for rewards are recognized at a certain rate of cardholders' credit card availments, determined by management based on redeemable amounts.

2.15 Equity

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

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

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

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from revaluation of AFS Securities prior to January 1, 2014;

(b) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI from January 1, 2014 upon the Group's adoption of PFRS 9;

(c) Reserves on remeasurements of post-employment defined benefit plan comprising of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions, and actual return on plan assets (excluding account included in net interest); and,

(d) Accumulated translation adjustments related to the cumulative gains from the translation of the financial statements of foreign subsidiaries whose functional currency is different from that of the Parent Company.

Reserve for trust business representing the accumulated amount set aside by the Group under existing regulations requiring the Parent Company and a subsidiary to carry to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Other reserves refer to the amount attributable to the Parent Company arising from the changes in the ownership of the NCI in the Group and the result of the redemption of the preferred stocks of RSB's subsidiaries. This also includes the excess of cost of investment over the net identifiable assets of an acquired subsidiary under the pooling of interest method.

Surplus represents all current and prior period results of operations as disclosed in the statement of profit or loss, reduced by the amount of dividends declared as approved by the BSP.

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 statements 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 at FVPL and AFS Securities using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *Trading and Securities Gains (Losses)*

These are recognized when the ownership of the securities is transferred to the buyer and is computed at the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains as a result of the mark-to-market valuation of investment securities classified as FVPL. Prior to January 1, 2014, in the case of AFS Securities, trading and securities gains or losses recognized in the statement of profit or loss reflect the amounts of fair value gains or losses previously recognized in other comprehensive income and reclassified to profit or loss upon disposal.

(c) *Service Fees and Commissions*

These are recognized as follows:

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

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

(iii) *Loan syndication fees* are recognized upon completion of all syndication activities and where there are no further obligations to perform under the syndication agreement.

(iv) *Service charges and penalties* are recognized only upon collection or accrued where there is a reasonable degree of certainty as to its collectibility.

(v) *Underwriting fees and commissions* are recorded when services for underwriting, arranging or brokering has been rendered.

(d) *Gains on Assets Sold*

Gains on assets sold are included as part of Miscellaneous income under Other Operating Income account, which arises from the disposals of investment properties and real estate properties for sale and assets held-for-sale. This is recognized when the risks and rewards of ownership of the assets is transferred to the buyer, and when the collectibility of the entire sales price is reasonably assured.

(e) *Discounts Earned*

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

Costs and expenses are recognized in profit or loss upon utilization of the resources and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.21).

2.17 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which transfer to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease, and is included as part of Interest Income on loans and receivables.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term. These are recognized as part of Miscellaneous income under Other Operating Income in the statement of profit or loss.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or,

(d) there is a substantial change to the asset.

2.18 Foreign Currency Transactions and Translations

(a) Transactions and Balances

Except for the foreign subsidiaries and accounts of the Group's foreign currency deposit unit (FCDU), the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in foreign currencies are translated to Philippine pesos at the prevailing Philippine Dealing System closing rates (PDSCR) at the end of the reporting period.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary resources and liabilities denominated in foreign currencies are recognized in profit or loss, except when recognized in other comprehensive income and deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equity securities classified as at FVPL, are reported as part of fair value gain or loss.

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

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVPL, financial assets at FVOCI and AFS Securities are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized as gains and losses in other comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The results of operations and financial position of all the Group's foreign subsidiaries (none of which has the currency dependency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Resources and liabilities at the end of each reporting period as presented in the statement of financial position are translated at the closing rate at the date of that statement of financial position;

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

(iii) All resulting exchange differences are recognized as a component of equity.

In consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in other comprehensive income which form part of Revaluation Reserves account in equity. When a foreign operation is sold, the accumulated translation and exchange differences are recognized in profit or loss as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment, investment properties, and other resources (including intangible assets) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use and goodwill are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level.
Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading rights) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Impairment loss is recognized in profit or loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each CGU and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except for intangible assets with indefinite useful life and goodwill, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

Entities under the Group provide respective post-employment benefits to employees through a defined benefit plan and defined contribution plan, as well as other benefits, which are recognized as follows:

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by the Philippine Dealing & Exchange Corp. (PDEx), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and other changes in actuarial assumptions, effect of the changes to the asset ceiling, if any, and actual return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in the subsequent periods.

Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Interest Income or Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as the Social Security System. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of: (i)when it can no longer withdraw the offer of such benefits, and, (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses, based on a fixed formula. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

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

2.21 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of the assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities recognized by the entities under the Group are offset if they have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Relationships and Transactions

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

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

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

2.24 Earnings Per Share

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

In cases of redemption of preference shares, the net income used in the computation of basic and diluted earnings per share 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 FRSPB requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluation of Business Model Applied in Managing Financial Instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment, trading and lending strategies.

(b) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(c) *Classification of Financial Assets as HTM Investments*

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments prior to the adoption of PFRS 9, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments at maturity other than for specific circumstances under the standard as discussed in Note 2.5(b)(iii), it will be required to reclassify the entire class of HTM investments to AFS Securities.

With the adoption of PFRS 9 in 2014, the HTM category and the related provisions on tainting are already omitted.

(d) *Evaluation of Impairment of AFS Securities*

The determination when an investment in AFS securities assets is other-than-temporarily impaired requires the Group to make judgment. In making this judgment with respect to the Group's outstanding AFS securities as of December 31, 2013, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. For investments issued by counterparty under bankruptcy, the Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quotes prices for distressed securities) since current bid prices are no longer available.

Based on management evaluation of information and circumstances affecting the Group's AFS Securities as of December 31, 2013, the Group recognized impairment on AFS Securities amounting to P567 and P478 as of December 31, 2013 in the Group's and Parent Company's financial statements, respectively (see Note 10.4).

(e) *Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

The Group considers each property separately in making its judgment. Such evaluation resulted in the reclassification of a significant portion of the Group's certain building properties from bank premises to Investment Properties upon the commencement of an operating lease in 2014 (see Notes 13 and 14).

(f) *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, 2015 and 2014, most of the Group's lease arrangements qualify as operating leases except for the various lease agreements of RCBC LFC which are accounted for under finance lease.

(g) *Classification and Determination of Fair Value of Acquired Properties*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held-for-Sale and Disposal Group classified under Other Resources if the Group expects that the properties will be recovered through sale rather than use, as Investment Properties if held for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets in accordance with PFRS 9 or PAS 39. At initial recognition, the Group determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property. The Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.4.

(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 resources and liabilities within the next reporting period:

(a) Estimation of Impairment Losses on Loans and Receivables and Investment Securities at Amortized Cost

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

Moreover, the Group holds debt securities measured at amortized cost as of December 31, 2015 and 2014. The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying value of the Group's and Parent Company's loans and receivables and the analysis of the allowance for impairment on such financial assets are shown in Note 11 while the information about the debt securities is disclosed in Note 10.

(b) Determination of Fair Value Measurement for Financial Assets at FVPL, FVOCI and AFS Securities

The Group carries certain financial assets at fair value which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument (see Note 7.2). The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss and other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Group's and Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(c) *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, 2015 and 2014, 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, 2015 and 2014 are disclosed in Note 26.1.

(e) *Estimation of Impairment Losses of Non-financial Assets*

Except for intangible assets with indefinite useful lives, FRSPB requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) *Determination of Fair Value of Investment Properties*

The Group's investment properties are composed of parcels of land, buildings and condominium units which are held for capital appreciation or held-for-lease, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) Valuation of Post-employment Defined Benefits

The determination of the Group's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and related income (expense), and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 24.2.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

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

- The Executive Committee (EXCOM), which meets weekly, approves credit policies and decides on large counterparty credit facilities and limits. Next to the BOD, the EXCOM is the highest approving body in the Group and has the authority to pass judgment upon such matters as the BOD may entrust to it for action in between meetings.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for group capital adequacy and risk management covering credit, market and operational risks under Pillar 1 of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.

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

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

Two senior management committees also provide a regular forum to take up risk issues.

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

- The Asset/Liability Committee (ALCO), chaired by the Treasurer of the Parent Company and with the participation of the CEO and key business and support unit heads including the President of the major subsidiary, RSB, meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices 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 Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure the consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the risk profile group-wide. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's ROC. It participates in the CRECOL and ALCO meetings.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5) in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

4.1 Group's Strategy in Using Financial Instruments

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

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while CLNs and bond options were approved under the Limited User Authority (Type 3). In February 2012, bond forwards, non-deliverable swaps and foreign exchange options have been included under the same Limited User Authority (Type 3). In June 2013, the Parent Company was granted a Type 2 license non-deliverable swaps, FX options, bond and interest rate options, and asset swaps. During the same period, additional Type 3 licenses for foreign exchange-option and bond-option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps.

4.2 Liquidity Risk

Liquidity risk is the potential insufficiency of funds available to meet the demands of the Group's customers to repay maturing liabilities. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

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

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

The gap analyses as of December 31, 2015 and 2014 are presented below.

	Group					
	2015					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 25,761	P 233	P 244	P 15	P 58,135	P 84,388
Investments - net	20,331	2,246	13,571	71,683	3,733	111,564
Loans and receivables - net	26,051	43,676	63,011	117,598	48,783	299,119
Other resources - net	7,783	283	1,209	48	11,667	20,990
Total resources	79,926	46,438	78,035	189,344	122,318	516,061
Liabilities:						
Deposit liabilities	51,332	16,800	19,202	-	255,028	342,362
Bills payable	20,731	565	17,339	10,769	-	49,404
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	9,422	40	-	-	7,404	16,866
Total liabilities	81,485	17,405	70,820	25,790	262,432	457,932
Equity	-	-	-	-	58,129	58,129
Total liabilities and equity	81,485	17,405	70,820	25,790	320,561	516,061
On-book gap	(1,559)	29,033	7,215	163,554	(198,243)	-
Cumulative on-book gap	(1,559)	27,474	34,689	198,243	-	-
Contingent resources	23,434	2,527	2,353	-	-	28,314
Contingent liabilities	23,605	2,545	2,353	-	-	28,503
Off-book gap	(171)	(18)	-	-	-	(189)
Cumulative off-book gap	(171)	(189)	(189)	(189)	(189)	-
Periodic gap	**(1,730)**	**29,015**	**7,215**	**163,554**	**(198,243)**	**-**
Cumulative total gap	**(P 1,730)**	**P 27,285**	**P 34,500**	**P 198,054**	**(P 189)**	**P -**

	Group 2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 23,833	P 524	P 23	P 15	P 51,389	P 75,784
Investments - net	18,009	800	8,849	68,628	4,825	101,111
Loans and receivables - net	25,735	50,765	60,723	86,208	38,143	261,574
Other resources - net	6,709	236	1,352	94	11,045	19,436
Total resources	74,286	52,325	70,947	154,945	105,402	457,905
Liabilities:						
Deposit liabilities	47,505	20,187	16,277	2,097	229,695	315,761
Bills payable	34,763	1,051	1,126	2,859	-	39,799
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	8,764	37	-	-	7,006	15,807
Total liabilities	102,212	21,275	39,630	4,956	236,701	404,774
Equity	-	-	4,883	-	48,248	53,131
Total liabilities and equity	102,212	21,275	44,513	4,956	284,949	457,905
On-book gap	(27,926)	31,050	26,434	149,989	(179,547)	-
Cumulative on-book gap	(27,926)	3,124	29,558	179,547	-	-
Contingent resources	20,208	2,546	2,236	-	-	24,990
Contingent liabilities	21,635	2,744	2,236	-	-	26,615
Off-book gap	(1,427)	(198)	-	-	-	(1,625)
Cumulative off-book gap	(1,427)	(1,625)	(1,625)	(1,625)	(1,625)	-
Periodic gap	(29,353)	30,852	26,434	149,989	(179,547)	-
Cumulative total gap	(P 29,353)	P 1,499	P 27,933	P 177,922	(P 1,625)	P -

	Parent Company					
	2015					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 21,285	P -	P -	P -	P 49,064	P 70,349
Investments - net	17,558	1,433	11,862	63,910	11,775	106,538
Loans and receivables - net	19,256	31,124	29,326	108,175	43,827	231,708
Other resources - net	5,857	4	623	20	7,555	14,059
Total resources	63,956	32,561	41,811	172,105	112,221	422,654
Liabilities:						
Deposit liabilities	35,911	9,185	18,802	-	200,172	264,070
Bills payable	18,228	-	16,819	10,769	-	45,816
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	11,788	-	-	-	863	12,651
Total liabilities	65,927	9,185	69,900	25,790	201,035	371,837
Equity	-	-	-	-	50,817	50,817
Total liabilities and equity	65,927	9,185	69,900	25,790	251,854	422,654
On-book gap	(1,971)	23,376	(28,089)	146,315	(139,631)	-
Cumulative on-book gap	(1,971)	21,405	(6,684)	139,631	-	-
Contingent resources	23,182	2,527	2,353	-	-	28,062
Contingent liabilities	23,182	2,545	2,353	-	-	28,080
Off-book gap	-	(18)	-	-	-	(18)
Cumulative off-book gap	-	(18)	(19)	(18)	(18)	-
Periodic gap	**(1,971)**	**23,358**	**(28,089)**	**146,315**	**(139,631)**	**-**
Cumulative total gap	**(P 1,971)**	**P 21,387**	**(P 6,702)**	**P 139,613**	**(P 18)**	**P -**

	Parent Company 2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 18,920	P -	P -	P -	P 43,917	P 62,837
Investments - net	14,550	729	7,277	62,656	10,327	95,539
Loans and receivables - net	18,290	34,545	32,117	84,022	36,640	205,614
Other resources - net	6,460	7	728	63	5,682	12,940
Total resources	58,220	35,281	40,122	146,741	96,566	376,930
Liabilities:						
Deposit liabilities	31,967	13,398	16,120	2,097	184,440	248,022
Bills payable	32,897	-	1,081	2,859	-	36,837
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	5,272	-	-	-	6,700	11,972
Total liabilities	81,316	13,398	39,428	4,956	191,140	330,238
Equity	-	-	4,883	-	41,809	46,692
Total liabilities and equity	81,316	13,398	44,311	4,956	232,949	376,930
On-book gap	(23,096)	21,883	(4,189)	141,785	(136,883)	-
Cumulative on-book gap	(23,096)	(1,213)	(5,402)	136,383	-	-
Contingent resources	20,125	2,546	2,236	-	-	24,907
Contingent liabilities	20,838	2,744	2,236	-	-	25,818
Off-book gap	(713)	(198)	-	-	-	(911)
Cumulative off-book gap	(713)	(911)	(911)	(911)	(911)	-
Periodic gap	(23,809)	21,685	(4,189)	141,785	(136,383)	-
Cumulative total gap	(P 23,809)	(P 2,124)	(P 6,313)	P 135,472	(P 911)	P -

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company and RSB to maintain asset cover of 100% for foreign currency denominated liabilities of their respective FCDUs, of which 30% must be in liquid assets.

4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

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

4.2.2 Liquidity Risk Stress

To augment its gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. The results of these liquidity stress simulations are reported monthly to the ROC.

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation. The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.

- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. While the Parent Company and RSB use VaR as an important tool for measuring market risk, it is cognizant of its limitations, notably the following:

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

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

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

  – VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.

  – In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.

  – VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

- Net Interest Income (NII)-at-Risk – more specifically, in its current implementation, refers to the impact on net interest income for a 12-month horizon of adverse movements in interest rates. For this purpose, the Group employs a gap analysis to measure the interest rate sensitivity of its financial position (local and foreign currencies). As of a given reporting date, the interest rate gap analysis (see Note 4.3.2) measures mismatches between the amounts of interest-earning assets and interest-bearing liabilities re-pricing within "time buckets" going forward from the end of the reporting period. A positive gap means net asset sensitivity, which implies that an increase in the interest rates would have a positive effect on the Group's net interest income. Conversely, a negative gap means net liability sensitivity, implying that an increase in the interest rates would have a negative effect on the Group's net interest income. The rate movements assumed for measuring NII-at-Risk are consistent with a 99% confidence level with respect to historical rate volatility, assuming a one-year holding period. The Group considers the sum of NII-at-risk and the VaR of the FVPL portfolios as the Earnings-at-Risk (EaR) estimate.

- Capital-at-Risk (CaR) – BSP Circular No. 544 refers to the estimation of the effect of interest rate changes as not only with respect to earnings, but also on the Group's economic value. The estimate, therefore, must consider the fair valuation effect of rate changes on non-trading positions. This includes both those positions with fair value changes against profit or loss, as well as those with fair value changes booked directly against equity. Adding this to the EaR determined using the procedure described above provides a measure of capital subject to interest rate risk. The Group sets its CaR limit as a percentage of the equity in the statement of financial position.

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

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.

- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

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

	Group			
	At December 31	**Average**	**Maximum**	**Minimum**
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**
2014:				
Foreign currency risk	P 2	P 10	P 32	P 2
Interest rate risk	282	163	384	31
Overall	P 284	P 173	P 416	P 33

	Parent Company			
	At December 31	**Average**	**Maximum**	**Minimum**
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**
2014:				
Foreign currency risk	P 2	P 9	P 30	P 2
Interest rate risk	156	82	240	16
Overall	P 158	P 91	P 270	P 18

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**
2015:			
Resources:			
Cash and other cash items	P 830	P 13,240	P 14,070
Due from BSP	-	50,617	50,617
Due from other banks	18,977	724	19,701
Financial assets at FVPL	2,040	3,072	5,112
Financial assets at FVOCI	23	4,185	4,208
Investment securities at amortized cost	88,134	13,747	101,881
Loans and receivables - net	42,729	256,390	299,119
Other resources	95	529	624
	P 152,828	**P 342,504**	**P 495,332**
Liabilities:			
Deposit liabilities	P 73,214	P 269,148	P 342,362
Bills payable	39,141	10,263	49,404
Bonds payable	39,364	-	39,364
Subordinated debt	-	9,936	9,936
Accrued interest and other expenses	770	3,428	4,198
Other liabilities	789	7,955	8,744
	P 153,278	**P 300,730**	**P 454,008**
2014:			
Resources:			
Cash and other cash items	P 957	P 12,128	P 13,085
Due from BSP	-	46,099	46,099
Due from other banks	15,832	768	16,600
Financial assets at FVPL	12,918	3,540	16,458
Financial assets at FVOCI	25	4,512	4,537
Investment securities at amortized cost	66,196	13,599	79,795
Loans and receivables - net	38,772	222,802	261,574
Other resources	144	695	839
	P 134,844	P 304,143	P 438,987

	Group		
	Foreign Currencies	Philippine Pesos	Total
2014:			
Liabilities:			
Deposit liabilities	P 70,002	P 245,759	P 315,761
Bills payable	36,832	2,967	39,799
Bonds payable	23,486	-	23,486
Subordinated debt	-	9,921	9,921
Accrued interest and other expenses	671	3,616	4,287
Other liabilities	969	6,685	7,654
	P 131,960	P 268,948	P 400,863

	Parent Company		
	Foreign Currencies	**Philippine Pesos**	**Total**
2015:			
Resources:			
Cash and other cash items	P 706	P 9,421	P 10,127
Due from BSP	-	42,026	42,026
Due from other banks	17,794	402	18,196
Financial assets at FVPL	2,040	1,953	3,993
Financial assets at FVOCI	23	2,318	2,341
Investment securities at amortized cost	82,979	8,477	91,456
Loans and receivables - net	42,729	188,979	231,708
Other resources	95	384	479
	P 146,366	**P 253,960**	**P 400,326**
Liabilities:			
Deposit liabilities	P 66,720	P 197,350	P 264,070
Bills payable	39,141	6,675	45,816
Bonds payable	39,364	-	39,364
Subordinated debt	-	9,936	9,936
Accrued interest and other expenses	750	2,538	3,288
Other liabilities	788	5,119	5,907
	P 146,763	**P 221,618**	**P 368,381**
2014:			
Resources:			
Cash and other cash items	P 783	P 8,756	P 9,539
Due from BSP	-	37,763	37,763
Due from other banks	15,065	470	15,535
Financial assets at FVPL	12,829	2,233	15,062
Financial assets at FVOCI	25	2,197	2,222
Investment securities at amortized cost	61,899	8,357	70,256
Loans and receivables - net	38,714	166,900	205,614
Other resources	141	644	785
	P 129,456	P 227,320	P 356,776

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2014:			
Liabilities:			
Deposit liabilities	P 65,111	P 182,911	P 248,022
Bills payable	36,832	5	36,837
Bonds payable	23,486	-	23,486
Subordinated debt	-	9,921	9,921
Accrued interest and other expenses	658	2,645	3,303
Other liabilities	636	4,458	5,094
	P 126,723	P 199,940	P 326,663

4.3.2 Interest Rate Risk

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

The interest rate gap analyses of resources and liabilities as of December 31 based on re-pricing maturities are shown below. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, are not re-priced;

- Debt securities at amortized cost are bucketed based on their re-pricing profile;

- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,

- For resources and liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

	Group 2015					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash and cash equivalents	P 25,641	P 113	P 124	P 15	P 58,495	P 84,388
Investments - net	18,876	2,246	12,106	71,683	6,653	111,564
Loans and receivables - net	138,082	29,671	57,941	51,794	21,631	299,119
Other resources - net	262	34	782	659	19,253	20,990
Total resources	182,861	32,064	70,953	124,151	106,032	516,061
Liabilities:						
Deposit liabilities	86,735	14,311	18,809	-	222,507	342,362
Bills payable	47,197	570	1,637	-	-	49,404
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	472	40	-	-	16,354	16,866
Total liabilities	134,404	14,921	54,725	15,021	238,861	457,932
Equity	-	-	-	-	58,129	58,129
Total liabilities and equity	134,404	14,921	54,725	15,021	296,990	516,061
On-book gap	48,457	17,143	16,228	109,130	(190,958)	-
Cumulative on-book gap	48,457	65,600	81,828	190,958	-	-
Contingent resources	23,434	2,527	2,353	-	-	28,314
Contingent liabilities	23,605	2,545	2,353	-	-	28,503
Off-book gap	(171)	(18)	-	-	-	(189)
Cumulative off-book gap	(171)	(189)	(189)	(189)	(189)	-
Periodic gap	**48,286**	**17,125**	**16,228**	**109,130**	**(190,958)**	**-**
Cumulative total gap	**P 48,286**	**P 65,411**	**P 81,639**	**P 190,769**	**(P 189)**	**P -**

	Group 2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 23,638	P 404	P 23	P 15	P 51,704	P 75,784
Investments - net	5,426	845	7,474	67,895	19,471	101,111
Loans and receivables - net	123,195	36,748	39,747	48,929	12,955	261,574
Other resources – net	253	236	1,366	80	17,501	19,436
Total resources	152,512	38,233	48,610	116,919	101,631	457,905
Liabilities:						
Deposit liabilities	85,720	22,789	15,320	2,034	189,898	315,761
Bills payable	37,799	1,934	66	-	-	39,799
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	3,356	37	-	-	12,414	15,807
Total liabilities	138,055	24,760	37,613	2,034	202,312	404,774
Equity	-	-	4,883	-	48,248	53,131
Total liabilities and equity	138,055	24,760	42,496	2,034	250,560	457,905
On-book gap	14,457	13,473	6,114	114,885	(148,929)	-
Cumulative on-book gap	14,457	27,930	34,044	148,929	-	-
Contingent resources	20,208	2,546	2,236	-	-	24,990
Contingent liabilities	21,635	2,744	2,236	-	-	26,615
Off-book gap	(1,427)	(198)	-	-	-	(1,625)
Cumulative off-book gap	(1,427)	(1,625)	(1,625)	(1,625)	(1,625)	-
Periodic gap	13,030	13,275	6,114	114,885	(148,929)	-
Cumulative total gap	P 13,030	P 26,305	P 32,419	P 147,304	(P 1,625)	P -

	Parent Company 2015					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 21,285	P -	P -	P -	P 49,064	P 70,349
Investments - net	16,103	1,433	10,397	63,910	14,695	106,538
Loans and receivables - net	132,403	20,006	13,367	49,256	16,676	231,708
Other resources - net	-	4	623	28	13,404	14,059
Total resources	169,791	21,443	24,387	113,194	93,839	422,654
Liabilities:						
Deposit liabilities	51,812	6,372	17,555	-	188,331	264,070
Bills payable	44,695	-	1,121	-	-	45,816
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	393	-	-	-	12,258	12,651
Total liabilities	96,900	6,372	52,955	15,021	200,589	371,837
Equity	-	-	-	-	50,817	50,817
Total liabilities and equity	96,900	6,372	52,955	15,021	251,406	422,654
On-book gap	72,891	15,071	(28,568)	98,173	(157,567)	-
Cumulative on-book gap	72,891	21,405	(6,684)	139,631	-	-
Contingent resources	23,182	2,527	2,353	-	-	28,062
Contingent liabilities	23,182	2,545	2,353	-	-	28,080
Off-book gap	-	(18)	-	-	-	(18)
Cumulative off-book gap	-	(18)	(19)	(18)	(18)	-
Periodic gap	**72,891**	**15,053**	**(28,568)**	**98,173**	**(157,567)**	**-**
Cumulative total gap	**P 72,891**	**P 87,944**	**P 59,376**	**P 157,549**	**(P 18)**	**P -**

	Parent Company					
	2014					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 18,917	P -	P -	P -	P 43,920	P 62,837
Investments - net	2,066	773	5,902	61,923	24,875	95,539
Loans and receivables - net	115,722	20,528	11,140	46,743	11,481	205,614
Other resources - net	4	7	742	49	12,138	12,940
Total resources	136,709	21,308	17,784	108,715	92,414	376,930
Liabilities:						
Deposits liabilities	53,201	11,022	14,935	2,034	166,830	248,022
Bills payable	35,756	1,081	-	-	-	36,837
Bonds payable	11,180	-	12,306	-	-	23,486
Subordinated debt	-	-	9,921	-	-	9,921
Other liabilities	466	-	-	-	11,506	11,972
Total liabilities	100,603	12,103	37,162	2,034	178,336	330,238
Equity	-	-	4,883	-	41,809	46,692
Total liabilities and equity	100,603	12,103	42,045	2,034	220,145	376,930
On-book gap	36,106	9,205	(24,261)	106,681	(127,731)	-
Cumulative on-book gap	36,106	45,311	21,050	127,731	-	-
Contingent resources	20,125	2,546	2,236	-	-	24,907
Contingent liabilities	20,838	2,744	2,236	-	-	25,818
Off-book gap	(713)	(198)	-	-	-	(911)
Cumulative off-book gap	(713)	(911)	(911)	(911)	(911)	-
Periodic gap	35,393	9,007	(24,261)	106,681	(127,731)	-
Cumulative total gap	P 35,393	P 44,400	P 20,139	P 126,820	(P 911)	P -

The table below summarizes the potential impact on the Group's and Parent Company's annual interest income of parallel rate shifts using the repricing profile shown in the previous pages.

	Changes in Interest Rates (in basis points)			
	(100)	(200)	100	200
December 31, 2015				
Group	**(P 558)**	**(P 1,116)**	**P 558**	**P 1,116**
Parent Company	**(789)**	**(1,578)**	**789**	**1,578**
December 31, 2014				
Group	(P 175)	(P 350)	P 175	P 350
Parent Company	(375)	(750)	375	750

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, 2015 and 2014 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 below CCC demonstrating a high probability of counterparty's payment default on financial commitments. Non-current accounts that are rated below CCC are classified based on the characteristics of classified loans per BSP Manual of Regulations for Banks, i.e., Substandard, Doubtful or Loss.

Only impaired accounts with significant amount are subject to specific impairment test. Impaired accounts refer to those accounts which were rated BB+ to lower than CCC and accounts rated as Substandard, Doubtful and Loss. Significant amount is at least P0.5 for sales contract receivables and P15 for all other loan and receivable accounts.

In the process of applying the Parent Company's ICRRS in determining indications of impairment on individually significant items of loans and receivables, the Parent Company analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments

Risk Rating	Rating Description/Criteria
CCC*	Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments
Substandard	Loans past due for over 90 days
Doubtful	Past due clean loans previously classified as Substandard without at least 20% repayment during the succeeding 12 months
Loss	Loans considered absolutely uncollectible

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

The foregoing ICRRS is established by the Parent Company during the first quarter of 2013 in congruence with and, reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual debt issue which is still performing or current in status. The risk ratings determined by the Parent Company for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity/borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time.

Credit Risk Management Division (CRMD) of RSB is, in turn, tasked to measure, control and manage credit risk on the consumer loans business of RSB through the performance of regular monitoring, reporting and recommendation of risk mitigation measures of the actual credit risk portfolio to the Credit Committee and Risk Committee, as well as accomplishment of the corresponding review and development of credit policies and guidelines to sustain asset quality.

For consumer loans, risk assessment is performed on an individual borrower through the use of a credit application scorecard for Housing, Auto and Personal Loans while for Corporate Salary Loans, rule-based credit criteria on company accreditation and borrower evaluation has been established. The credit application scorecard makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance. Credit decisions are based on recommended score cut-offs.

Asset quality in RSB is monitored through a regular portfolio performance review including customer segmentation and loan concentration risk assessment to identify sources of risk and to determine risk mitigation on segments that drive delinquency or manifests triggers for default. Likewise, close monitoring and review of industry performance, economic changes and market conditions that may affect the consumer loans business is also taken into consideration to establish a holistic risk assessment process.

4.4.1 Exposure to Credit Risk

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

	Group			
	2015		2014	
	Loans and Receivables	**Trading and Investment Securities**	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
B to B-	**P 62**	**P -**	P 94	P -
Sub-standard	**191**	**-**	126	-
Doubtful	**99**	**-**	-	-
Loss	**389**	**-**	266	-
Gross amount	**741**	**-**	486	-
Allowance for impairment	**(491)**	**-**	(366)	-
Carrying amount	**250**	**-**	120	-
Collectively Assessed for Impairment				
Unclassified	**122,337**	**-**	111,369	-
AA to AA-	**450**	**-**	437	-
A to A-	**221**	**-**	195	-
BB+ to BB	**40,774**	**-**	30,625	-
BB- to B+	**64,204**	**-**	70,625	-
B to B-	**68,265**	**-**	44,968	-
CCC+ and below	**260**	**-**	575	-
Sub-standard	**1,354**	**-**	2,277	-
Doubtful	**553**	**-**	-	-
Loss	**674**	**-**	520	-
Gross amount	**299,092**	**-**	261,591	-
Unearned interest and discount	**(351)**	**-**	(839)	-
Allowance for impairment	**(4,492)**	**-**	(4,636)	-
Carrying amount	**294,249**	**-**	256,116	-
Unquoted debt securities classified as loans	**1,270**	**-**	1,326	-
Other receivables	**5,407**	**-**	5,144	-
Allowance for impairment	**(2,057)**	**-**	(1,455)	-
Carrying amount	**4,620**	**-**	5,015	-
Neither Past Due Nor Impaired	**-**	**105,397**	323	94,655
Total Carrying Amount	**P 299,119**	**P 105,397**	P 261,574	P 94,655

	Parent Company			
	2015		2014	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
B to B-	P -	P -	P 45	P -
Sub-standard	191	-	126	-
Doubtful	99	-	-	-
Loss	389	-	266	-
Gross amount	679	-	437	-
Allowance for impairment	(491)	-	(353)	-
Carrying amount	188	-	84	-
Collectively Assessed for Impairment				
Unclassified	62,797	-	62,035	-
BB+ to BB	38,274	-	29,242	-
BB- to B+	60,113	-	70,348	-
B to B-	68,265	-	40,909	-
CCC+ and below	260	-	575	-
Sub-standard	52	-	877	-
Doubtful	546	-	-	-
Gross amount	230,307	-	203,986	-
Unearned interest and discount	(240)	-	(191)	-
Allowance for impairment	(3,075)	-	(2,936)	-
Carrying amount	226,992	-	200,859	-
Unquoted debt securities classified as loans	1,210	-	1,266	-
Other receivables	4,577	-	4,146	-
Allowance for impairment	(1,259)	-	(1,316)	-
Carrying amount	4,528	-	4,096	-
Neither Past Due Nor Impaired	-	94,909	575	84,749
Total Carrying Amount	P 231,708	P 94,909	P 205,614	P 84,749

The credit risk for cash and cash equivalents such as Due from BSP and Due from Other Banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Advances to RCBC LFC is not subjected to impairment testing as the amount was transferred for the purpose of additional capital infusion into a consolidated subsidiary (see Note 12.1).

4.4.2 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2015 and 2014.

An estimate of the fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2015 and 2014 is shown below.

	Group			
	2015		2014	
Against individually impaired				
Real property	**P**	**129**	P	21
Chattels		**49**		49
Against classified accounts but not impaired				
Real property		**62,132**		75,428
Chattels		**7,968**		5,861
Equity securities		**4,003**		5,244
Hold-out deposits		**1,432**		1,240
Others		**545**		815
Against neither past due nor impaired				
Real property		**183,761**		113,268
Chattels		**97,434**		32,607
Hold-out deposits		**16,202**		11,484
Others		**30,895**		58,608
Total	**P**	**404,550**	P	304,625

	Parent Company			
	2015		2014	
Against individually impaired				
Real property	**P**	**129**	P	21
Against classified accounts but not impaired				
Real property		**55,361**		73,227
Chattels		**3,797**		4,143
Equity securities		**4,003**		5,244
Others		**232**		541
Against neither past due nor impaired				
Real property		**4,387**		-
Hold-out deposits		**16,202**		11,484
Others		**29,213**		57,591
Total	**P**	**113,324**	P	152,251

4.4.3 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency.

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 11.1.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks as well as established concentration metrics. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration. The Group supplements this methodology with the use of the Comprehensive Concentration Index (CCI) to monitor and analyse name concentration.

The Group, however, recognizes the inherent limitations of the use of HHI and CCI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done in the context of ROC meetings.

4.4.4 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company likewise adopted in 2015 a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors. In addition, both the Parent Company and its major subsidiary, RSB, participated in the initial run of the uniform stress testing exercise for banks initiated by the BSP.

4.5 Operational Risk

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

The Operational Risk Management Division (ORMD) under the CRISMS Group assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMD's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs);

- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;

- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to Capital Adequacy, is currently under Basic Indicator Approach (see Note 5.2). In 2014, the Parent Bank's BOD approved the acquisition of an Operational Risk System which was implemented across the Group in 2015. It is the intention of the Group to eventually migrate to the Advanced Management Approach (AMA) for Operational Risk, subject to approval by the BSP.

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

4.5.1 Reputation Risk

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

The Group adopted a reputation risk monitoring and reporting framework to manage public perception. Central to the said framework is the creation of the RCBC Public Relations Committee chaired by the head of the Parent Company's Public and Media Relations Division.

4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguard the integrity of the bank by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the Audit Committee and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Group is required to submit "Covered Transaction Reports" involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 within one banking day. The Group is also required to submit "Suspicious Transaction Reports" to the Anti-Money Laundering Council (AMLC) in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No.10168.

In addition, AMLA requires that the Group safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Group revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Group is required to risk profile its clients to Low, Normal, or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, Group Head approval is necessary.

The Group's procedures for compliance with the AMLA are set out in its MLPP. The Group's Compliance Officer, through the Anti-Money Laundering Department (AMLD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLD requires all banking units to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The AMLD regularly reports to the Anti-Money Laundering Committee, senior management committees and the BOD to disclose results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

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

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Circular No. 781 is effective on January 1, 2014.

Prior to 2014, the Group was required to maintain a capital adequacy ratio (CAR) of 10% of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk weighted assets, comprised of CET1 Capital.

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P2,000, P1,000, P300 and P300, respectively.

In computing for the CAR, the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and Additional Tier 1 (AT1) capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) Common Equity Tier 1 Capital includes the following:

- *(i)* paid-up common stock;
- *(ii)* common stock dividends distributable;
- *(iii)* additional paid-in capital;
- *(iv)* deposit for common stock subscription;
- *(v)* retained earnings;
- *(vi)* undivided profits;
- *(vii)* other comprehensive income from net unrealized gains 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;
- *(v)* general loan loss provisions; and,
- *(vi)* minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans, or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The Group's and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as of December 31, 2015 and 2014 follows:

	Group	Parent Company
2015:		
Tier 1 Capital		
CET 1	P 48,779	P 37,940
AT1	3	3
	48,782	37,943
Tier 2 Capital	12,325	11,894
Total Qualifying Capital	**P 61,107**	**P 49,837**
Total Risk – Weighted Assets	**P 388,804**	**P 318,935**
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	**15.72%**	**15.63%**
Tier 1 Capital Ratio	**12.55%**	**11.90%**
Total CET 1 Ratio	**12.55%**	**11.90%**
2014:		
Tier 1 Capital		
CET 1	P 40,084	P 30,573
AT1	3	3
	40,087	30,576
Tier 2 Capital	12,005	11,602
Total Qualifying Capital	P 52,092	P 42,178
Total Risk – Weighted Assets	P 338,949	P 282,546
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	15.37%	14.93%
Tier 1 Capital Ratio	11.83%	10.82%
Total CET 1 Ratio	11.83%	10.82%

The foregoing capital ratios comply with the related BSP prescribed ratios.

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk-Weighted Assets

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

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

(b) The bank's ICAAP is the responsibility of the BOD, must be properly documented and approved and with policies and methodologies integrated into banking operations;

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

(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,

(e) The bank's ICAAP document must be submitted to the BSP every January 31 of each year, beginning 2011.

The Group submitted its first ICAAP trial document in January 2009. Subsequent revisions to the trial document were made, and likewise submitted in February 2010 and May 2010 following regulatory review and the Group's own process enhancements. Complementing the ICAAP document submissions were dialogues between the BSP and the Group's representatives, the second of which transpired last November 2010 between a BSP panel chaired by the Deputy Governor for Supervision and Examination, and the members of Parent Company's EXCOM. The Group submitted its final ICAAP document within the deadline set by the BSP. Henceforth up to 2014, the annual submission of an ICAAP document is due every January 31st and every March 31st starting in 2015, as prescribed by the BSP.

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

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

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

(c) *Interest Rate Risk in the Banking Book (IRRBB)* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group estimates interest rate risk in the banking book as its NII-at-risk, and accordingly deducts the same from regulatory qualifying capital. Stressed IRRBB is calculated by applying the highest observed market volatilities over a determined timeframe.

(d) *Compliance/Regulatory Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. The Group estimates compliance risk as the sum of regulatory fines and penalties, and forecasts this amount in relation to the level of operating expenses. The resulting figure is treated as a deduction from regulatory qualifying capital. In 2013, the Group decided to henceforth broaden its analysis of this risk to account for regulatory benchmarks and other regulations that the Group has not been in compliance with, as noted by past BSP examinations.

