SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - ☐ Preliminary Information Statement
   - ☑ Definitive Information Statement
2. Name of Registrant as specified in its charter
   RIZAL COMMERCIAL BANKING CORPORATION
3. Province, country or other jurisdiction of incorporation or organization
   Philippines
4. SEC Identification Number
   17514
5. BIR Tax Identification Code
   320-000-599-760
6. Address of principal office
   6819 Ayala cor. Gil J. Puyat Ave., Makati City
   Postal Code
   0727
7. Registrant's telephone number, including area code
   (02)894-9000
8. Date, time and place of the meeting of security holders
   June 26, 2017 (if declared a holiday, it will be held on June 27, 2017) at 4:00pm at the Alfonso Sycip Executive Lounge 47th Floor Yuchengco Tower, RCBC Plaza, Ayala Ave. cor Gil Puyat Ave. Makati
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Jun 2, 2017
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    Atty. George Gilbert G. dela Cuesta
    Address and Telephone No.
    RCBC, 46th Floor Yuchengco Tower, RCBC Plaza, Ayala Ave. cor Gil Puyat Ave. Makati; Tel 894-9426

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	1,399,915,876

13. Are any or all of registrant's securities listed on a Stock Exchange?

☑ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange - Common

RCBC
A YGC Member

Rizal Commercial Banking Corporation

RCB

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting

References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 26, 2017
Type (Annual or Special)	Annual
Time	4:00 pm
Venue	Alfonso Sycip Executive Lounge 47th Floor Yuchengco Tower, RCBC Plaza, Ayala Ave. cor Gil Puyat Ave. Makati
Record Date	May 26, 2017

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
Please be advised that the Annual Stockholders' Meeting of RCBC will be held on June 26, 2017 (if declared a holiday, it will be held on June 27, 2017) at 4:00 P.M. at the Alfonso Sycip Executive Lounge, 47th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City. Stockholders of record as of May 26, 2017 shall be entitled to vote at the said meeting.

Filed on behalf by:

Name	Joyce Lacson
Designation	Assistant Corporate Secretary

COVER SHEET

1 7 5 1 4

S.E.C. Registration Number

RIZAL COMMERCIAL BANKING CORPORATION

(Company's Full Name)

6819 AYALA AVENUE CORNER GIL PUYAT AVENUE MAKATI CITY

(Business Address: No. Street City/ Town/ Province)

GEORGE GILBERT G. DELA CUESTA

Contact Person

894-95-59

Company Telephone Number

DEFINITIVE INFORMATION SHEET 2017

1 2 | 3 1

Month Day

Fiscal Year

FORM TYPE

0 6

Month Day

Annual Meeting

GSED

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

831

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM IS
INFORMATION STATEMENT PURSUANT TO SECTION 17.1 (b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [√] **Definitive Information Statement**

2. Name of Registrant as specified in its charter: **Rizal Commercial Banking Corporation**

3. Province, Country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **17514**

5. BIR Tax Identification Code: **320-000-599-760**

6. Address of principal office: **Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave. cor. Sen. Gil J. Puyat Avenue, Makati City**
   Postal Code **0727**

7. Registrant's telephone number, including area code: **(632) 894-9000**

8. Date, time and place of the meeting of the security holders: **June 26, 2017, 4:00 P.M., Alfonso Sycip Executive Lounge, 47th Floor, RCBC Plaza, Yuchengco Tower, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City . In the event June 26, 2017 is declared a holiday (Eidul Fitr), the meeting will proceed on the succeeding business day, June 27, 2017, 4:00 P.M. at the same venue.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 2, 2017**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	(as of April 30, 2017) 1,399,915,876

11. Are any or all of registrant's securities listed on the Philippine Stock Exchange? Yes [√] No [ ]

A. GENERAL INFORMATION

1. Date, Time and Place of Meeting of Security Holders

Date	:	June 26, 2017 (if declared a holiday, the meeting will be held on June 27, 2017)
Time	:	4:00 P.M.
Place	:	Alfonso Sycip Executive Lounge 47th Floor, Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue corner Sen. Gil J. Puyat Avenue Makati City
Complete mailing address of Principal office	:	21st Floor, RCBC Plaza, Tower II 6819 Ayala Avenue corner 333 Sen. Gil J. Puyat Avenue Makati City
Approximate date on which the Information Statement is first to be sent or given to security holders	:	June 2, 2017

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

2. Dissenter's Right of Appraisal

There are no matters or proposed actions as specified in the attached Notice of Annual Stockholders' Meeting that may give rise to a possible exercise by shareholders of their appraisal rights or similar right as provided in Title X of the Corporation Code of the Philippines. However, if at any time after this Information Statement has been sent out, an action (which may give rise to exercise of appraisal right) is proposed at the Annual Stockholders' Meeting, any stockholder who wishes to exercise such right and who voted against the proposed action must make a written demand within thirty (30) days after the Annual Stockholders' Meeting.