(e) *Reputation Risk* – From the adoption of a theoretical measure, the Group amended its approach to reputation risk in 2011 by adopting instead a reputation risk monitoring and reporting process, run primarily by its Public Relations Committee. The measurement of reputation risk under stress is folded into the Group's assessment of stressed liquidity risk.

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

(g) *Information Technology Risk* – It is the current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats. The Group treats this risk as forming part of Operational Risk.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 *Carrying Amounts and Fair Values by Category*

The following table summarizes the carrying amounts and corresponding fair values of those financial assets and financial liabilities presented in the statements of financial position.

	Group			
	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 84,388**	**P 84,388**	P 75,784	P 75,784
Investment securities	**101,881**	**99,715**	79,795	78,911
Loans and receivables - net	**299,119**	**299,119**	261,574	261,574
Other resources	**624**	**624**	839	839
	486,012	**483,846**	417,992	417,108
At FVPL	**5,112**	**5,112**	16,458	16,458
At FVOCI	**4,208**	**4,208**	4,537	4,537
	P 495,332	**P 493,116**	P 438,987	P 438,103

	Group			
	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 342,362**	**P 342,362**	P 315,761	P 315,761
Bills payable	**49,404**	**49,404**	39,799	39,799
Bonds payable	**39,364**	**42,961**	23,486	24,954
Subordinated debt	**9,936**	**10,730**	9,921	11,042
Accrued interest and other expenses	**4,198**	**4,198**	4,287	4,287
Other liabilities	**8,479**	**8,479**	7,363	7,363
	453,743	**458,134**	400,617	403,206
Derivative financial liabilities	**265**	**265**	291	291
	P 454,008	**P 458,399**	P 400,908	P 403,497

	Parent Company			
	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and cash equivalents	**P 70,349**	**P 70,349**	P 62,837	P 62,837
Investment securities	**91,456**	**89,781**	70,256	69,651
Advances to RCBC LFC	**500**	**500**	-	-
Loans and receivables - net	**231,708**	**231,708**	205,614	205,614
Other resources	**479**	**479**	785	785
	394,492	**392,817**	339,492	338,887
At FVPL	**3,993**	**3,993**	15,062	15,062
At FVOCI	**2,341**	**2,341**	2,222	2,222
	P 400,826	**P 399,151**	P 356,776	P 356,171
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 264,070**	**P 264,070**	P 248,022	P 248,022
Bills payable	**45,816**	**45,816**	36,837	36,837
Bonds payable	**39,364**	**42,961**	23,486	24,954
Subordinated debt	**9,936**	**10,730**	9,921	11,042
Accrued interest and other expenses	**3,288**	**3,288**	3,303	3,303
Other liabilities	**5,642**	**5,642**	4,803	4,803
	368,116	**372,507**	326,372	328,961
Derivative financial liabilities	**265**	**265**	291	291
	P 368,381	**P 372,772**	P 326,663	P 329,252

Except for investment securities at amortized cost, bonds payable and subordinated debt with fair value disclosed different from their carrying amounts, management considers that the carrying amounts of other financial assets and financial liabilities presented above which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Group's and Parent Company's investment securities at amortized cost and other financial assets and liabilities measured at fair value on a recurring basis are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting Financial Assets and Financial Liabilities

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

	Group				
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments	Related amounts not set off in the statements of financial position – Cash received	Net amount
December 31, 2015					
Loans and receivables – Receivable from customers	11	**P 296,891**	**(P 17,634)**	**P -**	**P 279,257**
Other resources – Margin deposits	15	**42**	**-**	**(42)**	-
December 31, 2014					
Loans and receivables – Receivable from customers	11	P 258,688	(P 12,724)	P -	P 245,964
Other resources – Margin deposits	15	96	-	(96)	-

	Parent Company				
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments	Related amounts not set off in the statements of financial position – Cash received	Net amount
December 31, 2015					
Loans and receivables – Receivable from customers	11	**P 230,070**	**(P 16,202)**	**P -**	**P 213,868**
Other resources – Margin deposits	15	**42**	**-**	**(42)**	**-**
December 31, 2014					
Loans and receivables – Receivable from customers	11	P 203,417	(P 11,484)	P -	P 191,933
Other resources – Margin deposits	15	96	-	(96)	-

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

	Group				
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments	Related amounts not set off in the statements of financial position – Cash received	Net amount
December 31, 2015					
Deposit liabilities	17	**P 342,362**	**(P 17,634)**	**P** -	**P 324,728**
Other liabilities – Derivative financial liabilities	22	**265**	**-**	**(42)**	**223**

		Group								
	Notes	Gross amounts recognized in the statements of financial position		Related amounts not set off in the statements of financial position: Financial instruments			Cash received		Net amount	
December 31, 2014										
Deposit liabilities	17	P	315,761	(P	12,724)	P	-		P	303,037
Other liabilities – Derivative financial liabilities	22		291		-	(		96)		195

		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, 2015										
Deposit liabilities	17	**P**	**264,070**	**(P**	**16,202)**	**P**	**-**		**P**	**247,868**
Other liabilities – Derivative financial liabilities	22		**265**		**-**	**(**		**42)**		**223**
December 31, 2014										
Deposit liabilities	17	P	248,022	(P	11,484)	P	-		P	236,538
Other liabilities – Derivative financial liabilities	22		291		-	(		96)		195

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

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

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, 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, 2015 and 2014.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2015:				
Financial assets at FVPL:				
Government securities	P 1,093	P 163	P -	P 1,256
Corporate debt securities	522	-	-	522
Equity securities	1,229	-	367	1,596
Derivative assets	57	1,681	-	1,738
	2,901	1,844	367	5,112
Financial assets at FVOCI – Equity securities	1,867	176	2,165	4,208
Total Resources at Fair Value	**P 4,768**	**P 2,020**	**P 2,532**	**P 9,320**
Derivative liabilities	**P -**	**P 265**	**P -**	**P 265**
2014:				
Financial assets at FVPL:				
Government securities	P 10,421	P 271	P -	P 10,692
Corporate debt securities	2,707		-	2,707
Equity securities	1,269	-	329	1,598
Derivative assets	54	1,407	-	1,461
	14,451	1,678	329	16,458
Financial assets at FVOCI – Equity securities	2,314	124	2,099	4,537
Total Resources at Fair Value	P 16,755	P 1,802	P 2,428	P 20,995
Derivative liabilities	P -	P 291	P -	P 291

	Parent Company							
	Level 1		Level 2		Level 3		Total	
2015:								
Financial assets at FVPL:								
Government securities	P	1,093	P	100	P	-	P	1,193
Corporate debt securities		522		-		-		522
Equity securities		173		-		367		540
Derivative assets		57		1,681		-		1,738
		1,845		1,781		367		3,993
Financial assets at FVOCI –								
Equity securities		-		176		2,165		2,341
Total Resources at Fair Value	**P**	**1,845**	**P**	**1,957**	**P**	**2,532**	**P**	**6,334**
Derivative liabilities	**P**	**-**	**P**	**265**	**P**	**-**	**P**	**265**
2014:								
Financial assets at FVPL:								
Government securities	P	10,376	P	147	P	-	P	10,523
Corporate debt securities		2,509		-		-		2,509
Equity securities		240		-		329		569
Derivative assets		54		1,407		-		1,461
		13,179		1,554		329		15,062
Financial assets at FVOCI –								
Equity securities		-		123		2,099		2,222
Total Resources at Fair Value	P	13,179	P	1,677	P	2,428	P	17,284
Derivative liabilities	P	-	P	291	P	-	P	291

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, 2015 and 2014 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

Level 2 category includes the Group's investments in proprietary club shares as their prices are not derived from a market considered as active due to lack of trading activities among market participants at the end of each reporting period.

For equity securities which are not traded in an active market and categorized within Level 3, their fair value is determined through the net asset value or a market-based approach valuation technique (price-to-book value method) using current market values of comparable listed entities. The price-to-book value method uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value of the Group's equity securities adjusted by a certain valuation discount. The price-to-book ratio used by the Group in the fair value measurement of its level 3 equity securities as of December 31, 2015 ranges from 0.584:1 to 1.072:1 for financial assets at FVOCI and 0.868:1 to 1.113:1 for financial assets at FVPL.

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

A reconciliation of the carrying amounts of level 3 equity securities at the beginning and end of 2015 and 2014 is shown below.

	Financial Assets at FVOCI	Financial Assets at FVPL	Total
2015:			
Balance at beginning of year	P 2,099	P 329	P 2,428
Additions	326	-	326
Fair value losses	(260)	38	(222)
Balance at end of year	**P 2,165**	**P 367**	**P 2,532**
2014:			
Balance at beginning of year	P 2,087	P 293	P 2,380
Fair value gains	12	36	48
Balance at end of year	P 2,099	P 329	2,428

In 2015, the Parent Company exercised its stock rights on a certain investee which resulted into additional investment amounting to P326.

(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.

There were no transfers between levels of hierarchy in 2015 and 2014.

As of December 31, 2013, the Group and the Parent Company has non-marketable or unquoted equity securities invested in local private companies amounting to P1,572 and P1,563, respectively, which were classified under AFS Securities and were carried at cost as the Group was unable to reliably determine their fair value by reference to comparable instrument or by using any valuation techniques. The Group has reclassified and designated these unquoted equity securities to Financial Assets at FVOCI and Financial Assets at FVPL on January 1, 2014 upon initial adoption of PFRS 9; hence, required to be measured at fair value on a recurring basis. These investments were remeasured by the Group and the Parent Company resulting in an increase of P1,077 and P1,062, respectively, in the carrying amount of investments representing fair value gains as of the initial date of adoption. From its carrying amount at cost as of December 31, 2013, the Group has determined the fair value of these equity investments using valuation technique through discounted cash flows method; hence, categorized as Level 3 in the fair value hierarchy.

The significant assumptions used applied by the Group in determining the fair value of these equity investments include, among others, the following:

- A growth rate ranging from 4.4% to 4.9% in deriving the present value of the continuing or terminal cash flows from the investee companies; and,
- Weighted average cost of capital ranging from 7.5% to 13.9% used to determine the present value of the free cash flows for a certain forecast period covered in the cash flow projections.

7.3 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**
2015:				
Financial Assets:				
Cash and other cash items	P 14,070	P -	P -	P 14,070
Due from BSP	50,617	-	-	50,617
Due from other banks	19,701	-	-	19,701
Investment securities at amortized cost	99,715	-	-	99,715
Loans and receivables - net	-	-	299,119	299,119
Other resources	-	-	624	624
	P 183,103	P -	P 299,743	P 483,846

	Group			
	Level 1	Level 2	Level 3	Total
2015:				
Financial Liabilities:				
Deposit liabilities	P 342,362	P -	P -	P 342,362
Bills payable	-	49,404	-	49,404
Bonds payable	-	42,961	-	42,961
Subordinated debt	-	10,730	-	10,730
Accrued interest, taxes and other expenses	-	-	4,198	4,198
Other liabilities	-	-	8,479	8,479
	P 342,362	**P 103,095**	**P 12,677**	**P 458,134**
2014:				
Financial Assets:				
Cash and other cash items	P 13,085	P -	P -	P 13,085
Due from BSP	46,099	-	-	46,099
Due from other banks	16,600	-	-	16,600
Investment securities at amortized cost	78,911	-	-	78,911
Loans and receivables - net	-	-	261,574	261,574
Other resources	-	-	839	839
	P 154,695	P -	P 262,413	P 417,108
Financial Liabilities:				
Deposit liabilities	P 315,761	P -	P -	P 315,761
Bills payable	-	39,799	-	39,799
Bonds payable	-	24,954	-	24,954
Subordinated debt	-	11,042	-	11,042
Accrued interest, taxes and other expenses	-	-	4,287	4,287
Other liabilities	-	-	7,363	7,363
	P 315,761	P 75,795	P 11,650	P 403,206

	Parent Company			
	Level 1	Level 2	Level 3	Total
2015:				
Financial Assets:				
Cash and other cash items	P 10,127	P -	P -	P 10,127
Due from BSP	42,026	-	-	42,026
Due from other banks	18,196	-	-	18,196
Investment securities at amortized cost	89,781	-	-	89,781
Loans and receivables - net	-	-	231,708	231,708
Advances to RCBC LFC	-	-	500	500
Other resources	-	-	479	479
	P 160,130	**P -**	**P 232,687**	**P 392,817**
Financial Liabilities:				
Deposit liabilities	P 264,070	P -	P -	P 264,070
Bills payable	-	45,816	-	45,816
Bonds payable	-	42,961	-	42,961
Subordinated debt	-	10,730	-	10,730
Accrued interest, taxes and other expenses	-	-	3,288	3,288
Other liabilities	-	-	5,642	5,642
	P 264,070	**P 99,507**	**P 8,930**	**P 372,507**

	Parent Company							
	Level 1		Level 2		Level 3		Total	
2014:								
Financial Assets:								
Cash and other cash items	P	9,539	P	-	P	-	P	9,539
Due from BSP		37,763		-		-		37,763
Due from other banks		15,535		-		-		15,535
Investment securities at amortized cost		69,651		-		-		69,651
Loans and receivables - net		-		-		205,614		205,614
Other resources		-		-		785		785
	P	132,488	P	-	P	206,399	P	338,887
Financial Liabilities:								
Deposit liabilities	P	248,022	P	-	P	-	P	248,022
Bills payable		-		36,837		-		36,837
Bonds payable		-		24,954		-		24,954
Subordinated debt		-		11,042		-		11,042
Accrued interest, taxes and other expenses		-		-		3,303		3,303
Other liabilities		-		-		4,803		4,803
	P	248,022	P	72,833	P	8,106	P	328,961

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

Due from BSP pertains to deposits made by the Group to the BSP for clearing and reserve requirements. 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 discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) Investment Securities at Amortized Cost

The fair value of investment securities at amortized cost is determined by direct reference to published price quoted in an active market for traded securities.

(c) Loans and Receivables and Advances to RCBC LFC

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables and Advances to RCBC LFC represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) Deposits Liabilities and Borrowings

The estimated fair value of deposits is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value of bonds payable and subordinated debt is computed based on the average of published ask and bid prices.

(e) Other Resources and Other Liabilities

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P7,994 and P9,946 in the Group's financial statements and P5,349 and P5,379 in the Parent Company's financial statements as of December 31, 2015 and 2014, respectively. The fair value hierarchy of these properties as of December 31, 2015 and 2014 is categorized as Level 3.

The fair values of the Group's and Parent Company's investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

(b) Fair Value Measurement for Buildings

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change in the valuation techniques during the year.

8. SEGMENT INFORMATION

8.1 Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different geographical markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

(a) *Retail Banking* – principally handles the business centers offering a wide range of financial products and services to the commercial "middle market" customers. Products offered include individual customer's deposits, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products.

(b) *Corporate Banking* – principally handles loans and other credit facilities and deposit and current accounts for corporate, small and medium enterprises and institutional customers.

(c) *Treasury* – principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

(d) *Others* – consists of the Parent Company's various support groups and consolidated subsidiaries.

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

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

For secondary segments, revenues and expenses are attributed to geographic areas based on the location of the resources producing the revenues, and in which location the expenses are incurred.

There were no changes in the Group's operating segments in 2015 and 2014.

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, 2015, 2014 and 2013 follow:

	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
2015:					
Statement of profit or loss					
Interest income	P 7,889	P 11,280	P 2,715	(P 364)	P 21,520
Interest expense	(1,718)	(4,078)	(2,740)	2,593	(5,943)
Net interest income (expense)	6,171	7,202	(25)	2,229	15,577
Non-interest income	2,682	1,559	1,606	808	6,655
Total revenues	8,853	8,761	1,581	3,037	22,232
Non-interest expense	(6,684)	(2,166)	(442)	(8,119)	(17,411)
Profit (loss) before tax	2,169	6,595	1,139	(5,082)	4,821
Tax income	-	-	-	307	307
Net profit (loss)	**P 2,169**	**P 6,595**	**P 1,139**	**(P 4,775)**	**P 5,128**
Statement of financial position					
Total resources	**P 272,249**	**P 283,356**	**P 93,941**	**(P 133,485)**	**P 516,061**
Total liabilities	**P 272,249**	**P 283,356**	**P 93,941**	**(P 191,614)**	**P 457,932**
Other segment information					
Depreciation and amortization	**P 268**	**P 95**	**P 9**	**P 1,239**	**P 1,611**
2014:					
Statement of profit or loss					
Interest income	P 6,459	P 9,394	P 3,234	P 1,113	P 20,200
Interest expense	(1,962)	(3,275)	(3,071)	3,075	(5,233)
Net interest income	4,497	6,119	163	4,188	14,967
Non-interest income	2,358	1,378	1,677	1,689	7,102
Total revenues	6,855	7,497	1,840	5,877	22,069
Non-interest expense	(6,026)	(1,465)	(495)	(8,759)	(16,745)
Profit (loss) before tax	829	6,032	1,345	(2,882)	5,324
Tax expense	-	-	-	(914)	(914)
Net profit (loss)	P 829	P 6,032	P 1,345	(P 3,796)	P 4,410
Statement of financial position					
Total resources	P 247,416	P 198,852	P 98,490	(P 86,853)	P 457,905
Total liabilities	P 247,074	P 198,852	P 98,490	(P 139,642)	P 404,774
Other segment information					
Depreciation and amortization	P 349	P 148	P 6	P 1,074	P 1,577

	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
2013:					
Statement of profit or loss					
Interest income	P 6,698	P 7,662	P 3,370	P 1,094	P 18,824
Interest expense	(2,214)	(3,013)	(3,217)	2,931	(5,513)
Net interest income	4,484	4,649	153	4,025	13,311
Non-interest income	2,495	1,638	2,088	3,589	9,810
Total revenues	6,979	6,287	2,241	7,614	23,121
Non-interest expense	(6,356)	(922)	(611)	(8,639)	(16,528)
Profit (loss) before tax	623	5,365	1,630	(1,025)	6,593
Tax expense	-	-	-	(1,259)	(1,259)
Net profit (loss)	P 623	P 5,365	P 1,630	(P 2,284)	P 5,334
Statement of financial position					
Total resources	P 213,208	P 174,779	P 99,650	(P 65,768)	P 421,869
Total liabilities	P 213,208	P 174,779	P 99,650	(P 110,576)	P 377,061
Other segment information					
Depreciation and amortization	P 305	P 6	P 13	P 994	P 1,318

8.3 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2015, 2014 and 2013 follow:

	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**

	Philippines	United States	Asia and Europe	Total
2014:				
Statement of profit or loss				
Total income	P 27,105	P 3	P 194	P 27,302
Total expenses	22,692	17	183	22,892
Net profit (loss)	P 4,413	(P 14)	P 11	P 4,410
Statement of financial position				
Total resources	P 457,454	P 7	P 444	P 457,905
Total liabilities	P 404,448	P 8	P 318	P 404,774
Other segment information				
Depreciation and amortization	P 1,575	P -	P 2	P 1,577
2013:				
Results of operations				
Total income	P 28,422	P 65	P 147	P 28,634
Total expenses	23,089	43	168	23,300
Net profit (loss)	P 5,333	P 22	(P 21)	P 5,334
Statement of financial position				
Total resources	P 421,327	P 92	P 450	P 421,869
Total liabilities	P 376,691	P 78	P 292	P 377,061
Other segment information				
Depreciation and amortization	P 1,316	P -	P 2	P 1,318

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		**Parent Company**	
	2015	2014	**2015**	2014
Cash and other cash items	**P 14,070**	P 13,085	**P 10,127**	P 9,539
Due from BSP	**50,617**	46,099	**42,026**	37,763
Due from other banks	**19,701**	16,600	**18,196**	15,535
	P 84,388	P 75,784	**P 70,349**	P 62,837

Cash consists primarily of funds in the form of Philippine currency notes and coins and includes foreign currencies acceptable to form part of the international reserves in the Group's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand), such as checks drawn on other banks or other branches after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Notes 17 and 27), to serve as clearing account for interbank claims and to comply with existing trust regulations. The balance of Due from BSP also includes short-term special deposit account amounting to P4,505 and P5,999 for the Group and P3,000 and P3,301 for the Parent Company at December 31, 2015 and 2014, respectively, which bear annual interest at 2.50% in 2015, and annual interest range of 2.00% to 2.50% in 2014, and 2.00% to 3.50% in 2013.