Under Title X of the Corporation Code, shareholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporation action: (i) amendment to the Bank's articles and by-laws which has the effect of changing or restricting the rights of any shareholder or class of shares; or authorizing preferences in any respect superior to those of outstanding shares of any class; (ii) sale, lease, mortgage or other disposition of all or substantially all of the Bank's assets; (iii) merger or consolidation; (iv) investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and (v) extension or shortening of term of corporate existence.

The appraisal right may be exercised by any shareholder who shall have voted against the proposed corporate action, by making a written demand on the Bank within thirty (30) days after the date on which the vote was taken for payment of the fair market value of such shareholder's shares. The failure to make demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Bank shall pay the dissenting shareholder, upon surrender of the certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Bank and, to the best knowledge of the Bank, no associate of a director or officer of the Bank has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the corporate actions to be acted upon at the Annual Stockholders' Meeting, other than election to office of the director.

None of the directors of the Bank has informed the Bank of his intention to oppose any of the corporate actions to be acted upon at the Annual Stockholders' Meeting. Moreover, all directors and management of the Bank act in the best interest of the Shareholders and there have been no adverse findings of conflict of interest or insider trading involving any director or management in the past 2 years.

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

Class of Voting Securities : As of April 30, 2017, 1,399,915,876 Common shares and 278,993 Preferred shares are outstanding, and are entitled to be represented and vote at the Annual Stockholders' Meeting. Each share is entitled to one vote.

Record Date : Only stockholders of record as of May 26, 2017 shall be entitled to notice and vote at the meeting.

Manner of Voting : The By-Laws of the Bank provides that the election shall be by ballots, and that every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name in the stock and transfer books of the Bank at the time the books were closed and said stockholder may vote such number of shares for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, Provided, that the whole number of votes cast by him shall not exceed the number of shares owned by him, as shown in the books of the Bank, multiplied by the whole number of directors to be elected; and Provided, that no stock declared delinquent by the Board of Directors for unpaid subscriptions shall be voted. The votes shall be verified and tabulated by Punongbayan and Araullo, which is an independent third party.

Security Ownership of Certain Record Owners of more than 5% (as of March 31, 2017)

(1) Title of Class	(2) Name, address of record owner and relationship with issuer	(3) Name of Beneficial Owner and Relationship with Record Owner	(4) Citizenship	(5) Number of Shares Held	(6) Percent
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza, 6819	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the*	Filipino	594,248,081*	42.45%

	Ayala Ave., Makati City Relationship with Issuer: RCBC is a subsidiary of PMMIC	*beneficial ownership of this company belongs to the shareholders of record of said company. The Bank has not been advised otherwise.*			
	Cathay Life Insurance Co. LTD Address: No. 296 Ren Ai Road Sec. 4 Taipei R.O.C. (Taiwan) 10633 Relationship with Issuer: Stockholder	Cathay Life Insurance Co.Ltd. *The records in the possession of the Bank show that the beneficial ownership of this company belongs to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	317,936,907	22.71%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address:2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder	International Finance Corporation (IFC) *The records in the possession of the Bank show that the beneficial ownership of this company belongs to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	107,875,642	7.71%

**Combined Direct and Indirect Shares of PMMIC*

The participants under PCD owning more than 5% of the voting securities (common) are (as of April 30, 2017):

Name	***Shares***	***% of Total***
RCBC Securities, Inc.	150,173,057	10.7272915%
The Hongkong and Shanghai Bank	393,774,142	28.1284146%

Security Ownership of Certain Record Owners of more than 5% (as of April 30, 2017)

Title of Class	***Name & Address of Record Owner and Relationship with Issuer***	***Name of Beneficial Owner and Relationship with Record Owner***	***Citizen-ship***	***No. of Shares***	***Percent***
Preferred	None				

Security Ownership of Foreigners (as of April 30, 2017)

Title of Class	Shares	% of Total
Common	481,929,926	34.43
Preferred	416	0.00

Security Ownership of Management (as of March 31, 2017)