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

	Group		Parent Company	
	2015	2014	**2015**	2014
Foreign banks	**P 18,295**	P 15,742	**P 17,732**	P 15,030
Local banks	**1,406**	858	**464**	505
	P 19,701	P 16,600	**P 18,196**	P 15,535

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

	Group		Parent Company	
	2015	2014	**2015**	2014
Foreign currencies	**P 18,977**	P 15,832	**P 17,794**	P 15,065
Philippine peso	**724**	768	**402**	470
	P 19,701	P 16,600	**P 18,196**	P 15,535

Interest rates per annum on these deposits range from 0.00% to 0.30% in 2015 and 0.00% to 1.00% both in 2014 and 2013.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2015	2014	**2015**	2014
Financial assets at FVPL	**P 5,112**	P 16,458	**P 3,993**	P 15,062
Financial assets at FVOCI	**4,208**	4,537	**2,341**	2,222
Investment securities at amortized cost	**101,881**	79,795	**91,456**	70,256
	P 111,201	P 100,790	**P 97,790**	P 87,540

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVPL is composed of the following:

	Group				Parent Company			
	2015		2014		**2015**		2014	
Government securities	**P**	**1,256**	P	10,692	**P**	**1,193**	P	10,523
Corporate debt securities		**522**		2,707		**522**		2,509
Equity securities		**1,596**		1,598		**540**		569
Derivative financial assets		**1,738**		1,461		**1,738**		1,461
	P	**5,112**	P	16,458	**P**	**3,993**	P	15,062

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

	Group				Parent Company			
	2015		2014		**2015**		2014	
Held-for-trading	**P**	**2,834**	P	14,428	**P**	**1,715**	P	13,032
Designated as at FVPL		**540**		569		**540**		569
Derivatives		**1,738**		1,461		**1,738**		1,461
	P	**5,112**	P	16,458	**P**	**3,993**	P	15,062

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

	2015	2014	2013
Peso denominated	**2.63% - 8.44%**	1.63% - 12.38%	1.63% - 14.38%
Foreign currency denominated	**3.45% - 9.63%**	0.05% - 10.63%	1.25% - 10.63%

Equity securities are composed of listed shares of stock traded at the PSE and shares of stock designated as at FVPL.

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year. Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of December 31 both in the Group's and Parent Company's financial statements are shown below.

	Notional Amount	Fair Values Assets	Fair Values Liabilities
2015:			
Currency swaps and forwards	P 33,269	P 392	P 179
Interest rate swaps and futures	19,111	66	84
Debt warrants	5,891	57	-
Options	4,653	8	2
Credit linked notes	-	979	-
Principal-protected notes	-	236	-
	P 62,924	**P 1,738**	**P 265**
2014:			
Currency swaps and forwards	P 22,788	P 137	P 118
Interest rate swaps and futures	16,396	60	173
Debt warrants	5,598	54	-
Options	715	7	-
Credit default swaps	89	4	-
Credit linked notes	-	971	-
Principal-protected notes	-	228	-
	P 45,586	P 1,461	P 291

The derivative liabilities amounting to P265 and P291 as of December 31, 2015 and 2014, respectively, are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The bulk of such derivative liabilities have maturity periods of less than a year.

In 2008, the Parent Company reclassified its CLNs that are linked to ROP bonds and certain CDO's, with an aggregate carrying value of P5,691 from AFS Securities to Loans and Receivables. As of December 31, 2013, the aggregate carrying value of the CLNs amounted to P2,665 (see Note 11.3). On January 1, 2014, the Parent Company reclassified its CLNs with an aggregate value of P2,665 from Loans and Receivables to Financial Assets at FVPL as a result of the initial application of PFRS 9. As of December 31, 2015 and 2014, the carrying value of the remaining CLNs amounted to P979 and P971, respectively.

The Group recognized the fair value changes in financial assets at FVPL resulting in a decrease of P107 in 2015 and increase of P614 in 2014 and P151 in 2013 in the Group's financial statements; and increase of P127 in 2015, P455 in 2014 and P167 in 2013 in the Parent Company's financial statements, which were included as part of Trading and Securities Gains account in the statements of profit or loss.

Other information about the fair value measurement of the Group's financial assets at FVPL are presented in Note 7.2.

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31, 2015 and 2014 consist of:

	Group	Parent
2015:		
Quoted equity securities	P 1,686	P -
Unquoted equity securities	2,522	2,341
	P 4,208	**P 2,341**
2014:		
Quoted equity securities	P 2,290	P -
Unquoted equity securities	2,247	2,222
	P 4,537	P 2,222

The Group has designated the above equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2015 and 2014 are unquoted equity securities with fair value determined using the net asset value or a market-based approach (price-to-book value method); hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

The fair value changes in FVOCI amounted to a decrease of P140 in 2015 and an increase of P118 in 2014 in the Group's financial statements and, a decrease of P220 in 2015 and an increase of P56 in 2014 in the Parent Company's financial statements, respectively, which are recognized as an adjustment in other comprehensive income and presented in the 2015 and 2014 statements of comprehensive income under items that will not be reclassified subsequently to profit or loss. In addition, as a result of RCBC Capital's disposal of certain financial asset at FVOCI, the related fair value gain of P3 in 2015 and fair value loss of P28 in 2014 previously recognized in other comprehensive income as a result of the adoption of PFRS 9 on January 1, 2014, was transferred from Revaluation Reserves to Surplus account during the year.

In 2015, 2014 and 2013, dividends on these equity securities were recognized amounting to P211, P285 and P108 by the Group and, P87, P107 and P38 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the 2015, 2014 and 2013 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, 2015 and 2014 consist of:

	Group		Parent	
2015:				
Government securities	P	56,093	P	48,441
Corporate debt securities		45,788		43,015
	P	**101,881**	**P**	**91,456**
2014:				
Government securities	P	56,995	P	49,481
Corporate debt securities		22,800		20,775
	P	79,795	P	70,256

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

	Group		Parent	
2015:				
Philippine peso	P	13,747	P	8,477
Foreign currencies		88,134		82,979
	P	**101,881**	**P**	**91,456**
2014:				
Philippine peso	P	13,599	P	8,357
Foreign currencies		66,196		61,899
	P	79,795	P	70,256

Interest rates per annum on government securities and corporate debt securities range from 1.63% to 8.44% in 2015 and 1.63% to 12.38% in 2014 for peso denominated securities and 1.40% to 10.63% in 2015 and 2014 for foreign currency denominated securities, respectively.

10.4 Available-for-Sale Securities

The composition of these financial assets as of December 31, 2013 as to type of investment is shown below.

	Group		Parent Company	
Government securities	P	48,137	P	40,962
Corporate debt securities		38,020		35,192
Equity securities		4,598		1,921
		90,755		78,075
Allowance for impairment	(	1,343)	(	1,193)
	P	89,412	P	76,882

In accordance with PFRS 9 and the Group's business model in managing financial assets, these equity and debt securities outstanding as of December 31, 2013 were reclassified to Financial Assets at FVPL, Financial Assets at FVOCI, Investment Securities at Amortized Cost and Loans and Receivables categories on January 1, 2014.

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

	Group	Parent Company
Philippine peso	P 18,950	P 11,070
Foreign currencies	70,462	65,812
	P 89,412	P 76,882

Interest rates per annum on government securities and corporate debt securities range from 1.70% to 7.60% in 2013.

A reconciliation of the carrying amounts of AFS securities at the beginning and end of 2013 is shown below.

	Group	Parent Company
Balance at beginning of year	P 83,687	P 69,512
Additions	99,837	99,676
Disposals	(93,511)	(92,570)
Fair value losses	(8,150)	(6,982)
Net accretion of discounts	3,633	3,419
Impairment losses	(567)	(478)
Revaluation of foreign currency investments	4,483	4,305
Balance at end of year	P 89,412	P 76,882

The changes in fair values of AFS Securities which were recognized in other comprehensive income and formed part of Revaluation Reserves account in equity in 2013 amounted to fair value losses of P8,150 and P6,982 in the Group's and Parent Company's financial statements, respectively (see Note 23.6).

Certain government securities are deposited with BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with its trust operations (see Note 27).

11. LOANS AND RECEIVABLES

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

	Group		Parent Company	
	2015	2014	**2015**	2014
Receivables from customers:				
Loans and discounts	**P 272,344**	P 234,605	**P 206,965**	P 180,307
Credit card receivables	**10,987**	10,843	**10,987**	10,843
Customers' liabilities on acceptances, import bills and trust receipts	**9,950**	9,411	**9,950**	9,411
Bills purchased	**2,420**	3,087	**2,408**	3,047
Lease contract receivables	**1,409**	1,339	**-**	-
Receivables financed	**132**	242	**-**	-
	297,242	259,527	**230,310**	203,608
Unearned discount	**(351)**	(839)	**(240)**	(191)
	296,891	258,688	**230,070**	203,417
Other receivables:				
Accrued interest receivables	**3,217**	2,846	**2,508**	2,338
Accounts receivables [see Note 28.5(a) and (b)]	**2,660**	2,509	**2,070**	1,808
Sales contract receivables	**2,058**	2,273	**675**	815
Unquoted debt securities classified as loans	**1,270**	1,326	**1,210**	1,266
Accrued rental receivables	**63**	66	**-**	-
Interbank loans receivables	**-**	323	**-**	575
	9,268	9,343	**6,463**	6,802
	306,159	268,031	**236,533**	210,219
Allowance for impairment (see Note 16)	**(7,040)**	(6,457)	**(4,825)**	(4,605)
	P 299,119	P 261,574	**P 231,708**	P 205,614

Receivables from customers portfolio earn average annual interest or range of interest as follows:

	2015	2014	2013
Loans and discounts:			
Philippine peso	**5.05%**	5.04%	5.63%
Foreign currencies	**2.95%**	2.80%	2.69%
Credit card receivables	**23.88% - 42.00%**	24.24% - 58.00%	38.40% - 42.00%
Lease contract receivables	**8.00% - 26.88%**	8.00% - 21.00%	10.55% - 22.81%
Receivable financed	**10.00% - 25.00%**	10.00% - 25.00%	10.00% - 25.00%

Included in unquoted debt securities classified as loans and receivable as of December 31, 2015 and 2014 is a 10-year note from Philippine Asset Growth One, Inc. (PAGO) with a face amount of P731 which is part of the consideration received in relation to the Parent Company's disposal in February 2013 of its non-performing assets (NPAs), consisting of non-performing loans (NPLs) with a carrying amount of P507 and non-performing investment properties with a carrying amount of P1,236 (see Note 14.1). This note receivable carries a variable interest rate of 1.0% per annum during the first five years, 7.0% per annum in the sixth to seventh year, and 7.5% per annum in the last three years. This note receivable was initially recognized in 2013 at fair value resulting in the recognition of day-one loss of P181 which is included as part of allowance for impairment.

Accounts receivables include claim from the Bureau of Internal Revenue (BIR) relating to the 20% final withholding tax on Poverty Eradication and Allevation Certificates (PEACe) bonds amounting to P199. On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. Subsequently, on March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration and reiterated its arguments with the Supreme Court (see Note 29.2).

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. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand.

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	
	2015	2014	**2015**	2014
Real estate, renting and other related activities	**P 76,052**	P 57,784	**P 42,374**	P 34,372
Manufacturing (various industries)	**39,497**	38,658	**39,469**	38,129
Electricity, gas and water	**51,148**	38,587	**50,814**	38,306
Consumer	**37,855**	29,513	**13,211**	10,843
Other community, social and personal activities	**24,737**	25,827	**24,413**	22,323
Wholesale and retail trade	**23,993**	26,051	**22,773**	22,946
Transportation and communication	**18,425**	21,661	**18,364**	19,963
Financial intermediaries	**7,822**	8,435	**7,779**	7,452
Agriculture, fishing and forestry	**3,796**	1,979	**3,715**	1,812
Hotels and restaurants	**3,018**	2,421	**3,018**	2,412
Diversified holding companies	**2,058**	963	**2,058**	963
Mining and quarrying	**1,934**	1,389	**1,934**	1,389
Others	**6,556**	5,420	**148**	2,507
	P 296,891	P 258,688	**P 230,070**	P 203,417

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	
	2015	2014	**2015**	2014
Secured:				
Real estate mortgage	**P 79,505**	P 64,636	**P 41,914**	P 33,148
Chattel mortgage	**23,259**	20,179	**206**	278
Hold-out deposit	**17,634**	12,724	**16,202**	11,484
Other securities	**35,212**	38,031	**33,216**	36,740
	155,610	135,570	**91,538**	81,650
Unsecured	**141,281**	123,118	**138,532**	121,767
	P 296,891	P 258,688	**P 230,070**	P 203,417

The maturity profile of the receivables from customers portfolio follows:

	Group		Parent Company	
	2015	2014	**2015**	2014
Due within one year	**P 69,727**	P 69,191	**P 45,663**	P 47,913
Due beyond one year	**227,164**	189,497	**184,407**	155,504
	P 296,891	P 258,688	**P 230,070**	P 203,417

11.2 Non-performing Loans and Impairment

Non-performing loans included in the total loan portfolio of the Group and the Parent Company as of December 31, 2015 and 2014 are presented below, net of allowance for impairment in compliance with the BSP Circular 772.

	Group		Parent Company	
	2015	2014	**2015**	2014
Gross NPLs	**P 5,427**	P 5,176	**P 2,200**	P 2,140
Allowance for impairment	**(3,122)**	(2,540)	**(1,600)**	(1,534)
	P 2,305	P 2,636	**P 600**	P 606

Based on BSP regulations, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan receivable shall be considered as non-performing when the total amount of arrearages reaches 10% of the total loan receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals.

A reconciliation of the allowance for impairment of loans and receivables at the beginning and end of 2015 and 2014 is shown below (see Note 16).

	Group		Parent Company	
	2015	2014	**2015**	2014
Balance at beginning of year	**P 6,457**	P 6,131	**P 4,605**	P 4,621
Impairment losses during the year - net	**2,067**	2,255	**1,137**	1,591
Accounts written off and others – net	**(1,484)**	(1,929)	**(917)**	(1,607)
Balance at end of year	**P 7,040**	P 6,457	**P 4,825**	P 4,605

11.3 Reclassification to and from Loans and Receivables

In 2008, the Parent Company reclassified from AFS Securities to Loans and Receivables, its CLNs that are linked to ROP bonds and certain CDOs with aggregate carrying amount of P5,961 (see Note 10.1) and embedded derivatives financial liability amounting to P308 at reclassification date. The reclassified CDOs were disposed of in 2010. The effective interest rates at reclassification date ranged from 4.25% to 9.50% per annum. The unrealized fair value losses that should have been recognized by the Group and Parent Company in the financial statements under Revaluation Reserves account had the CLNs not been reclassified to Loans and Receivables is P145 as of December 31, 2013. Had the embedded derivatives not been reclassified by the Parent Company, interest income on loans and receivables would have decreased by P214 for the year ended December 31, 2013 and the additional fair value losses that would have been recognized in profit or loss would have amounted to P92. As of December 31, 2013, the carrying amounts and the corresponding fair values of the outstanding reclassified CLNs linked to ROP bonds amounted to P2,665 and P2,947, respectively.

On January 1, 2014, as a result of the initial application of PFRS 9, the Parent Company reclassified its CLNs with an aggregate carrying value of P2,665 from Loans and Receivables to Financial Assets at FVPL.

12. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in and advances to subsidiaries and associates are as follows (refer to Note 1.2 for the effective percentage of ownership, line of business, and country of incorporation of subsidiaries and associates):

		Group	
	Note	**2015**	2014
Acquisition costs of associates:			
HCPI		**P 91**	P 91
LIPC		**57**	57
YCS		**4**	5
		152	153
Accumulated equity in net earnings:			
Balance at beginning of year		**168**	184
Share in net earnings for the year	25.1	**93**	24
Share in actuarial gains on defined benefit plan		**1**	(34)
Share in fair value gains on financial assets at FVOCI		**25**	-
Cash dividends		**(76)**	(6)
Balance at end of year		**211**	168
Carrying amount		**P 363**	P 321

		Parent Company	
	Note	**2015**	2014
Subsidiaries:			
RSB		**P 3,190**	P 3,190
RCBC Capital		**2,231**	2,231
Rizal Microbank		**1,242**	992
RCBC LFC		**687**	687
RCBC JPL		**375**	375
RCBC Forex		**150**	150
RCBC North America		**134**	134
RCBC Telemoney		**72**	72
RCBC IFL		**58**	58
		8,139	7,889
Associates:			
NPHI		**388**	388
HCPI		**91**	91
LIPC		**57**	57
YCS		**4**	5
		540	541
Advances -			
RCBC LFC		**500**	-
		9,179	8,430
Allowance for impairment	16	**(431)**	(431)
Carrying amount		**P 8,748**	P 7,999

At the end of each reporting period, the Group has no material interest in unconsolidated structured entities.

Also, the Parent Company and its subsidiaries did not enter in any contractual arrangements to provide financial support to any entities under the Group.

The Parent Company received dividends from its subsidiaries and associates amounting to P602 and P76, respectively, in 2015, P1,568 and P6, respectively, in 2014 and, P678 and P284, respectively, in 2013.

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 share of stock of RCBC LFC. As of December 31, 2015, RCBC LFC is yet to file with the SEC the application for increase in its authorized capital stock since the certificate of authority to amend the articles of incorporation was only secured from the BSP on January 20, 2016.

On October 18, 2013, the Parent Company's BOD approved the share purchase agreement entered into by the Group and another third party investor for the sale of the Group's ownership interest in Bankard, Inc. Bankard, Inc.'s total assets, total liabilities and net assets amounted to P1,075, P14 and P1,061, respectively, as of the date of disposal. As a consideration for the sale of the investment, the Group received cash amounting to P225 and a right over an escrow account amounting to P870 established by the buyer investor in settlement of this transaction. Gain on sale recognized related to this transaction amounting to P44 is included as part of Gain on sale of equity investments under Miscellaneous Income account in the Group's and Parent Company's 2013 statement of profit or loss (see Note 25.1). Moreover, the disposal of Bankard, Inc. resulted in the reversal and transfer directly to surplus of other reserves amounting to P233 which was recognized in prior years (see Note 23.4).

12.2 Information About Investments in Associates

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI to commit and undertake to vote, as a unit, the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been considered by the Parent Company as an associate despite having only 12.88% ownership interest.

The table below presents the summary of the unaudited financial information of HCPI as of and for the years ended December 31:

	Resources	Liabilities	Revenues	Profit
2015:				
HCPI	**P 4,914**	**P 2,097**	**P 14,276**	**P 705**
2014:				
HCPI	P 4,334	P 1,744	P 10,412	P 449

On July 31, 2013, the Parent Company's BOD approved the sale of a total of 2,130,000 common stock or 49.00% shareholdings in RCBC Land, Inc. (RLI) to PMMIC and a total of 1,701,771 common stock and 5,201,771 preferred stock or 25.00% ownership in RCBC Realty Corporation to PMMIC, HI and RLI. The total consideration received from the said disposal of shares of stock amounted to P4,547 resulting in a gain of P1,336 which was recognized and included as part of Gain on sale of equity investments under Miscellaneous Income account in the Group's 2013 statement of profit or loss (see Note 25.1).

RCBC Capital entered into an agreement with another stockholder of Roxas Holdings, Inc. (RHI) to commit and undertake to vote, as a unit, the shares of stock of RHI, which they own and hold, and to regulate the conduct of the voting and other actions between them with respect to the exercise of the voting rights. As a result of this agreement, RCBC Capital and the Parent Company were able to exercise significant influence over the operating and financial policies of RHI. Thus, notwithstanding RCBC Capital's ownership of only 4.71% and the Parent Company's ownership of only 2.40%, RHI has been considered as an associate of the Group until 2012. In 2013, the agreement with the other stockholder of RHI was terminated resulting in RCBC Capital and the Parent Company losing their significant influence in RHI. Consequently, the Group has ceased to account its investment in RHI under equity method which resulted in the derecognition of the carrying amount of the investment amounting to P413 and recognition of the same investment as part of AFS Securities at its fair value of P434, resulting in a gain from this transaction amounting to P21. Such gain is recognized as part of Others under Miscellaneous Income account in the 2013 statement of profit or loss of the Group. In addition, the Group has recognized in other comprehensive income a fair value loss of P20 arising from the remeasurement of such equity investment in RHI at fair value at the end of 2013. As a result of the initial application of PFRS 9, the Group's equity investment in RHI was reclassified to financial assets at FVPL.

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 2015 and 2014 are shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2015					
Cost	P 1,297	P 3,239	P 7,946	P 1,015	P 12,638
Accumulated depreciation and amortization	-	(1,131)	(4,764)	-	(5,606)
Net carrying amount	**P 1,297**	**P 2,108**	**P 3,182**	**P 1,015**	**P 7,602**
December 31, 2014					
Cost	P 1,297	P 3,070	P 7,291	P 979	P 12,637
Accumulated depreciation and amortization	-	(1,032)	(4,574)	-	(5,606)
Net carrying amount	P 1,297	P 2,038	P 2,717	P 979	P 7,031
January 1, 2014					
Cost	P 1,587	P 4,333	P 6,026	P 915	P 12,861
Accumulated depreciation and amortization	-	(976)	(3,071)	-	(4,047)
Net carrying amount	P 1,587	P 3,357	P 2,955	P 915	P 8,814

	Parent Company				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
December 31, 2015					
Cost	P 786	P 2,308	P 5,378	P 748	P 9,220
Accumulated depreciation and amortization	-	(865)	(3,380)	-	(4,245)
Net carrying amount	**P 786**	**P 1,443**	**P 1,998**	**P 748**	**P 4,975**
December 31, 2014					
Cost	P 779	P 2,172	P 4,766	P 695	P 8,412
Accumulated depreciation and amortization	-	(798)	(3,127)	-	(3,925)
Net carrying amount	P 779	P 1,374	P 1,639	P 695	P 4,487
January 1, 2014					
Cost	P 1,212	P 4,123	P 4,567	P 615	P 10,517
Accumulated depreciation and amortization	-	(737)	(2,759)	-	(3,496)
Net carrying amount	P 1,212	P 3,386	P 1,808	P 615	P 7,021

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2015 and 2014 is shown below.

	Group				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 1,297	P 2,038	P 2,717	P 979	P 7,031
Additions	4	143	1,515	299	1,961
Reclassification from Investment Properties (see Note 14)	12	71	-	-	83
Disposals	(16)	(9)	(220)	(26)	(271)
Depreciation and amortization charges for the year	-	(135)	(830)	(237)	(1,202)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 1,297**	**P 2,108**	**P 3,182**	**P 1,015**	**P 7,602**
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 1,587	P 3,357	P 2,955	P 915	P 8,814
Additions	1	72	529	310	912
Reclassification to Investment Properties (see Note 14)	(259)	(1,265)	-	-	(1,524)
Disposals	(32)	(22)	(54)	(44)	(152)
Depreciation and amortization charges for the year	-	(104)	(713)	(202)	(1,019)
Balance at December 31, 2014 net of accumulated depreciation and amortization	P 1,297	P 2,038	P 2,717	P 979	P 7,031

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 779	P 1,374	P 1,639	P 695	P 4,487
Additions	1	124	1,075	211	1,411
Reclassification from Investment Properties (see Note 14)	12	71	-	-	83
Disposals	(6)	(8)	(171)	-	(185)
Depreciation and amortization charges for the year	-	(118)	(545)	(158)	(821)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 786**	**P 1,443**	**P 1,998**	**P 748**	**P 4,975**
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 1,212	P 3,386	P 1,808	P 615	P 7,021
Additions	1	44	324	204	573
Reclassification to Investment Properties (see Note 14)	(419)	(1,985)	-	-	(2,404)
Disposals	(15)	(3)	(22)	-	(40)
Depreciation and amortization charges for the year	-	(68)	(471)	(124)	(663)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 779	P 1,374	P 1,639	P 695	P 4,487

In 2014, a portion of the RSB Corporate Center, a building owned by the Parent Company, including the land where it is located with gross amounts of P1,985 and P419, respectively, in the Parent Company's financial statements was reclassified to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year, including leases to RSB. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is reclassified as part of the Investment Properties account in the 2014 statement of financial position (see Note 14). In 2015, due to the change in use of some portions of the RSB Corporate Center, building and land amounting to P71 and 12, respectively, were reclassified back from Investment Properties in the Group's and Parent Company's financial statements.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2015 and 2014, the Parent Company and its bank subsidiaries have satisfactorily complied with this BSP requirement.

The gross carrying amount of the Group's and the Parent Company's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P3,825 and P3,342, respectively, as of December 31, 2015 and P3,503 and P3,026, respectively, as of December 31, 2014.

14. INVESTMENT PROPERTIES

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment and properties which are held for rental.

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the end of 2015, 2014 and 2013 are shown below.

	Group			Parent Company		
	Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
December 31, 2015						
Cost	P 1,853	P 1,901	P 3,754	P 1,006	P 2,008	P 3,014
Accumulated depreciation	-	(314)	(314)	-	(131)	(131)
Accumulated 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**
December 31, 2014						
Cost	P 3,418	P 2,880	P 6,298	P 1,620	P 2,034	P 3,654
Accumulated depreciation	-	(615)	(615)	-	(82)	(82)
Accumulated impairment (see Note 16)	(319)	(9)	(328)	(146)	-	(146)
Net carrying amount	P 3,099	P 2,256	P 5,355	P 1,474	P 1,952	P 3,426
January 1, 2014						
Cost	P 3,238	P 2,649	P 5,887	P 1,373	P 1,085	P 2,458
Accumulated depreciation	-	(526)	(526)	-	(31)	(31)
Accumulated impairment (see Note 16)	(765)	(17)	(782)	(483)	-	(483)
Net carrying amount	P 2,473	P 2,106	P 4,579	P 890	P 1,054	P 1,944

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2015 and 2014 follow:

		Group		Parent Company	
	Notes	**2015**	2014	**2015**	2014
Balance at January 1, net of accumulated depreciation and impairment		**P 5,355**	P 4,579	**P 3,426**	P 1,944
Additions		**1,631**	834	**13**	18
Reclassification from (to) Bank Premises	13	**(83)**	1,524	**(83)**	2,404
Reclassification to Assets Held-for-Sale and Disposal Group	15.1	**(1,688)**	-	**(337)**	-
Disposals/transfers		**(1,445)**	(1,116)	**(84)**	(813)
Impairment losses		**(225)**	(248)	**-**	(72)
Depreciation charges for the year		**(175)**	(218)	**(52)**	(55)
Balance at December 31, net of accumulated depreciation and impairment		**P 3,370**	P 5,355	**P 2,883**	P 3,426

As of December 31, 2015 and 2014, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totalling to P1,631 and P13, respectively, in 2015 and P834 and P18, respectively, in 2014 in settlement of certain loan accounts.

In September 2014, the Parent Company sold to a third party buyer a certain non-performing investment properties consisting of land and building with a total carrying amount of P774 for a total consideration of P740, consisting of P35 cash as down payment, P40 accounts receivable and P665 sales contract receivable with no interest and payable in staggered amount for a period of four years. This disposal resulted in a loss of P34 recognized as part of Others under the Miscellaneous Expenses account in the 2014 statement of profit or loss (see Note 25.2). The sales contract receivable was initially recognized at its fair value resulting in the recognition of a day-one loss amounting to P5 which is included as part of allowance for impairment.

In February 2013, the Parent Company sold its NPAs with a total carrying amount of P1,743 including P1,236 non-performing investment properties and P507 NPLs for a total consideration of P2,288 consisting of P1,557 cash and P731 long-term debt security (see Note 11). The total gain recognized from this transaction amounted to P364 which is included as part of Gain on assets sold under Miscellaneous Income account in the 2013 statement of profit or loss (see Note 25.1).

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P281 and P162, respectively, in 2015, P333 and P18, respectively, in 2014, and P696 and P512, respectively, in 2013, which is presented as Gain on assets sold under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 Income and Expenses from Investment Properties Held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P310 and 330, respectively, in 2015, P237 and 192, respectively, in 2014, and P277 and P103, respectively, in 2013 [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 P17 and P15, respectively, in 2015, P23 and P21, respectively, in 2014, and P54 and P1, respectively, in 2013.

14.3 Valuation and Measurement of Investment Properties

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, 2015 and 2014, based on the available appraisal reports, amounted to P7,994 and P9,946, respectively, for the Group; and, P5,349 and P5,379, respectively, for the Parent Company (see Note 7.4).

15. OTHER RESOURCES

Other resources consist of the following:

	Notes	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Assets held-for-sale and disposal group	15.1	**P 3,263**	P 1,777	**P 1,426**	P 960
Deferred tax assets	26.1	**1,222**	84	**443**	-
Creditable withholding taxes		**1,219**	920	**1,191**	919
Branch licenses	15.5	**1,022**	57	**1,000**	-
Software – net	15.2	**936**	822	**786**	664
Goodwill	15.3	**426**	426	**-**	-
Prepaid expenses		**302**	312	**217**	199
Refundable deposits		**271**	142	**169**	140
Inter-office float items		**224**	705	**263**	691
Sundry debits		**176**	88	**148**	88
Returned checks and other cash items		**164**	488	**155**	464
Unused stationery and supplies		**158**	163	**109**	122
Foreign currency notes		**147**	113	**113**	85
Margin deposits	15.4	**42**	96	**42**	96
Miscellaneous		**686**	1,066	**147**	620
		10,258	7,259	**6,209**	5,048
Allowance for impairment	15.3, 16	**(240)**	(209)	**(8)**	(21)
		P 10,018	P 7,050	**P 6,201**	P 5,027

15.1 Assets Held-for-Sale and Disposal Group

Assets held-for-sale represents real and other properties that are approved by management to be immediately sold. These mainly include real properties, automobiles and equipment foreclosed by the Parent Company, RSB and RCBC LFC in settlement of loans.

In 2015, RSB classified portion of its Investment properties amounting to P1,351 as assets held-for-sale (see Note 14) since the carrying amount of this properties will be recovered principally through a sale transaction. The properties are readily available for immediate sale in its present condition and that management believes that the sale is highly probable. The Bank expects to complete the sale transaction for these assets within 2016.

In 2013, the Parent Company entered into a joint venture agreement to develop certain investment properties (see Note 14) for the purpose of recovering the cost through the eventual sale. Management reclassified these properties amounting to P337 as assets held-for-sale. This type of joint arrangement is accounted for as a jointly controlled operation. There was no separate entity created under this joint venture agreement. The joint venture agreement stipulates that the Parent Company shall contribute parcels of land and the co-venturer shall be responsible for the planning, conceptualization, design, construction, financing and marketing of units to be constructed on the properties. The Parent Company does not have outstanding commitments over the joint venture agreement as of December 31, 2015 and 2014.

In 2009, in accordance with the letter received by RSB from BSP dated March 26, 2009, RSB reclassified certain investment properties to equity investments as its investment in subsidiaries in its separate financial statements which resulted in the inclusion of the assets, liabilities, income and expenses of the SPCs of RSB in the Group's consolidated financial statements. The approval of the BSP through the MB is subject to the following conditions: (i) RSB should immediately dissolve the SPCs once the underlying dacioned real property assets were sold or disposed of; and, (ii) the equity investments in the SPCs shall be disposed of within a reasonable period of time.

In partial compliance with the requirements of BSP, the management of RSB resolved that certain SPCs be disposed of through the conversion of the SPCs' existing common shares into redeemable preferred shares which shall be subsequently redeemed. Accordingly, at their special meeting held on September 30, 2013, the respective BOD and the stockholders of the SPCs approved that a portion of the common shares of the SPCs owned by RSB shall be converted to redeemable preferred shares and that for such purpose, the Articles of Incorporation of the SPCs below have been amended. The amendment was approved by the SEC on November 28, 2013:

(a) Goldpath
(b) Eight Hills
(c) Crescent Park
(d) Niceview
(e) Lifeway
(f) Gold Place
(g) Princeway
(h) Greatwings
(i) Top Place
(j) Crestview
(k) Best Value

On December 23, 2013, the BOD of RSB approved the foregoing SPCs' redemption of the SPCs' respective preferred shares for a total consideration of P1,555. This transaction resulted in the recognition of a redemption loss by RSB amounting to P185 which is reported in the 2013 consolidated financial statements of the Group as part of Other Reserves account pending the eventual retirement of these redeemable preferred shares. On May 30, 2014 and on October 16, 2014, the retirement of the preferred shares were approved by the BOD and SEC, respectively; hence, the retirement of shares was executed by RSB. Consequently, the amount of the redemption loss was transferred directly to Surplus account from Other Reserves account as the redemption of shares of these SPCs is considered transaction between owners within the Group (see Note 23.4).

In relation to the SPCs disposal plan and to fully comply with the requirements of the BSP, the BOD of RSB has approved in its meeting held on May 30, 2014 the shortening of the corporate life of these SPCs until December 31, 2015 which was approved by the SEC in various dates during the last quarter of 2014. As the Group is in the process of liquidating the operations of those SPCs, which is expected to be completed within 2016, 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 2015 and 2014 is shown below.

	Group		Parent Company	
	2015	2014	**2015**	2014
Balance at beginning of year	**P 822**	P 874	**P 664**	P 682
Additions	**348**	288	**243**	124
Amortization	**(234)**	(340)	**(121)**	(142)
Balance at end of year	**P 936**	P 822	**P 786**	P 664

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, 2015 and 2014 pertains to the following:

	2015	2014
RSB	**P 268**	P 268
Rizal Microbank	**158**	158
	426	426
Allowance for impairment	**(158)**	(158)
	P 268	P 268

RSB recognized goodwill arising from its acquisition of the net assets of another bank in 1998 from which it had expected future economic benefits and synergies that will result from combining the operations of the acquired bank with that of RSB.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2015 and 2014, RSB engaged a third party consultant to perform an independent impairment testing of goodwill.

On the basis of the report of the third party consultant dated January 31, 2016 and 2015 with valuation date as of the end of 2015 and 2014, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss.

In addition, the goodwill pertaining to the acquisition of Rizal Microbank was fully provided with impairment in 2011.

15.4 Margin Deposits

Margin deposits serve as security for outstanding financial market transactions and other liabilities. These are designed to provide additional credit risk protection for counterparty exposures.

15.5 Branch Licenses

Branch licenses represent the rights given to the Group to establish a certain number of branches in the restricted areas in the country and 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	**2015**	2014	**2015**	2014
Balance at beginning of year					
Loans and receivables	11	**P 6,457**	P 6,131	**P 4,605**	P 4,621
Investment in subsidiaries and associates	12	**-**	-	**431**	427
Investment properties	14	**328**	782	**146**	483
Other resources	15	**209**	244	**21**	43
		6,994	8,500	**5,203**	6,767
Impairment losses during the year		**2,350**	2,509	**1,150**	1,663
Charge-offs and other adjustments during the year		**(1,994)**	(4,015)	**(1,089)**	(3,227)
		356	(1,506)	**61**	(1,564)
Balance at end of year					
Loans and receivables	11	**7,040**	6,457	**4,825**	4,605
Investment in subsidiaries and associates	12	**-**	-	**431**	431
Investment properties	14	**70**	328	**-**	146
Other resources	15	**240**	209	**8**	21
		P 7,300	P 6,994	**P 5,264**	P 5,203

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities (see also Note 28.2):

	Group		Parent Company	
	2015	2014	**2015**	2014
Demand	**P 44,311**	P 32,197	**P 34,963**	P 24,391
Savings	**178,197**	164,269	**153,369**	142,375
Time	**119,854**	119,295	**75,738**	81,256
	P 342,362	P 315,761	**P 264,070**	P 248,022

Included in the time deposits are the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of December 31, 2015 and 2014 as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2015	Outstanding Balance 2014
December 19, 2014	June 19, 2020	4.13%	**P 2,100**	P 2,100
November 14, 2013	May 14, 2019	3.25%	**2,860**	2,860
November 14, 2013	May 14, 2019	3.52%	**1,903**	1,838
May 7, 2012	November 7, 2017	5.25%	**1,150**	1,150
December 29, 2011	June 29, 2017	5.25%	**2,033**	2,033
December 29, 2011	June 29, 2017	5.54%	**1,674**	1,585
May 6, 2010	November 6, 2015	6.50%	**-**	2,854
May 6, 2010	November 6, 2015	6.35%	**-**	2,035
			P 11,720	P 16,455

The Parent Company's LTNCDs were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes.

The maturity profile of the deposit liabilities follows:

	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Within one year	**P 68,132**	P 67,692	**P 45,096**	P 45,365
Beyond one year but within five years	**19,202**	16,277	**18,802**	16,120
Beyond five years	**-**	2,097	**-**	2,097
Non-maturing	**255,028**	229,695	**200,172**	184,440
	P 342,362	P 315,761	**P 264,070**	P 248,022

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.15% to 1.00% in 2015, and 0.25% to 0.88% in 2014 and 2013. Deposit liabilities are stated at amounts they are to be paid which approximate the market value.

Under existing BSP regulations, non-FCDU deposit liabilities, including long-term tax exempt Negotiable Certificate of Time Deposits, of the Parent Company is subject to reserve requirement equivalent to 20% in 2015 and 2014, while RSB and Rizal Microbank are subject to reserve requirement equivalent to 8% in 2015 and 2014. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 6% in 2015 and 2014. As of December 31, 2015 and 2014, the Group is in compliance with such regulatory reserve requirements.