Title of Class	*Name of Beneficial Owner/ Position*		*Amount and Nature of Beneficial Ownership "r"/"b"**	*Citizen-ship*	*Percent of Class*
a. Board of Directors:					
Common	Helen Y. Dee	Chairperson	P4,380.00 "r" P9,347,910.00 "b"	Filipino	0.07%
Common	Cesar E. A. Virata	Director/ Corporate Vice-Chairman	P1,670 "r" P1,000,000.00 "b"	Filipino	0.01%
Common	Gil A Buenaventura	President and CEO	P50.00 "r"	Filipino	0.000%
Common	Amb Lilia R Bautista	Director	P50.00 "r"	Filipino	0.000%
Common	Florentino M Herrera III	Director	P3,150.00 "r" P31,520.00 "b"	Filipino	0.000%
Common	Adelita A Vergel De Dios	Director	P10.00 "r"	Filipino	0.000%
Common	John Law	Director	P10.00 "r"	French	0.000%
Common	Tze Ching Chan	Director	P10.00 "r"	Chinese	0.000%
Common	Richard G.A. Westlake	Director	P10.00 "r"	New Zealander	0.000%
Common	Gabriel S Claudio	Director	P10.00 "r"	Filipino	0.000%
Common	Vaughn F Montes	Independent Director	P50.00 "r"	Filipino	0.00%
Common	Yuh-Shing Peng	Director	P10.00 "r"	R.O.C. (Taiwan)	0.000%
Common	Armando M. Medina	Independent Director	P1,950.00 "r"	Filipino	0.000%
Common	Melito S Salazar Jr	Independent Director	P10.00 "r"	Filipino	0.000%
Common	Juan B Santos	Independent Director	P50.00 "r"	Filipino	0.00%
b. Senior Management:					
Common	Evelyn Nolasco	Senior Vice President	27,000.00 "b"	Filipino	0.00%
Common	Gerald O. Florentino	First Senior Vice-President	55,000 "b"	Filipino	0.00%
c. Directors & Principal Officers (as a Group)			P10,472,850.00		0.08%

*"r" refers to registered ownership and "b" refers to beneficial ownership

Changes in Control: At present, there is no arrangement known to the Bank which may result in a change in control.

Voting Trust Holders of 5% or More: There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

5. Directors and Executive Officers

(a) Nominees for Independent Directors:

i. Mr. Armando M. Medina
ii. Mr. Juan B. Santos
iii. Amb. Lilia R. Bautista
iv. Mr. Melito S. Salazar, Jr.
v. Atty. Adelita A. Vergel De Dios
vi. Mr. Gabriel S. Claudio
vii. Mr. Vaughn F. Montes

(b) Nominees for Directors:

i. Ms. Helen Y. Dee
ii. Mr. Cesar E.A. Virata
iii. Mr. Gil A. Buenaventura
iv. Mr. Tze Ching Chan
v. Mr. Richard Gordon Alexander Westlake
vi. Mr. John Law
vii. Mr. Yuh-Shing (Francis) Peng
viii. Atty. Florentino M. Herrera

Mr. Eduardo S. Lopez, Jr., a stockholder who is not in anyway related to the nominees, nominated to the Board the re-election of Mr. Armando M. Medina, Mr. Juan B. Santos, Amb. Lilia R. Bautista, Mr. Melito S. Salazar, Jr., Atty. Adelita A. Vergel De Dios, Mr. Gabriel S. Claudio , and Mr. Vaughn F. Montes as Independent Directors.

The Corporate Governance Committee composed of five (5) members, four (4) of whom are independent directors, reviews and evaluates the qualifications of all persons to be nominated to the Board as well as those to be nominated to other positions requiring appointment by the Board of Directors, i.e, with the ranks of Assistant Vice-Presidents and higher. The Corporate Governance Committee is composed of Atty. Adelita A Vergel De Dios as the Chairperson; and Mr. Gabriel S. Claudio, Mr. Melito S. Salazar, Jr., Mr. Yuh-Shing (Francis) Peng, and Mr. Vaughn F. Montes as Members. The Directors will be nominated and elected in accordance with SRC Rule 38.

All the nominated directors comply with all the qualifications required of a director mentioned under Sections X141.2 (for director) of the Manual of Regulations for Banks (MORB) and do not possess any of the disqualifications mentioned under Sections X143.1 (for director) of the MORB.

Likewise, pursuant to the Code of Corporate Governance, all the directors have satisfied the required number of attendance in board meetings, as well as in their respective Committees.

The Directors shall hold office for one (1) year and until their successors are elected and qualified.

The Independent Directors, Mr. Armando M. Medina, Mr. Juan B. Santos, Amb. Lilia R. Bautista, Mr. Melito S. Salazar, Jr., Atty. Adelita A. Vergel De Dios, Mr. Gabriel S. Claudio, and Mr. Vaughn F. Montes have each always possessed the qualifications and none of the disqualifications of an independent director.

(c) Directors:

Directors	(Age)/ *Citizenship*	*Position/Period which they have served*
Helen Y. Dee	(73)/ Filipino	Board Chairperson (June 25, 2007 to present) Director (March 25, 2005 to present)

Company	Position
Hydee Management & Resources, Inc.	Chairperson/President
RCBC Savings Bank	Chairperson
House of Investments, Inc.	Chairperson
Mapua Information Technology Center, Inc.	Chairman
Malayan Insurance Co. Inc.	Director
Pan Malayan Realty Corp.	Chairperson
RCBC Leasing and Finance Corporation	Director / Chairperson
Tameena Resources, Inc.	Chairperson & CEO
Landev Corp.	Chairperson
HI-Eisai Pharmaceuticals, Inc.	Chairperson
Manila Memorial Park Cemetery, Inc.	Chairperson
La Funeraria Paz Sucat	Chairperson/Director
Financial Brokers Insurance Agency, Inc.	Chairperson/President
Mijo Holdings, Inc.	Chairman/President
Xamdu Motors, Inc.	Chairperson
National Reinsurance Corporation of the Philippines	Chairperson
West Spring Development Corp.	Vice- Chairperson
Pan Malayan Management & Investment Corp.	Director/ Vice Chairperson
Philippine Long Distance Telephone Company	Director
Petro Energy Resources Corp.	Chairperson and Director
Petrowind Energy Inc.	Chairperson
Seafront Resources Corp.	Chairperson/Director
MICO Equities, Inc.	Director
AY Holdings, Inc.	Director
Pan Malayan Express	Director
Isuzu Philippines, Inc.	Director
Honda Cars Philippines, Inc.	Director
Philippine Integrated Advertising Agency, Inc.	Director
Sunlife Grepa Financial Inc.	Director
Honda Cars Kalookan	Director
Mapua Board of Trustees	Member
Philippine Business for Education, Inc.	Board Member Trustee
EEI Corporation	Board Member
GPL Holdings	President
Moira Management, Inc.	President
YGC Corporate Services, Inc.	President
Business Harmony Realty, Inc.	Treasurer
RCBC Realty Corporation	Director
A.T. Yuchengco, Inc.	Vice President
Luisita Industrial Park Corporation	Director
iPeople, Inc.	Director

Y Realty Corporation	Director
E.T. Yuchengco, Inc.	Director
Malayan Colleges Laguna, Inc.	Trustee
Malayan High School of Science, Inc.	Chairperson
Luis Miguel Foods	Director

Cesar E.A. Virata (86)/ Filipino — Director (1995 to present) Corporate Vice-Chairman (June 22, 2000 to present)

Company	Position
C.Virata & Associates Inc.	Chairman & President
ATAR VI Property Holding Company, Inc.	Chairman & Director
RCBC Realty Corp.	Director
RCBC Bankard Services Corporation	Chairman/ Director
RCBC Land, Inc.	President/ Director
ALTO Pacific Company, Inc.	Chairman / Director
Malayan Insurance Co., Inc.	Director
RCBC Savings Bank	Director
Luisita Industrial Park Corporation	Vice-Chairman
RCBC International Finance Ltd. (Hongkong)	Director
Lopez Holdings Corp.	Independent Director
Cavitex Infrastructure Corporation	Director
YGC Corporate Services, Inc.	Director
Niyog Properties Holdings, Inc.	Director
Business World Publishing Corp.	Vice-Chairman
Belle Corporation	Independent Director
City and Land Developers, Inc.	Independent Director
AY Foundation, Inc.	Director
Malayan Colleges, Inc. (Operating under Mapua Insitute of Technology)	Director

Gil A. Buenaventura (64)/ Filipino — Director, President and CEO (effective July 1, 2016)

Company	Position
RCBC Capital Corporation	Director
RCBC Leasing and Finance Corporation	Vice-Chairman
RCBC Rental Corporation	Director
Merchants Savings and Loan Association, Inc.	Chairman
RCBC Savings Bank	Vice-Chairman
RCBC Forex Brokers Corporation	Chairman
Asian Bankers Association	Member
Niyog Property Holdings, Inc.	Director
Makati Business Club	Member
De La Salle Philippines School System	Member of the Investment Committee
Bankers Association of the Philippines	Member
Gab Realty Incorporated	Director and Treasurer

Tze Ching Chan (60)/ Chinese Director (November 28, 2011 to present)

Company	Position
AFFIN Holdings Berhad	Non-Executive Director
The Bank of East Asia, Limited	Senior Adviser
The Community Chest of Hong Kong	Director
CVC Capital Partners	Senior Adviser
East Asia Futures Limited	Non-Executive Director
East Asia Securities Company Limited	Non-Executive Director
Hong Kong Exchanges and Clearing Limited	Director
Hong Kong Institute of Bankers	Honorary Advisory Vice President
Hong Kong Polytechnic University	Chairman of Council
Hong Kong Red Cross	Council Member
Hong Kong Securities Clearing Company Limited	Member, Disciplinary Appeals Committee
Mongolian Mining Corporation	Director
Portofino (165) Limited	Director
Prasac Microfinance Institution Limited (Cambodia)	Chairman
Financial Reporting Council	Member
The Hong Kong Tourism Board	Member
Securities and Futures Commission	Member of the Executive Committee, the governing body of the Investor Education Centre
Standing Commission on Civil Service Salaries and Conditions of Service	Member
Standing Committee on Judicial Salaries and Conditions of Service	Member