In 2012, the BSP issued Circular No. 753 which excludes cash in vault and regular reserve deposit accounts with BSP as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P46,112 and P40,100 for the Group and P39,026 and P34,462 for the Parent Company as of December 31, 2015 and 2014, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group				Parent Company			
	2015		2014		**2015**		2014	
Foreign banks	**P**	**33,965**	P	30,572	**P**	**33,965**	P	30,572
Local banks		**15,392**		9,155		**11,847**		6,261
Others		**47**		72		**4**		4
	P	**49,404**	P	39,799	**P**	**45,816**	P	36,837

The maturity profile of bills payable follows:

	Group				Parent Company			
	2015		2014		**2015**		2014	
Within one year	**P**	**21,296**	P	35,814	**P**	**18,228**	P	32,897
Beyond one year but within five years		**17,339**		1,126		**16,819**		1,081
More than five years		**10,769**		2,859		**10,769**		2,859
	P	**49,404**	P	39,799	**P**	**45,816**	P	36,837

Borrowings from foreign and local banks, which are mainly short-term in nature, are subject to annual fixed interest rates as follows:

	2015	2014	2013
Group			
Peso denominated	**1.75%-2.00%**	0.08%-5.00%	1.35%-10.00%
Foreign currency denominated	**0.02%-2.67%**	0.08%-3.13%	0.05%-2.62%
Parent Company			
Foreign currency denominated	**0.02%-2.67%**	0.08%-3.13%	0.05%-2.62%

Only bills payable to BSP is collateralized by the assignment of certain loans. As of December 31, 2015 and 2014, there were no outstanding bills payable to BSP.

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 **2015**		Outstanding Balance 2014	
November 2, 2015	February 2, 2021	3.45%	**$**	**320**	**P**	**15,020**	P	-
January 21, 2015	January 22, 2020	4.25%		**243**		**11,398**		-
January 30, 2012	January 31, 2017	5.25%		**275**		**12,946**		12,306
February 8, 2010	February 9, 2015	6.25%		**250**		**-**		11,180
			$	**1,088**	**P**	**39,364**	P	23,486

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, 2015, the peso equivalent of this outstanding bond issue amounted to P15,020.

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, 2015, the peso equivalent of this outstanding bond issue amounted to P11,398.

In January 2012, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$275 bearing an interest of 5.25% per annum, payable semi-annually in arrears every January 18 and July 18 of each year, which commenced on July 18, 2012. The Senior Notes, unless redeemed, will mature on January 31, 2017. As of December 31, 2015 and 2014, the peso equivalent of this outstanding bond issue amounted to P12,946 and P12,306, respectively.

In February 2010, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$250 bearing an interest of 6.25% per annum, payable semi-annually in arrears every February 9 and August 9 of each year, which commenced on August 9, 2010. The Senior Notes matured on February 9, 2015. As of December 31, 2014, the peso equivalent of this outstanding bond issue amounted to P11,180.

The interest expense incurred on these bonds payable amounted to P1,262 in 2015, P1,333 in 2014, and P1,284 in P2013. The Group recognized foreign currency exchange losses in relation to these bonds payable amounting to P1,286 in 2015, P171 in 2014 and P1,759 in 2013 which are netted against Foreign exchange gains under Other Operating Income in the statements of profit or loss.

20. SUBORDINATED DEBT

20.1 Tier 2 Notes

On June 27, 2014, the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7 billion Tier 2 Notes. The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10 billion, are as follows:

(a) The Tier 2 Notes shall mature on September 27, 2024, provided that they are not redeemed at an earlier date.

(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on September 26, 2019, and on any Interest Payment Date thereafter, redeem all of the outstanding Tier 2 Notes at redemption price equal to 100% of its face value together with accrued and unpaid interest thereon. The terms and conditions of the Tier 2 Notes also allow for early redemption upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event.

(c) The Tier 2 Notes shall initially bear interest at the rate of 5.375% per annum from and including June 27, 2014 to but excluding September 27, 2019 and shall be payable quarterly in arrears at the end of each interest period on March 27, June 27, September 27 and December 27 of each year.

(d) Unless the Tier 2 Notes are previously redeemed, the initial interest rate will be reset on September 26, 2019 at the equivalent of the five-year PDST-R2 or the relevant five-year benchmark plus the initial spread of 1.93% per annum. Such reset interest shall be payable quarterly in arrears commencing on September 27, 2019 up to and including September 27, 2024, if not otherwise redeemed earlier.

(e) The Tier 2 Notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions as set out in the terms and conditions of the notes, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. Upon the occurrence of a Non-Viability Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go as low as zero. A Non-Viability Write-Down shall have the following effects:

(i) it shall reduce the claim on the notes in liquidation;
(ii) reduce the amount re-paid when a call or redemption is properly exercised; and,
(iii) partially or fully reduce the interest payments on the notes.

The total interest expense incurred by the Group on the notes amounted to P553 in 2015 and P253 in 2014.

20.2 P4 Billion Notes

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

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

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

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

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

The P4 billion Notes were issued on May 15, 2009 and were fully subscribed. On December 26, 2013, the Parent Company redeemed all of the outstanding notes. The total interest expense incurred on the subordinated debt amounted to P310 for the year ended 2013.

20.3 P7 Billion Notes

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

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

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

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

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

The P7 billion Notes were issued on February 22, 2008 and were fully subscribed. On February 22, 2013, the Parent Company redeemed all of the outstanding notes. The interest expense incurred on the subordinated debt amounted to P75 for the year ended December 31, 2013.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2015	2014	**2015**	2014
Accrued expenses	**P 3,112**	P 3,283	**P 2,342**	P 2,475
Accrued interest	**1,086**	1,004	**946**	828
Taxes payable	**255**	384	**116**	195
	P 4,453	P 4,671	**P 3,404**	**P 3,498**

Accrued expenses represent mainly the accruals for utilities, employee benefits and other operating expenses. Accrued interest primarily includes unpaid interest on deposit liabilities, bills payable, bonds payable and subordinated debt at the end of each reporting period.

22. OTHER LIABILITIES

Other liabilities consist of the following:

	Notes	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Accounts payable	28.5(a), 28.5(c)	**P 6,124**	P 5,310	**P 3,951**	P 3,343
Bills purchased – contra		**1,358**	2,188	**1,346**	2,148
Manager's checks		**1,278**	1,283	**789**	905
Post-employment defined benefit obligation	24.2	**1,274**	297	**1,139**	146
Outstanding acceptances payable		**418**	388	**418**	388
Other credits		**281**	220	**193**	163
Derivative financial liabilities	10.1	**265**	291	**265**	291
Withholding taxes payable		**166**	171	**110**	127
Deposit on lease contracts		**161**	125	**-**	-
Guaranty deposits		**156**	83	**156**	83
Payment orders payable		**117**	155	**104**	65
Sundry credits		**78**	108	**78**	93
Due to BSP		**28**	19	**28**	19
Miscellaneous		**709**	498	**670**	703
		P 12,413	P 11,136	**P 9,247**	P 8,474

Accounts payable is mainly composed of debit card balances of customers, settlement billing from credit card operations and Group's expenditure purchases which are to be settled within the next reporting period.

Miscellaneous liabilities include Pag-ibig, SSS and PhilHealth premiums, and other amounts due to local banks.

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock are as follows:

	Number of Shares 2015	Number of Shares 2014	Number of Shares 2013
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	**338,291**	342,082	342,082
Conversion of shares during the year	**(28,146)**	(3,791)	-
Balance at end of year	**310,145**	338,291	342,082

	Number of Shares		
	2015	2014	2013
Common stock – P10 par value			
Authorized – 1,400,000,000 shares			
Balance at beginning of year	**1,275,659,728**	1,275,658,638	1,140,857,133
Conversion of shares during the year	**6,746**	1,090	-
Issuances during the year	**124,242,272**	-	134,801,505
Balance at end of year	**1,399,908,746**	1,275,659,728	1,275,658,638

As of December 31, 2015 and 2014, there are 780 and 782 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% of the Parent Company's total issued and outstanding shares. Such listed shares closed at P33.00 per share and P48.00 per share as of December 31, 2015 and 2014, 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
November 26, 2012	0.0593	0.02	December 18, 2012	November 26, 2012	December 21, 2012	January 2, 2013
November 26, 2012	*	201.99	*	November 26, 2012	March 4, 2013	April 27, 2013
November 26, 2012	*	212.56	*	November 26, 2012	September 6, 2013	October 25, 2013
January 28, 2013	0.0578	0.02	March 21, 2013	January 28, 2013	March 4, 2013	March 26, 2013
March 25, 2013	1.0000	1,275.66	May 21, 2013	March 25, 2013	April 29, 2013	May 27, 2013
March 25, 2013	1.0000	0.34	May 21, 2013	March 25, 2013	April 29, 2013	May 27, 2013
April 29, 2013	0.0577	0.02	June 21, 2013	April 29, 2013	June 10, 2013	June 27, 2013
July 29, 2013	0.0575	0.02	September 21, 2013	July 29, 2013	September 6, 2013	September 26, 2013
October 29, 2013	0.0569	0.02	December 21, 2013	October 29, 2013	January 13, 2014	January 15, 2014
October 29, 2013	*	224.01	*	October 29, 2013	February 25, 2014	April 25, 2014
October 29, 2013	*	212.01	*	October 29, 2013	September 15, 2014	October 24, 2014
January 27, 2014	0.0562	0.02	March 21, 2014	January 27, 2014	February 25, 2014	March 27, 2014
March 31, 2014	1.0000	1,275.66	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
March 31, 2014	1.0000	0.34	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
April 28, 2014	0.0570	0.02	June 21, 2014	April 28, 2014	July 25, 2014	July 30, 2014
July 28, 2014	0.0536	0.02	September 30, 2014	July 28, 2014	September 15, 2014	October 10, 2014
October 27, 2014	0.0564	0.02	December 21, 2014	October 27, 2014	December 19, 2014	January 28, 2015
October 27, 2014	*	221.57	*	October 27, 2014	March 20, 2015	April 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

* *Pertains to cash dividends on hybrid perpetual securities*
** *Not applicable, BSP approval not anymore required*

In 2015, the BSP, through the Monetary Board, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability and that it be disclosed in the statement of changes in equity.

A portion of the Group's surplus corresponding to the undistributed profit of subsidiaries and equity in net earnings of certain associates totalling P7,073 and P6,724 as of December 31, 2015 and 2014, 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).

In 2008, the Parent Company's interest in Bankard, Inc.'s net assets increased to 91.69% (representing 66.58% direct ownership and 25.11% indirect ownership through RCBC Capital) as a result of additional capital infusion of P1,000 which was approved by the BSP on February 23, 2007. This change in ownership in Bankard, Inc. did not result in a change in control by the Parent Company. In accordance with the relevant accounting standards, the Parent Company's and NCI (other than RCBC Capital) stocks in Bankard, Inc.'s net assets were adjusted to reflect the changes in their respective interests. The difference between the amount of additional investment made by the Parent Company and the adjustment in the NCI's share in Bankard, Inc.'s net assets amounting to P233 was recognized directly in equity and presented as part of Other Reserves. In 2013, as a result of the disposal of the Parent Company's and RCBC Capital's ownership interest over Bankard, Inc., Other Reserves arising from the change in ownership recognized in the Group's 2013 statement of changes in equity was reversed and directly charged to Surplus (see Note 12.1).

23.5 Hybrid Perpetual Securities

On October 30, 2006, the Parent Company received the proceeds from the issuance of Non-Cumulative Step-Up Callable Perpetual Securities ("Perpetual Securities") amounting to US$98 million, net of fees and other charges. Net proceeds were used to strengthen the CAR of the Parent Company, repay certain indebtedness and enhance its financial stability and for general corporate purposes. The issuance of the Perpetual Securities was approved by the BOD on June 7, 2006.

The Perpetual Securities represent US$100 million, 9.875%, non-cumulative step-up callable perpetual securities issued pursuant to a trust deed dated October 27, 2006 between the Parent Company and Bank of New York – London Branch, each with a liquidation preference of US$1 thousand per US$1 thousand in principal amount of the Perpetual Securities. The actual listing and quotation of the Perpetual Securities in a minimum board lot size of US$1 hundred in the Singapore Exchange Securities Trading Limited ("SGX-ST") was done on November 1, 2006. The Perpetual Securities were issued pursuant to BSP Circular No. 503 dated December 22, 2005 allowing the issuance of perpetual, non-cumulative securities up to US$125 million which are eligible to qualify as Hybrid Tier 1 Capital.

The significant terms and conditions of the issuance of the Perpetual Securities, among others, follow:

(a) Interest (effectively dividends) will be paid from and including October 27, 2006 (the "issue date") to (but excluding) October 27, 2016 (the "First Optional Redemption Date") at a rate of 9.875% per annum payable semi-annually in arrears from April 27, 2007 and, thereafter at a rate reset and payable quarterly in arrears, of 7.02% per annum above the then prevailing LIBOR for three-month US dollar deposits;

(b) Except as described below, interest (dividends) will be payable on April 27 and October 27 in each year, commencing on April 27, 2007 and ending on the First Optional Redemption Date, and thereafter (subject to adjustment for days which are not business days) on January 27, April 27, July 27, October 27 in each year commencing on January 27, 2016;

(c) The Parent Company may, in its absolute discretion, elect not to make any interest (dividends) payment in whole or in part if the Parent Company has not paid or declared a dividend on its common stocks in the preceding financial year; or determines that no dividend is to be paid on such stocks in the current financial year. Actual payments of interest (dividends) on the hybrid perpetual securities are shown in Note 23.3;

(d) The rights and claims of the holders will be subordinated to the claims of all senior creditors (as defined in the conditions) and the holders of any priority preference stocks (as defined in the conditions), in that payments in respect of the securities are conditional upon the Parent Company being solvent at the time of payment and in that no payments shall be due except to the extent the Parent Company could make such payments and still be solvent immediately thereafter;

(e) The Perpetual Securities are not deposits of the Parent Company and are not guaranteed or insured by the Parent Company or any party related to the Parent Company or the Philippine Deposit Insurance Corporation and they may not be used as collateral for any loan made by the Parent Company or any of its subsidiaries or affiliates;

(f) The Parent Company undertakes that, if on any Interest Payment Date, payment of all Interest Payments scheduled to be made on such date is not made in full, it shall not declare or pay any distribution or dividend or make any other payment on, any junior share capital or any parity security, and it shall not redeem, repurchase, cancel, reduce or otherwise acquire any junior share capital or any parity securities, other than in the case of any partial interest payment, pro rata payments on, or redemptions of, parity securities the dividend and capital stopper shall remain in force so as to prevent the Parent Company from undertaking any such declaration, payment or other activity as aforesaid unless and until a payment is made to the holders in an amount equal to the unpaid amount (if any) of interest payments in respect of interest periods in the twelve months including and immediately preceding the date such interest payment was due and the BSP does not otherwise object; and,

(g) The Parent Company, at its option, may redeem the Perpetual Securities at the fixed or final redemption date although the Parent Company may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and the Holders, redeem all (but not some only) of the securities: (i) on the first optional redemption date; and (ii) on each interest payment date thereafter, at an amount equal to the liquidation preference plus accrued interest.

On March 30, 2015, the Parent Company's BOD approved the redemption of its hybrid perpetual securities at a premium amounting to P723 million.

23.6 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account are shown below.

	Group			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustment on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance at January 1, 2015,	P 835	P 71	(P 224)	P 682
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
Translation adjustments on foreign operation	-	(10)	-	(10)
Actuarial losses on defined benefit plan	-	-	(1,044)	(1,044)
Other comprehensive loss	(143)	(10)	(1,044)	(1,197)
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2015	**P 689**	**P 61**	**(P 1,268)**	**(P 518)**
Balance at January 1, 2014, as restated	P 689	P 76	(P 225)	P 540
Fair value gains on financial assets at FVOCI	118		-	118
Translation adjustments on foreign operation	-	(5)	-	(5)
Actuarial gains on defined benefit plan	-	-	1	1
Other comprehensive income (loss)	118	(5)	1	114
Transfer from fair value losses on financial asset at FVOCI to Surplus	28	-	-	28
Balance as of December 31, 2014	P 835	P 71	(P 224)	P 682

	Group			
	Revaluation of AFS Securities	Accumulated Translation Adjustment on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2013, as restated	P 3,145	P 72	P 548	P 3,765
Fair value losses on AFS Securities	(8,150)	-	-	(8,150)
Translation adjustments on foreign operation	-	4	-	4
Actuarial losses on defined benefit plan	-	-	(773)	(773)
Other comprehensive income (loss)	(8,150)	4	(773)	(8,919)
Balance as of December 31, 2013	(P 8,150)	P 76	(P 225)	(P 5,154)

	Parent Company		
	Revaluation of Financial Assets at FVOCI	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance at January 1, 2015,	P 824	(P 75)	P 749
Fair value losses on financial assets at FVOCI	(220)	-	(220)
Actuarial losses on defined benefit plan	-	(987)	(987)
Other comprehensive loss	(220)	(987)	(1,207)
Balance as of December 31, 2015	**P 604**	**(P 1,062)**	**(P 458)**
Balance at January 1, 2014, as restated	P 768	(P 155)	P 613
Fair value gains on financial assets at FVOCI	56	-	56
Actuarial gains on defined benefit plan	-	80	80
Other comprehensive income	56	80	136
Balance as of December 31, 2014	P 824	(P 75)	P 749
Balance at January 1, 2013	P 2,648	P 600	P 3,248
Fair value losses on AFS Securities	(6,982)	-	(6,982)
Actuarial losses on defined benefit plan	-	(755)	(755)
Other comprehensive loss	(6,982)	(755)	(7,737)
Balance as of December 31, 2013	(P 4,334)	(P 155)	(P 4,489)

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are shown below.

	Group		
	2015	2014	2013
Short-term employee benefits	**P 4,370**	P 3,731	P 3,585
Post-employment defined benefits	**361**	333	301
	P 4,731	P 4,064	P 3,886

	Parent Company		
	2015	2014	2013
Short-term employee benefits	**P 2,924**	P 2,494	P 2,409
Post-employment defined benefits	**266**	254	230
	P 3,190	P 2,748	P 2,639

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 2015 and 2014.

The amounts of post-employment benefit obligation recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2015	2014	**2015**	2014
Fair value of plan assets	**P 3,585**	P 4,228	**P 2,898**	P 3,667
Present value of the obligation	**4,859**	4,525	**4,037**	3,813
Deficiency of plan assets	**(P 1,274)**	(P 297)	**(P 1,139)**	(P 146)

The Group's and Parent Company's post-employment defined benefit obligation as of December 31, 2015 and 2014 are included as part of Other Liabilities account in the statements of financial position (see Note 22).