Richard G.A. Westlake (65)/ New Zealander Director (October 1, 2014 to present)

Company	Position
Westlake Governance Limited, Wellington, New Zealand	Managing Director and Founder
Careerforce Industry Training Organisation Limited, New Zealand	Independent Chairman
Dairy Goat Co-operative (NZ) Limited, New Zealand	Independent Director and Chair of Finance & Audit Committee
Westlake Consulting Limited, New Zealand	Owner

John Law (66)/ French & Taiwanese (dual citizen) Director (April 27, 2015 to present)

Company	Position
Oliver Wyman	Senior Advisor, Greater China
Far East Horizon Ltd.	Director
BNP Paribas (China) Ltd.	Director
Khan Bank (Mongolia)	Director

Yuh-Shing (Francis) Peng	(45)/ Taiwanese	Director (April 27, 2015 to present)

Company	Position
Cathay United Bank	Executive Vice President, Overseas Management Department
Cathay Financial Holdings	Executive Vice President, Strategic Planning Division/Investment Management Department

Atty. Florentino M. Herrera III	(65)/ Filipino	Director (August 30, 2016 to present)

Company	Position
Herrera Teehankee & Cabrera Law Offices	Founding Partner
Amica Corporation	Director/Chairman/President
Andorra Holdings, Inc.	Director/Chairman/President
Arpeggio International Resources Corporation	Director/Chairman/President
Bedarra Holdings, Inc.	Director/Chairman/President
Bellagio Properties, Inc.	Director/Chairman/President
Bellcore Holdings Corporation	Director/Chairman/President
Bellendorf Peak Resources, Inc.	Director/Chairman/President
Certosa Resources, Inc.	Director/Chairman/President
Domain Property Ventures, Inc.	Director/Chairman/President
Dunes and Eagle Land Development Corp.,	Director/Chairman/President
Econolink Investments, Inc.	Director/Chairman/President
Filgrow Ventures Corporation	Director/Chairman/President
Filsyn Corporation	Director/Chairman/President
Fontana Resources Corporation	Director/Chairman/President
Genshare Holdings Corporation	Director/Chairman/President
Hare Services Corporation	Director/Chairman/President
HunterValley Resources, Inc.	Director/Chairman/President
Ipioneer Properties, Inc.	Director/Chairman/President
Maseena Resources Corporation	Director/Chairman/President
Medlinks Resources, Inc.	Director/Chairman/President
Pomona Properties, Inc.	Director/Chairman/President
Pergamon Resources Corporation	Director/Chairman/President
Regent Resources, Inc.	Director/Chairman/President
Saville Resources Corporation	Director/Chairman/President
Seabright Resources, Inc.	Director/Chairman/President
Shindig, Inc.	Director/Chairman/President
SRTC Development Corporation	Director/Chairman/President
Trans-Pacific Oriental Holding Company, Inc.	Director/Chairman/President
Vassra Holdings, Inc.	Director/Chairman/President
Viking Star Ventures, Inc.	Director/Chairman/President
Websphere Resources, Inc.	Director/Chairman/President
911 Alarm, Inc.	Director/Chairman

Media Star Holding Corporation	Director/Chairman
Owl Ventures & Development Condominium Corp.	Director/Chairman
San Juanico Property Ventures	Director/Chairman
Mantrade Development Corporation	Director/Vice-Chairman
Aeropartners, Inc.	Director/President
Nabasan Subic Development Corporation	Director/President
Marilag Corporation	Director/Vice-President/Treasurer
Dream Harbour, Inc.	Director/Corporate Secretary
La Regalade, Inc.	Director/Corporate Secretary
Melrra Realty, Inc.	Director/Corporate Secretary
Asia Outsourcing Philippines Holdings, Inc	Director/Corporate Secretary
Pacific Space International Development Corp.	Director/Corporate Secretary
Spi Technologies, Inc.	Director/Corporate Secretary
Armada Capital, Inc.,	Director/Treasurer
Corsair Resources, Inc.	Director/Treasurer
Marquise Resources, Inc.	Director/Treasurer
North Point Resources, Inc	Director/Treasurer
Asian Alliance Holdings & Development Corporation	Director
Beneficial Life Insurance Company, Inc.	Director
Canlubang Golf & Country Club, Inc.,	Director
Comm& Sense, Inc.,	Director
EFM, Inc.	Director
FMF Development Corporation	Director
GEOGRACE Resources Philippines	Director
Philippine Airlines, Inc.	Director
Stargate Media Corporation	Director
United Coconut Chemicals, Inc.	Director
Rizal Commercial Banking Corporation	Director
Manila Symphony Orchestra Foundation, Inc.	Trustee
Allianz-PNB Life Insurance Inc.	Corporate Secretary
BOC Holdings Corporation	Corporate Secretary
Contex Corporation	Corporate Secretary
Clement Textile International Corporation	Corporate Secretary
Grassroots Film Production & Distribution, Inc.,	Corporate Secretary
Lufthansa Technik Philippines, Inc.,	Corporate Secretary
MacroAsia Corporation	Corporate Secretary
Medtecs International Corporation Ltd.	Corporate Secretary
Medtex Corporation	Corporate Secretary
Medtecs Materials Technology Corporation	Corporate Secretary
STI Education Services Group, Inc.	Corporate Secretary
Corsica Resources , Inc.	Treasurer
Fontalloro Resources, Inc.	Treasurer
Long Trail Holding, Inc.	Treasurer
Mountain Links Corporation	Treasurer

Armando M. Medina (67)/ Filipino — Independent Director (February 26, 2003 to present)

Company	Position
RCBC Capital Corp.	Independent Director
RCBC Savings Bank	Independent Director
Malayan Insurance Co.	Independent Director

Juan B. Santos (78)/ Filipino — Independent Director (November 2, 2016 to present)

Company	Position
First Philippine Holdings Corporation,	Independent Director
Sun Life Grepa Financial, Inc.,	Independent Director
Alaska Milk Corporation	Independent Director
Philippine Investment Management (PHINMA), Inc.;	Independent Director
Coca-Cola FEMSA Philippines	Member, Board of Advisors
East-West Seeds Co., Inc.	Member, Board of Advisors
Dualtech Training Center Foundation, Inc.,	Chairman, Board of Trustees
St. Luke's Medical Center	Trustee
Marsman-Drysdale Group of Companies	Consultant
Mitsubishi Motor Philippines Corporation	Member, Advisory Board
AMUNDI (Singapore)	Advisory Board
Golden Spring Group Ltd (Singrapore)	Independent Director
House of Investments, Inc.	Independent Director
East-West Seed ROH Limited (Bangkok, Thailand)	Independent Director

Melito S. Salazar, Jr. (67)/ Filipino — Independent Director (June 27, 2016 to present)

Company	Position
Centro Escolar University	Dean, School of Accountancy and Management
Quickminds Corporation	Chairman and President
Omnipay, Inc.	Chairman
Manila Bulletin	Management Columnist
Philippine Normal University System	Regent
Concepcion Industrial Corporation	Independent Director
Yanmar Philippines	Independent Director
TECO Philippines	Independent Director
Philippines First Insurance Corporation	Independent Director
Sun Life Prosperity GS Funds, Inc.	Independent Director
Sun Life of Canada Prosperity Balanced Fund, Inc.	Independent Director
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	Independent Director
Sun Life of Canada Prosperity Philippine Stock index Fund	Independent Director
Chamber of Commerce of the Philippine Islands	Director

Atty. Adelita A. Vergel De Dios (70)/ Filipino Independent Director (June 27, 2016 to present)

Company	Position
RCBC Savings Bank	Independent Director
Center for Excellence in Governance, Inc.	Member, Board of Trustees
Center for Family Advancement, Inc.	Member, Board of Trustees
Center for School Governance, Inc.	President / Member, Board of Trustees

Amb. Lilia R. Bautista (81)/ Filipino Independent Director (July 25, 2016 to present)

Company	Position
RFM Corporation	Independent Director
Transnational Diversified Group, Inc.	Independent Director
CIBI Foundation	Trustee
Pamantasan ng Lungsod ng Maynila	Professor
Philippine Judicial Academy	Professional Lecturer
Philja Development Center	Director
(National Group) Permanent Court of Arbitration	Member
St. Martin de Porres Charity Hospital	Trustee
Jose Rizal University	Dean, Law School

Gabriel S. Claudio (62)/ Filipino Independent Director (July 25, 2016 to present)

Company	Position
Ginebra San Miguel, Incorporated	Member, Board of Directors
Risk & Opportunities Assessment Management	Vice Chairman/Member, Board of Directors
Conflict Resolution Group Foundation (CORE)	Member, Board of Directors
Toby's Youth Sports Foundation	Member, Board of Directors
Philippine Amusement & Gaming Corporation	Member, Board of Directors
PINAC RESTAURANT (UP Town Center)	Owner

Vaughn F. Montes, Ph.D. (66)/ Filipino Independent Director (September 26, 2016 to present)

Company	Position
Parents for Education Foundation (PAREF)	Trustee
PAREF Southridge School for Boys	Chairman and President
PAREF Westbridge School for Boys	Trustee
PAREF Northfield School for Boys	Trustee
Foundation for Economic Freedom	Trustee
Center for Family Advancement	Trustee
Center for Excellence in Governance	Director
Institute for Corporate Directors	Teaching Fellow – Corporate Governance