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

	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Balance at beginning of year	**P 4,228**	P 4,215	**P 3,667**	P 3,653
Interest income	**278**	192	**176**	162
Return on plan assets (excluding amounts included in net interest)	**(1,013)**	35	**(998)**	43
Contributions paid into the plan	**378**	17	**265**	-
Benefits paid by the plan	**(286)**	(231)	**(212)**	(191)
Balance at end of year	**P 3,585**	P 4,228	**P 2,898**	P 3,667

The movements in the present value of the defined benefit obligation follow:

	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Balance at beginning of year	**P 4,525**	P 4,226	**P 3,813**	P 3,620
Current service cost	**361**	333	**266**	254
Interest expense	**227**	196	**181**	166
Remeasurements – actuarial losses (gains) arising from changes in:				
Financial assumptions	**(73)**	(5)	**(68)**	(32)
Demographic assumptions	**(22)**	-	**-**	-
Experience adjustments	**127**	6	**57**	(4)
Benefits paid by the plan	**(286)**	(231)	**(212)**	(191)
Balance at end of year	**P 4,859**	P 4,525	**P 4,037**	P 3,813

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 2015	Group 2014	Parent Company 2015	Parent Company 2014
Cash and cash equivalents	**P 379**	P 155	**P 153**	P 20
Debt securities:				
Government bonds	**84**	119	**11**	35
Corporate debt securities	**269**	210	**51**	53
Equity securities:				
Quoted equity securities				
Financial intermediaries	**1,863**	2,716	**1,863**	2,716
Transportation and communication	**315**	408	**290**	408
Electricity, gas and water	**112**	-	**97**	-
Diversified holding companies	**19**	18	**19**	18
Others	**113**	101	**3**	3
Unquoted long-term equity investments	**330**	330	**330**	330
UITF	**17**	112	**74**	78
Loans and receivables	**77**	36	**1**	1
Investment properties	**1**	6	**6**	6
Other investments	**6**	18	**-**	-
	3,585	4,229	**2,898**	3,668
Liabilities	**-**	(1)	**-**	(1)
	P 3,585	P 4,228	**P 2,898**	P 3,667

The fair values of the above debt securities and quoted equity securities are determined based on market prices in active markets. Long-term equity investments represent investment in corporations not listed in active and organized markets. Fair values are determined based on the book value per share based on latest audited financial statements of the investee company. The fair value of the UITF is determined based on the net asset value per unit of investment held in the fund.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for long-term equity investments, loans and receivables, investment properties and other investments which are at Level 3.

The returns on plan assets are as follows:

	Group		Parent Company	
	2015	2014	**2015**	2014
Interest income	**P 278**	P 192	**P 176**	P 162
Actuarial gains (losses)	**(979)**	35	**(998)**	43
Actual returns	**(P 701)**	P 227	**(P 824)**	P 205

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		
	2015	2014	2013
Reported in profit or loss:			
Current service cost	**P 361**	P 333	P 293
Net interest expense (income)	**(51)**	4	(419)
Effect of curtailment	**-**	-	8
	P 310	P 337	P 252
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 73**	P 5	(P 123)
Demographic assumptions	**22**	-	3
Experience adjustments	**(127)**	(6)	(52)
Effect of asset ceiling test	**-**	1	45
Share in actuarial losses of associates	**1**	(34)	-
Return on plan assets (excluding amounts included in net interest)	**(1,013)**	35	(646)
	(P 1,044)	P 1	(P 773)

	Parent Company		
	2015	2014	2013
Reported in profit or loss:			
Current service costs	**P 266**	P 254	P 221
Net interest expense (income)	**5**	4	(55)
Effect of curtailment	**-**	-	9
	P 271	P 258	P 175

	Parent Company		
	2015	2014	2013
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 68**	P 32	(P 171)
Experience adjustments	**(57)**	4	(105)
Changes in effect of asset ceiling	**-**	2	164
Return on plan assets (excluding amounts included in net interest)	**(998)**	42	(643)
	(P 987)	P 80	(P 755)

Current service costs, including the effect of curtailment and past service cost, form part of Employee Benefits under the Other Operating Expenses account, while net interest expense (income) is presented as part of Interest Expense – Bills Payable and Other Borrowings (Interest Income – Others) in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment obligation, the following ranges of actuarial assumptions were used:

	2015	2014	2013
Group			
Discount rates	**5.05% - 5.15%**	4.52% - 4.98%	4.09% - 5.47%
Expected rate of salary increases	**5.00% - 10.00%**	5.00% - 8.00%	5.00% - 8.00%
Parent Company			
Discount rates	**5.15%**	4.76%	4.57%
Expected rate of salary increases	**5.00%**	5.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 1994 GAM table, set back 6 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan assets of the Group are significantly invested in equity and debt securities, while the Group also invests in cash and cash equivalents and other investments. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2015 and 2014:

	Group Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2015:			
Discount rate	**+/- 1%**	**(P 311)**	**P 359**
Salary growth rate	**+/- 1%**	**322**	**(285)**
2014:			
Discount rate	+/- 1%	(P 241)	P 277
Salary growth rate	+/- 1%	243	(217)

	Parent Company		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2015:			
Discount rate	**+/- 1%**	**(P 161)**	**P 181**
Salary growth rate	**+/- 1%**	**152**	**(138)**
2014:			
Discount rate	+/- 1%	(P 161)	P 181
Salary growth rate	+/- 1%	152	(139)

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, 2015 and 2014 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P1,274 and P1,139 for the Group and Parent Company based on the latest funding actuarial valuations in 2015.

The maturity profile of undiscounted expected benefit payments from the plan within 10 years from the end of each reporting period follows:

	Group		Parent Company	
	2015	2014	**2015**	2014
Less than one year	**P 204**	161	**P 162**	P 148
More than one year to five years	**773**	813	**770**	674
More than five years to 10 years	**1,698**	1,696	**1,598**	1,469
	P 2,675	P 2,670	**P 2,530**	P 2,291

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6 to 18.5 years for the Group and 6.1 years for the Parent Company.

The Group and Parent Company expects to contribute P413 and P82, respectively, to the plan in 2016.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group		
		2015	2014	2013
Interchange fees		**P 365**	P 324	P 296
Rentals	14.2	**355**	243	285
Gains on assets sold	14.1	**281**	333	696
Dividend income	10.2	**237**	285	182
Recoveries from written-off assets		**169**	137	291
Share in net earnings of associates	12	**93**	24	243
Discounts earned		**58**	112	130
Gain on sale of equity investments	12	**-**	-	1,380
Others	12	**327**	268	741
		P 1,885	P 1,726	P 4,244

	Notes	Parent Company		
		2015	2014	2013
Dividend income	10.2, 12	**P 766**	P 1,682	P 1,000
Rentals	14.2 28.5(a)	**375**	197	125
Interchange fees		**364**	324	296
Gains on assets sold	14.1	**162**	18	512
Discounts earned		**58**	112	106
Gain on sale of equity investments	12	**-**	-	1,787
Others	12	**329**	335	382
		P 2,054	P 2,668	P 4,208

25.2 Miscellaneous Expenses

	Note	Group 2015	Group 2014	Group 2013
Insurance		**P 656**	P 614	P 516
Credit card-related expenses		**600**	524	559
Management and other professional fees		**529**	444	475
Communication and information services		**443**	463	447
Transportation and travel		**295**	404	377
Advertising and publicity		**289**	269	327
Litigation/assets acquired expenses		**247**	222	430
Banking fees		**190**	176	176
Stationery and office supplies		**129**	127	165
Other outside services		**112**	104	114
Representation and entertainment		**94**	152	157
Donations and charitable contributions		**61**	55	69
Commissions		**45**	27	29
Membership fees		**19**	18	22
Others	14.1	**966**	1,005	1,309
		P 4,675	P 4,604	P 5,172

	Note	Parent Company 2015	Parent Company 2014	Parent Company 2013
Credit card related expenses		**P 584**	P 511	P 534
Service processing fees	28.5(c)	**527**	479	460
Insurance		**511**	484	408
Communication and information services		**258**	288	279
Advertising and publicity		**191**	182	227
Management and other professional fees		**175**	220	218
Transportation and travel		**159**	238	263
Banking fees		**141**	133	133
Other outside services		**100**	92	98
Stationery and office supplies		**81**	85	121
Litigation/assets acquired expense		**81**	73	142
Donations and charitable contributions		**56**	50	64
Representation and entertainment		**41**	72	82
Membership fees		**15**	14	18
Others		**477**	562	896
		P 3,397	P 3,483	P 3,943

The Group's other expenses is 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 P53 and P44 in 2015 and 2014, respectively (see Note 28.5).

26. INCOME AND OTHER TAXES

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST). In 2003, the Parent Company and its financial intermediary subsidiaries were subjected to VAT instead of GRT. However, effective January 1, 2004 as prescribed under RA No. 9238, the Parent Company and certain subsidiaries were again subjected to GRT instead of VAT. RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

The recognition of liability of the Parent Company and certain subsidiaries for GRT is based on the related regulations issued by the tax authorities.

Income taxes include the regular corporate income tax (RCIT) of 30%, and final tax paid at the rate of 20%, which represents the final withholding tax on gross interest income from government securities and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to certain percentage of interest income subjected to final tax. Minimum corporate income tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against regular income tax liability in the next three consecutive years. In addition, the Group's net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three consecutive years.

Effective May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% gross income tax.

Interest income on deposits with other FCDUs and offshore banking units is subject to 7.5% final tax.

In 2015, 2014 and 2013, the Group opted to continue claiming itemized deductions.

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

26.1 Current and Deferred Taxes

The tax expense (income) as reported in the statements of profit or loss consists of:

	Group		
	2015	2014	2013
Current tax expense:			
Final tax	**P 326**	P 434	P 932
RCIT	**459**	382	203
Excess MCIT over RCIT	**46**	122	147
	831	938	1,282
Application of MCIT	**-**	(1)	-
	831	937	1,282
Deferred tax income relating to NOLCO and origination and reversal of temporary differences	**(1,138)**	(23)	(23)
	(P 307)	P 914	P 1,259

	Parent Company		
	2015	2014	2013
Current tax expense:			
Final tax	**P 254**	P 391	P 812
RCIT	**161**	77	11
Excess MCIT over RCIT	**46**	120	144
	461	588	967
Deferred tax income relating to NOLCO	**(443)**	-	-
	P 18	P 588	P 967

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		
	2015	2014	2013
Tax on pretax profit at 30%	**P 1,446**	P 1,597	P 1,978
Adjustments for income subjected to lower income tax rates	**(142)**	(174)	(245)
Tax effects of:			
Recognition of previously unrecognized deferred tax asset	**(992)**	-	-
Non-taxable income	**(539)**	(967)	(1,005)
Utilization of NOLCO	**(443)**	-	(1)
Non-deductible expenses	**356**	202	298
Unrecognized temporary differences	**129**	456	325
FCDU income	**(125)**	(214)	(93)
Utilization of MCIT	**-**	(1)	-
Others	**3**	15	2
Tax expense (income)	**(P 307)**	P 914	P 1,259

	Parent Company 2015	Parent Company 2014	Parent Company 2013
Tax on pretax profit at 30%	**P 1,286**	P 1,520	P 1,725
Adjustments for income subjected to lower income tax rates	**(108)**	(118)	(218)
Tax effects of:			
Recognition of previously unrecognized deferred tax asset	**(443)**	-	-
Utilization of NOLCO	**(443)**	-	-
Non-deductible expenses	**423**	130	121
Non-taxable income	**(290)**	(644)	(944)
Unrecognized temporary differences	**(282)**	(86)	376
FCDU income	**(125)**	(214)	(93)
Tax expense	**P 18**	P 588	P 967

The Parent Company recognized deferred tax asset amounting to P443 on a portion of its unutilized NOLCO amounting to P1,476 which can be utilized until 2016. The net deferred tax assets of the Group recognized and presented as part of Other Resources account in the statements of financial position as of December 31, 2015 and 2014 relate to the operations of the Parent Company and certain subsidiaries as shown below (see Note 15).

	2015	2014
Allowance for impairment	**P 652**	P 64
NOLCO	**443**	-
Post-employment defined benefits	**21**	18
Rent expense differential	**1**	1
Unamortized past service cost	**-**	2
Others	**5**	(1)
	P 1,222	P 84

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 of the Group relate to the following:

	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Allowance for impairment	**P 1,538**	P 2,034	**P 1,450**	P 1,432
Excess MCIT	**314**	470	**310**	405
NOLCO	**137**	1,053	**104**	990
Unamortized past service cost	**45**	169	**25**	176
Advance rental	**2**	2	**2**	2
	P 2,036	P 3,728	**P 1,891**	P 3,005

Consequently, deferred tax liabilities were also not recognized on certain taxable temporary differences as the settlement of those can be offset by the available deductible temporary differences in the future.

In addition, deferred tax liabilities on accumulated translation adjustments, particularly those relating to its foreign subsidiaries, were not recognized since their reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

The breakdown of the Group's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred and within five years from the year SPC losses were incurred, is shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2014	P 67	P -	P -	P 67	2017
2013	3,341	(1,476)	-	1,865	2016
2012	102	(39)	(63)	-	2015
	P 3,510	**(P 1,515)**	**(P 63)**	**P 1,932**	

The breakdown of the Parent Company's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred and within five years from the year SPC losses were incurred, is shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2013	P 3,299	P 1,476	P -	P 1,823	2016

As of December 31, 2015, the Group and Parent Company have MCIT of P314 and P310, respectively, that can be applied against RCIT for the next three consecutive years after the MCIT was incurred.

The breakdown of the excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2015	P 46	P -	P -	P 46	2018
2014	122	-	-	122	2017
2013	147	(1)	-	146	2016
2012	202	-	(202)	-	2015
	P 517	**(P 1)**	**(P 202)**	**P 314**	

The breakdown of the Parent Company's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2015	P 46	P -	P -	P 46	2018
2014	120	-	-	120	2017
2013	144	-	-	144	2016
2012	141	-	(141)	-	2015
	P 451	**P -**	**(P 141)**	**P 310**	

26.2 Supplementary Information Required Under RR 15-2010 and RR 19-2011

The BIR issued RR 15-2010 and RR 19-2011 on November 25, 2010 and December 9, 2011, respectively, which require certain tax information to be disclosed as part of the notes to financial statements. Such supplementary information is, however, not a required part of the basic financial statements prepared in accordance with FRSPB; it is neither a required disclosure under the SEC rules and regulations covering form and content of financial statements under the Securities Regulation Code Rule 68.

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

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company and RSB in fiduciary or agency capacities for their respective customers are not included in the financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P86,963 and P82,552 as of December 31, 2015 and 2014, respectively. The Parent Company's total trust resources amounted to P65,841 and P66,156 as of December 31, 2015 and 2014, 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 P930 (Group) and P685 (Parent Company); and P872 (Group) and P702 (Parent Company) as of December 31, 2015 and 2014, respectively, are deposited with the BSP in compliance with existing trust regulations. The time deposit placements and government securities are presented in the statements of financial position under Due from BSP (see Note 9) and Trading and Investment Securities (see Note 10), respectively.

In compliance with existing BSP regulations, 10% of the Parent Company's and RSB's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserve for trust business equals 20% of the Parent Company's and RSB's regulatory capital. The surplus reserve is shown as Reserve for Trust Business in the statements of changes in equity.

The Group and the Parent Company transferred from Surplus to Reserve for Trust Business P22 and P15, respectively, in 2015 and P18 and P14, respectively, in 2014.

28. RELATED PARTY TRANSACTIONS

The Group and Parent Company's related parties include its ultimate parent company (PMMIC), subsidiaries, entities under common ownership, key management personnel and others.

A summary of the Group's and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2015 and 2014 is presented below.

		Group			
		2015		2014	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Stockholders					
Loans and receivables	28.1	**(P 537)**	**P 426**	(P 110)	P 963
Deposit liabilities	28.2	**1,545**	**3,018**	115	1,473
Issuance of shares of stock	23.2	**7,729**	**-**	-	-
Interest income from loans and receivables	28.1	**29**	**-**	52	-
Interest expense on deposits	28.2	**5**	**-**	9	-
Associates					
Deposit liabilities	28.2	**(60)**	**65**	(146)	125
Interest expense on deposits	28.2	**3**	**-**	-	-
Dividend income	12	**76**	**-**	6	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	**(1,966)**	**541**	(544)	2,507
Deposit liabilities	28.2	**(596)**	**2,282**	1,007	2,878
Interest income from loans and receivables	28.1	**35**	**-**	121	-
Interest expense on deposits	28.2	**10**	**-**	15	-
Occupancy and equipment-related expense	28.5(a)	**829**	**9**	826	11
Miscellaneous expenses – others	25.2	**53**	**-**	44	-
Key Management Personnel					
Loans and receivables	28.1	**(3)**	**4**	6	7
Deposit liabilities	28.2	**(287)**	**176**	57	463
Interest income from loans and receivables	28.1	**-**	**-**	1	-
Interest expense on deposits	28.2	**3**	**-**	3	-
Salaries and employee benefits	28.5(d)	**456**	**-**	428	6
Other Related Interests					
Loans and receivables	28.1	**(249)**	**1,686**	115	1,935
Deposit liabilities	28.2	**78**	**601**	374	523
Interest income from loans and receivables	28.1	**103**	**-**	130	-
Interest expense on deposits	28.2	**3**	**-**	3	-

Related Party Category	Notes	Parent Company 2015 Amount of Transaction	2015 Outstanding Balance	2014 Amount of Transaction	2014 Outstanding Balance
Stockholders					
Loans and receivables	28.1	(P 537)	P 426	(P 110)	P 963
Deposit liabilities	28.2	1,545	3,018	115	1,473
Issuance of shares of stock	23.2	7,729	-	-	-
Interest income from loans and receivables	28.1	29	-	52	-
Interest expense on deposits	28.2	5	-	9	-
Subsidiaries					
Loans and receivables	28.1	142	222	-	80
Deposit liabilities	28.2	26	2,065	(1,286)	2,039
Interest income from loans and receivables	28.1	3	-	12	-
Interest expense on deposits	28.2	6	-	6	-
Dividend income	25.1	602	-	1,568	-
Rental income	28.5(a), 28.5(b)	175	6	142	26
Occupancy and equipment-related expense	28.5(b)	153	3	121	34
Service processing fees	28.5(c)	410	33	376	-
Sale of investments securities	28.3	1,287	-	-	-
Purchase of investments securities	28.3	751	-	2,969	-
Capital subscriptions	12.1	750	500	-	-
Assignment of receivables	11, 28.1	222	-	-	-
Associates					
Deposit liabilities	28.2	(60)	65	(146)	125
Interest expense on deposits	28.2	3	-	-	-
Dividend income	12	76	-	6	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	(1,966)	541	(544)	2,507
Deposit liabilities	28.2	(596)	2,282	1,007	2,878
Interest income from loans and receivables	28.1	35	-	121	-
Interest expense on deposits	28.2	10	-	15	-
Occupancy and equipment-related expense	28.5(b)	829	9	826	11
Miscellaneous expenses – others	25.2	53	-	44	-
Key Management Personnel					
Loans and receivables	28.1	(5)	2	7	7
Deposit liabilities	28.2	(287)	176	57	463
Interest income from loans and receivables	28.1	-	-	1	-
Interest expense on deposits	28.2	3	-	3	-
Salaries and employee benefits	28.5(d)	221	-	193	-
Other Related Interests					
Loans and receivables	28.1	63	1,686	115	1,623
Deposit liabilities	28.2	-	476	374	476
Interest income from loans and receivables	28.1	103	-	130	-
Interest expense from deposits	28.2	2	-	2	-

28.1 Loans and Receivables

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2015 and 2014 are as follows:

	Group							
Related Party Category		**Issuances**		**Repayments**		**Interest Income**		**Loans Outstanding**
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**
2014:								
Stockholders	P	-	P	110	P	52	P	963
Related parties under common ownership		475		1,019		121		2,507
Key management personnel		8		2		1		7
Other related interests		735		620		130		1,935
	P	1,218	P	1,751	P	304	P	5,412

	Parent Company							
Related Party Category		**Issuances**		**Repayments**		**Interest Income**		**Loans Outstanding**
2015:								
Stockholders	P	-	P	537	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**	**8,497**	**P**	**170**	**P**	**2,877**

Related Party Category	Parent Company Issuances	Repayments	Interest Income	Loans Outstanding
2014:				
Stockholders	P -	P 110	P 52	P 963
Subsidiaries	8,956	8,956	12	80
Related parties under common ownership	475	1,019	121	2,507
Key management personnel	8	1	1	7
Other related interests	735	620	130	1,623
	P 10,174	P 10,706	P 316	P 5,180

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, 2015 and 2014, the Group and the Parent Company is in compliance with these regulatory requirements.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	Group		**Parent Company**	
	2015	2014	**2015**	2014
Total outstanding DOSRI loans	**P 1,143**	P 5,412	**P 1,125**	P 5,345
Unsecured DOSRI	**62**	415	**62**	400
Past due DOSRI	**1**	1	**1**	1
Non-accruing DOSRI	**1**	1	**1**	1
Percent of DOSRI loans to total loan portfolio	**0.44%**	2.09%	**0.49%**	2.63%
Percent of unsecured DOSRI loans to total DOSRI loans	**5.46%**	7.67%	**5.51%**	7.48%
Percent of past due DOSRI loans to total DOSRI	**0.08%**	0.02%	**0.08%**	0.02%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.08%**	0.02%	**0.08%**	0.02%

The Group and Parent Company did not recognize any impairment loss on these loans in 2015 and 2014.