Asian Development Bank Technical Assistance Grant on Public Private Partnerships Program	National Consultant on Public Private Partnerships Risk Management to Department of Finance
Asian Development Bank Technical Assistance Grant on Public Private Partnerships Program	National Consultant on Public Private Partnerships Risk Management to the National Economic Development Authority / Public Private Partnership Center

(d) Executive Officers:

Senior Executive Vice-Presidents

BANCOD, Redentor C.	Group Head	Office of the Group Head – ITSSG
DEVERAS, John Thomas G.	Head, Strategic Initiatives Group Head	Office of the President & Chief Executive Officer Office of the Group Head - Asset Management & Remedial
LUY, Chester Y.	Group Head	Office of the Group Head – Treasury Group

Executive Vice-Presidents

AGUILAR, Michelangelo R.	Group Head	Office of the Group Head – Conglomerates and Global Corporate Banking
DE JESUS, Michael O.	Group Head	Office of the Group Head – National Corporate Banking
LATINAZO, Rommel S.	President and Chief Executive Officer	RCBC Savings Bank (Seconded)
LIM, Ana Luisa S.	Group Head	Office of the Group Head- Operational Risk Management

First Senior Vice-Presidents

CALASANZ, Simon Javier A.	President and Chief Executive Officer	RCBC Bankard Services Corporation (Seconded)
DELA CUESTA, George Gilbert G.	Group Head / Corporate Secretary	Office of the Group Head – Legal Affairs Group and Corporate Secretariat
DIOKNO, Jonathan C.	Group Head	Office of the Group Head – Retail Banking Group
FERRER, Lourdes Bernadette M.	Group Head	Office of the Group Head – Trust & Investments Group
FLORENTINO, Gerald O.	President	RCBC Securities, Inc. (Seconded)
FUNK, Richard David II C.	Group Head / Chief Compliance Officer	Office of the Group Head – Regulatory Affairs
GO, John P.	Segment Head	Chinese Banking Segment II
LOPEZ, Margarita B.	Group Head	Office of the Group Head – Digital Banking & Operations
MAGNO, Regino V.	Group Head	Office of the Group Head – Business Risk

MARANAN, Remedios M.	Special Asst. for Business Controls	Retail Banking Group
MATSUMOTO, Yasuhiro	Segment Head	Global and Ecozone Segment
NARCISO, Emmanuel T.	Group Head	Office of the Group Head – Global Transaction Banking
ORSOLINO, Reynaldo P.	Segment Head	Emerging Corporates Segment
SANTIAGO, Bennett Clarence D.	Group Head	Office of the Group Head – Credit Management Group
SUBIDO, Rowena F.	Group Head	Office of the Group Head – Human Resources Group

Senior Vice-Presidents

ALVAREZ, Ma. Christina P.	Group Head	Office of the Group Head – Corporate Planning Group
BUENAFLOR, Enrique C.	Segment Head	Global Transaction Banking
CANLAS, Karen K.	Division Head	Wealth Management Division 2
CAPINA, Brigitte B.	Regional Sales Director	South Metro Manila Regional Office
CHUA, Arsenio L.	Regional Sales Director	North Metro Manila Regional Office
CONTRERAS, Claro Patricio L.	Division Head	Remedial Management
CORONEL, Elizabeth E.	Segment Head	Conglomerates & Strategic Corporates Segment
CRUZ, Antonio Manuel E. Jr.	Division Head	Emerging Corporates Segment Division 1
ECO, Sabino Maximiano O.	Division Head	Enterprise Fraud Management Division
ERMITA, Edwin, R.	Bank Security Officer	Office of the President & Chief Executive Officer
ESTACIO, Benjamin E.	Regional Service Head	Mindanao Service
INDITA, Erico C.	National Sales Director	Retail Banking Group
LUMAIN, Jonathan Edwin F.	Group Head/Chief Technology Officer	Office of the Group Head - ITTSG
MACASAET, Vivien L.	Division Head	Management Services Division
MADONZA, Florentino M.	Group Head	Office of the Group Head – Controllership Group
MAÑAGO, Jane N.	Group Head	Office of the Group Head - Wealth Management
MENDOZA, Jose Jayson L.	Division Head	Provincial Division – National Corporate Banking Group
MERCADO, Carlos Cesar B.	Segment Head	Balance Sheet Management
MIRAL, Gerardo G.	Head of Consumer Lending Group	RCBC Savings Bank (Seconded)
NATIVIDAD, Ma. Cecilia F.	Group Head	Office of the Group Head – Marketing Group
NOLASCO, Evelyn	Division Head	Asset Disposition
PALOSO, Matias L.	Segment Head	RBG Products, Support And Systems Segment
PAPILLA, Loida, C.	Division Head	Asset Management Support Division