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, 2015 and 2014 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2015:				
Stockholders	P 49,928	P 48,383	P 5	P 3,018
Associates	20,098	20,158	3	65
Related parties under common ownership	121,273	121,869	10	2,282
Key management personnel	4,635	4,922	3	176
Other related interests	54,586	54,508	3	601
	P 250,520	**P 249,840**	**P 24**	**P 6,142**
2014:				
Stockholders	P 57,682	P 57,567	P 9	P 1,473
Associates	10,555	10,701	-	125
Related parties under common ownership	559,264	558,257	15	2,878
Key management personnel	1,259	1,202	3	463
Other related interests	53,285	52,911	3	523
	P 682,045	P 680,638	P 30	P 5,462

	Parent Company			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
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**
2014:				
Stockholders	P 57,682	P 57,567	P 9	P 1,473
Subsidiaries	1,297,402	1,298,688	6	2,039
Associates	10,555	10,701	-	125
Related parties under common ownership	559,264	558,257	15	2,878
Key management personnel	1,259	1,202	3	463
Other related interests	53,285	52,911	2	476
	P 1,979,447	P 1,979,326	P 35	P 7,454

Deposit liabilities transactions with related parties have similar terms with other counterparties.

28.3 Sale and Purchase of Securities

The Parent Company's and certain subsidiaries engage into trading of investment securities. These transactions are priced similar to transactions with other counterparties.

28.4 Retirement Fund

The Parent Company's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the Parent Company's and RSB's Trust Departments in accordance with the respective trust agreements covering the plan.

The retirement funds have transactions with the Group and Parent Company as of December 31, 2015 and 2014 as follows:

	Group		Parent Company	
Nature of Transactions	**Net Amount of Transaction**	**Outstanding Balance**	**Net Amount of Transaction**	**Outstanding Balance**
2015:				
Investment in common shares of Parent Company	**(P 853)**	**P 1,863**	**(P 853)**	**P 1,863**
Investment in corporate debt securities	**(5)**	**50**	**-**	**50**
Deposits with the Parent Company	**19**	**126**	**-**	**-**
Fair value losses	**(849)**	**-**	**(849)**	**-**
Interest income	**5**	**-**	**3**	**-**
2014:				
Investment in common shares of Parent Company	(P 567)	P 2,716	P 311	P 2,716
Investment in corporate debt securities	(1)	55	(1)	50
Deposits with the Parent Company	(106)	107	-	-
Fair value gains	1,266	-	1,266	-
Dividend income	57	-	57	-
Interest income	6	-	3	-

The carrying amount and the composition of the plan assets as of December 31, 2015 and 2014 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 arrangements is included as part of Occupancy and Equipment-related account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2015. The agreement was renewed for another five years until December 31, 2020. The outstanding payable on the lease contract is presented as part of Accounts payable under Other Liabilities in the 2015 and 2014 statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

The Parent Company entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza. Rental income by Parent Bank related to these sublease arrangements is included as part of Rentals under the Miscellaneous income account in the statements of profit or loss (see Notes 14.2 and 15.1). The outstanding receivable on the lease contracts is presented as part of Accounts receivable under Loans and Receivables in the statements of financial position (see Note 11). The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that the receivables on the sublease agreements are fully recoverable.

(b) Lease Contract on RSB Corporate Center

In October 2013, the Parent Company and RSB entered into a lease agreement covering certain office and parking spaces of RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties. The outstanding receivable on the lease contract is presented as part of Accounts receivable under Loans and Receivables in the statements of financial position (see Note 11). The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that receivable from the lease contract is fully recoverable.

(c) Service Agreement with RBSC

In December 2013, RBSC entered into a Special Purchase Agreement (the Purchase Agreement) with Bankard, Inc. to transfer Bankard, Inc's credit card servicing operations to RBSC. In accordance with the Purchase Agreement, the BOD of the Parent Company approved the assignment of the Service Agreement (the Agreement) previously with Bankard, Inc. to RBSC. Under the Agreement, RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. The total service processing fees incurred by the Parent Company is recognized as part of the Service processing fees under the Miscellaneous Expenses account in the statements of profit or loss (see Note 25.2). The outstanding payable on the service agreement is presented as part of Account payable under Other Liabilities in the statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

(d) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group					
	2015		2014		2013	
Short-term employee benefits	**P**	**338**	P	313	P	351
Post-employment defined benefits		**18**		14		11
	P	**356**	P	327	P	362

	Parent Company					
	2015		2014		2013	
Short-term employee benefits	**P**	**221**	P	193	P	283
Post-employment defined benefits		**-**		-		-
	P	**221**	P	193	P	283

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from off-statement of financial position items at their equivalent peso contractual amounts as of December 31, 2015 and 2014:

	Group				Parent Company			
	2015		2014		**2015**		2014	
Trust department accounts	**P**	**86,963**	P	82,552	**P**	**65,841**	P	66,156
Derivative liabilities		**32,102**		22,154		**32,102**		22,154
Derivative assets		**30,822**		23,432		**30,822**		23,432
Outstanding guarantees issued		**29,210**		25,328		**29,210**		25,328
Unused commercial letters of credit		**12,574**		12,095		**12,508**		12,038
Spot exchange sold		**2,346**		6,515		**2,346**		6,062
Spot exchange bought		**2,343**		6,055		**2,343**		6,055
Inward bills for collection		**1,861**		724		**1,861**		724
Late deposits/payments received		**511**		630		**477**		581
Outward bills for collection		**84**		147		**84**		146
Others		**5**		1		**5**		1

29.2 Poverty Eradication and Alleviation Certificates Bonds

In October 2011, the Parent Company filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Parent Company subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 in October 2011 from the Parent Company on the interest on its PEACe bonds holdings. The amount was recognized and is presented as part of Accounts receivables under the Loans and Receivables account in the statements of financial position (see Note 11.2).

On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. On March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition "deposit substitutes" the PEACe Bonds since there was only one lender at the primary market, and the subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax.

The Parent Company also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital/Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed.

The Parent Company also reiterated its arguments that the tax imposed on the PEACe Bonds constitutes double taxation, violates the non-impairment clause of the Constitution, and is a breach of the obligations by the Bureau of Treasury when it issued the PEACe Bonds. The Office of the Solicitor General also filed a Motion for Reconsideration and Clarification, reiterating the BIR's right to withhold 20% as final withholding tax and asking for clarification on the effect of the ruling on other government securities.

29.3 Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased Iligan Plant Assets (Plant Assets) of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Parent Company and RCBC Capital, to deliver the Plant Assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant Assets and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80 million, as and by way of lost opportunity to make profits and (b) P1,403 representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI filed an appeal on September 1, 2014.

In the meantime, the secured creditors' application for the issuance of consequential orders relating to the discharge of the injunction, costs and other matters, the purpose of which is to allow the secured creditors to obtain complete relief from the SIAC Partial Award, was heard and granted by the Singapore High Court on November 17, 2014. In particular, the Singapore High Court confirmed that the injunctions issued in 2008 and that embodied in the Partial Award have been discharged, so that the secured creditors may now compel GSPI and GIHI to comply with their obligations under the Omnibus Agreement/Asset Purchase Agreement and take legal action upon GSPI's and GIHI's failure to do so. The Singapore High Court likewise granted the secured creditors' claim for the payment of legal costs, the amount of which shall be subject to further submissions. As a result of the ruling of the Singapore High Court that the injunctions previously issued have been discharged, the secured creditors, applying the principle of legal set-off, directed the release of GSPI and GIHI's installment payment by the Facility Agent. Accordingly, the Parent Company and RCBC Capital received their respective share in the funds previously held in escrow.

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

On August 12, 2015, the Singapore Court of Appeals heard the oral arguments of the parties on the following issues: (a) the remand of the case to the Arbitral Tribunal or a new Arbitral Tribunal, as prayed for by GSPI and GIHI, so it can present evidence on their lost opportunity to make profit, and (b) the costs to be awarded to the NSC Liquidator and the Secured Creditors, which have been the subject of the submissions of the parties. On November 27, 2015, the Singapore Court of Appeals held that under the International Arbitration Act (IAA) of Singapore (based on the UNCITRAL Model Law on International Commercial Arbitration of 1985), which governed the proceedings between the parties, the remission or remand of the issue of GSPI and GIHI's lost opportunity to make profit to the Arbitral Tribunal, or to a new Arbitral Tribunal for that matter, is not allowed as remission under the IAA was conceived as an alternative to a setting aside action, and cannot be availed of where an award has been set aside by the courts. Likewise, the doctrines of *res judicata* and *abuse of process* also operate to preclude the reopening of this issue. However, as to the issue of the Lost Land Claims, the Singapore Court of Appeals opined that the Arbitral Tribunal never engaged with the merits of secured creditors' claim that the award to GSPI and GIHI of the amount of P1,403 million is premature. Thus, this issue, covering the Billet Shop Land of 3.4071 hectares (as set out in Schedule VI of the APA), may be the subject of a fresh arbitration proceedings before a new arbitral tribunal. The Singapore Court of Appeals likewise awarded litigation costs to the Liquidator but none to the secured creditors.

The Parent Company's exposure is approximately P260 in terms of estimated property taxes and transfer costs due on the Plant Assets, while it has a receivable from Global Steel of P486 taking into consideration the P49 installment payment it had received from the funds previously in escrow. The Parent Company has fully provisioned the receivable, which is classified in the books of the Parent Company as UDSCL with zero net book value. The Parent Company's exposure, however, may be varied depending on (a) the disposition of Iligan City's Motion for Reconsideration on the dismissal of its Petition for Review of the Amended Decision which held that all pre-closing taxes on the NSC assets sold to GSPI and GIHI have already been paid, and (b) should Iligan City agree to enter into another tax agreement with NSC on its outstanding tax obligation.

29.4 Verotel Merchant Services B.V. Case

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

While the court ruled that jurisdiction was obtained over the Parent Company and Bankard, Inc., despite the fact that none of the Parent Company, Bankard, Inc. or any of the plaintiffs do business in California, the Parent Company and Bankard, Inc. believe that the case has no merit and will be ruled in their favor on the following basis:

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

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

(c) There is no accounting of the claim of US$1.5 million, and no basis for the same. Based on Bankard, Inc.'s records of this claim (which was remitted to Mercarse), only US$0.5 million belonged to VII and US$1 million belonged to another merchant.

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

On December 4, 2014, the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive or clearance from her court.

The aforementioned plaintiffs' counsel likewise did not confer with the Parent Company's US counsel for the said setting. Consequently, the court issued an Order to Show Cause upon the plaintiffs' counsel as to why the matter should not be referred to the California State Bar for misconduct, especially after the counsel issued a declaration casting aspersions on the court and her staff and the veracity of the Minute Order denying that the court ordered the parties to proceed to mandatory settlement conference. The matter was heard on March 30, 2015, at which occasion the judge immediately discharged the Order to Show Cause after the plaintiff's counsel admitted to using inappropriate language in his explanation.

The case was eventually raffled to another judge who, in turn, ruled that there are material facts in dispute which will require a full-blown trial. On September 29, 2015, the Bank was advised by its US counsel that the case will be heard beginning January 2016, as previously scheduled. As such, the Final Status Conference on the case was set last January 7, 2016.

After (a) the January 7, 2016 Final Status Conference, where the new judge modified the order of presentation of evidence so as not to prolong the service of the twelve-man jury and the two alternates, (b) a mandatory settlement conference on January 8, 2016 before another judge, and (c) the jury selection process which transpired from January 12 to 13, 2016, the jury heard the opening statements, evidence and closing arguments of VII/VMS and the Parent Company/Bankard Inc. from January 13 to 26, 2016. Due to the modification in the order of presentation of evidence directed by the judge, the hearing of the Parent Company/Bankard Inc.'s motion for nonsuit (similar to a demurrer to evidence) was ordered deferred until after the jury verdict. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. However, recognizing that the judge's disposition of the Parent Company/Bankard Inc.'s motion for nonsuit based, among others, on prescription and VII and VMS's lack of capacity to sue, following the ruling of the California Supreme Court in the case of Greb v. Diamond International Corp. (56 Cal. 4th 243 [2013]), will impact the jury verdict, the judge, on his own, deferred the entry of such jury verdict until after the March 10, 2016 hearing on the Parent Company/Bankard Inc.'s motion for nonsuit.

At present, the United States counsel is in the process of preparing, among others, the supplement to the earlier motion for nonsuit and the Parent Company/Bankard Inc.'s motion for judgment notwithstanding the verdict, especially in view of the great variance in the allegations contained in VII and VMS's amended complaint, and that actually proven during the trial of the case. In particular, the evidence presented by VII and VMS showed that their monetary claim arose from transactions involving websites officially owned by another merchant, which websites were likewise covered by a different Tripartite Merchant Agreement than what they sued on, and to which they are likewise not parties. Significantly, VII and VMS failed to present any competent proof that they, in fact, own the websites in question, so as to likewise have legal standing to sue.

29.5 Applicability of RR 4-2011

On March 15, 2011, the BIR issued Revenue Regulations No. 4-2011 (RR 4-2011) which prescribed that for income tax reporting purposes, banks and other financial institutions must (a) report costs and expenses either under RBU or FCDU/EFCDU or OBU if specifically identified as such; or (b) allocate such cost and expenses, which cannot be specifically identified, based on percentage share of gross income earnings of a unit.

The BIR, however, issued assessment notices to banks and other financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU and within FCDU.

On April 6, 2015, Petitioner-Banks filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Preliminary Injunction, with the Regional Trial Court (RTC) of Makati. Further, in Civil Case No. 15-287, the petitioner Banks assailed the validity of RR 4-2011 on various grounds including but not limited to (a) that the said RR was issued and implemented in violation of the petitioner-banks' substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; and, (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation.

On April 8, 2015, Makati City RTC issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, Makati City RTC issued a Writ of Preliminary Injunction (WPI) enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the Petitioner-Banks, including the issuance of Preliminary Assessment Notice or Final Assessment Notice, as the case may be, based on the revenue regulations, pending litigation, unless sooner dissolved.

On June 10, 2015, Makati City RTC issued a Confirmatory Order which confirms the effects of the TRO and WPI, that the writ of preliminary injunction currently in effect includes a prohibition against the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as Petitioners are concerned.

29.6 Lease Commitments

(a) *Parent Company as a Lessor*

In October 2013, the Parent Company has entered into a five year lease agreement with RSB for the latter's lease of certain office and parking spaces in RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. Rental income recognized by the Parent Company in 2014 amounted P95 and is presented as part of Rental under the Other Operating Income account in the 2014 statement of profit or loss [(see Notes 14.2, 25.1 and 28.5(b)].

The Parent Company's future minimum rental receivables under this non-cancellable operating lease arrangement are as follows:

	2015	2014
Within one year	**P 86**	P 82
After one year but not more than five years	**153**	246
	P 239	P 328

(b) *Group as Lessee*

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices [see Note 28.5(a)] and branches/business centers. The Group's rental expense (included as part of Occupancy and Equipment-related account in the statements of profit or loss) amounted to P742, P754 and P809 in 2015, 2014 and 2013, respectively. The lease periods are from one to 25 years. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

As of December 31, 2015, future minimum rental payables under these non-cancellable operating leases follow:

	Group	**Parent Company**
Within one year	P 699	P 577
After one year but not more than five years	2,716	2,257
More than five years	329	292
	P 3,744	**P 3,126**

30. EARNINGS PER SHARE

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

	Group		
	2015	2014	2013
Basic and Diluted EPS			
a. Net profit attributable to Parent Company's shareholders	**P 5,129**	P 4,411	P 5,321
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends	**(219)**	(442)	(418)
b. Adjusted net profit before capital redemption	**4,910**	3,969	4,903
Redemption premium on HT1	**(723)**	-	-
c. Adjusted net profit	**P 4,187**	P 3,969	P 4,903
d. Weighted average number of outstanding common stocks	**1,362**	1,276	1,240
EPS before capital redemption (b/d)	**P 3.60**	P 3.11	P 3.95
Basic and diluted EPS (c/d)	**P 3.07**	P 3.11	P 3.95

	Parent Company		
	2015	2014	2013
Basic and Diluted EPS			
a. Net profit attributable to Parent Company's shareholders	**P 4,268**	P 4,479	P 4,782
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends	**(219)**	(442)	(418)
b. Adjusted net profit before capital redemption	**4,049**	4,037	4,364
Redemption premium on HT1	**(723)**	-	-
c. Adjusted net profit	**P 3,326**	P 4,037	P 4,364
d. Weighted average number of outstanding common stocks	**1,362**	1,276	1,240
EPS before capital redemption (b/d)	**P 2.97**	P 3.16	P 3.52
Basic and diluted EPS (c/d)	**P 2.44**	P 3.16	P 3.52

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented.

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2015	2014	2013
Return on average equity:			
Net profit / Average total equity	**9.33%**	9.23%	12.18%
Return on average resources:			
Net profit / Average total resources	**1.09%**	1.04%	1.39%
Net interest margin:			
Net interest income / Average interest earning resources	**4.15%**	4.30%	4.22%
Profit margin:			
Net profit / Revenues	**23.07%**	19.98%	23.07%
Debt-to-equity ratio:			
Total liabilities / Total equity	**7.88**	7.62	8.42
Resources-to-equity ratio:			
Total resources / Total equity	**8.88**	8.62	9.42

	Group		
	2015	2014	2013
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**1.81**	2.02	2.27

	Parent Company		
	2015	2014	2013
Return on average equity:			
Net profit / Average total equity	**8.78%**	10.80%	12.96%
Return on average resources:			
Net profit / Average total resources	**1.11%**	1.27%	1.49%
Net interest margin:			
Net interest income / Average interest earning resources	**3.62%**	3.71%	3.75%
Profit margin:			
Net profit / Revenues	**26.89%**	26.82%	27.46%
Debt-to-equity ratio:			
Total liabilities / Total equity	**7.32**	7.07	8.07
Resources-to-equity ratio:			
Total resources / Total equity	**8.32**	8.07	9.07
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**1.89**	2.16	2.27