PEDROSA, Alberto N.	Segment Head	Investment & Markets Trading
PEJO, Arsilito A.	Regional Sales Director	Eastern Visayas Regional Office
POBLETE, Samuel V.	Group Head	Branch Audit Group
QUIOGUE, Nancy J.	Regional Service Head	Metro Manila Regional Service
RAMOS, Elsie S.	Division Head	Legal Affairs
REYES, Ismael S.	Segment Head	Institutional Cross-Selling Segment
REYES, Steven Michael T.	Segment Head	Commercial Trading and Sales
RODRIGO, Ma. Rosanna M.	Regional Sales Director	North Luzon Regional Office
RODRIGUEZ, Joseph Colin B.	Treasurer	RCBC Savings Bank (seconded)
SANTOS, Raoul V.	Division Head	Investment Services Division
SELIRIO, Libertine R.	Division Head	Global & Ecozone Segment – Division 1
SO, Johan C.	Division Head	Local Corp. Banking Segment Division 1
TINIO, Ma. Angela V.	Segment Head	Commercial and Small Medium Enterprises Banking Segment
TIRADO, Gianni Franco D.	Regional Sales Director	Mindanao Region
TOMAS, Juan Gabriel R. IV	Division Head	Customer Service Support Segment - Division 1
USON, Raul Martin D.	Segment Head	Branch Services Support Segment
VALENA, Teodoro Eric D. Jr.	IT Head	Office of the Group Head - ITSSG

Four of the Directors and most of the Executive Officers mentioned herein have held their positions for at least five (5) years.

There are no compensation arrangements for members of the Board of Directors, other than the per diem and dividends provided under Article V, Section 8, and Article XI, Section 2, respectively, of the Bank's Revised By-Laws. Key executives also receive long term bonuses earned over a 5-year period, the amount of which is tied directly to shareholder value, profitability and enterprise value.

(e) Significant Employees: There is no person other than the entire human resources as a whole, and the executive officers, who is expected to make a significant contribution to the Bank.

(f) Family Relationships: None of the Bank's Directors are related to one another or to any of the Bank's executive officers.

(g) Legal Proceedings:

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

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

Global Steel Philippines (SPV-AMC), Inc. ("GSPI") **and Global Ispat Holdings (SPV-AMC), Inc.** ("GIHI")

In October 2008, GSPI and GIHI, which purchased the Iligan Plant assets of the National Steel Corporation (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 the Liquidator and the secured creditors, including the Bank and RCBC Capital, to deliver the Plant assets free and clear from liens and encumbrance. On May 9, 2012, the SIAC rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80,000,000.00, as and by way of lost opportunity to make profits and (b) P1,403,000,000.00, representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court. On July 31, 2014, the Singapore High Court set aside the arbitral award.

GSPI and GIHI appealed on January 26, 2015 before the Singapore Court of Appeals. 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 million 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. 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 November 27, 2015, the Singapore Court of Appeals held that, applying the provisions of the International Arbitration Act of Singapore, which governed the proceedings between the parties, the issue of GSPI and GIHI's lost opportunity to make profit cannot be remanded to the Arbitral Tribunal, or to a new Arbitral Tribunal for that matter, to be litigated anew after the earlier award relating thereto has been set aside by the courts. 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 since this issue was not actually fully litigated before the Arbitral Tribunal, 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 may be the subject of 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 Bank's exposure is approximately Php263,235,917.31 in terms of estimated property taxes and transfer costs due on the Iligan Plant assets, while it has a receivable from Global Steel of P485.5 million, taking into consideration the P49.3 million installment payment it had received from the funds previously in escrow. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as UDSCL with zero net book value. The Bank's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries), now that all pre-closing taxes on the NSC assets sold to GSPI and GIHI, covering the period 1999 to 14 October 2004, are deemed paid, following the denial with finality of the City of Iligan's Petition for Review by the Supreme Court and the issuance of an Entry of Judgment on 16 March 2016.

In defiance, however, of the aforesaid final and executory ruling, the City of Iligan (a) issued a Notice of Delinquency against NSC, seeking to collect the tax arrears covering the period 1999 to 2016, (b) levied the NSC properties, and (c) set the same for public auction on 19 October 2016, which proceeded even as the LGU received the 18 October 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57 ("Makati Trial Court"), directing it to (a) comply with the valid and binding Tax Amnesty Agreement dated 13 October 2004, and (b) afford NSC relief from the payment of interests and penalties. On 3 November 2016, the Iligan City police took possession of the NSC Plant compound. On 4 November 2016, the NSC, through the Liquidator, filed an Omnibus Motion praying that (a) the City of Iligan, the Sangguniang Panlunsod and City

Treasurer be directed to show cause why they should not be held in contempt, and (b) the Auction Sale of the NSC properties held on 19 October 2016 be nullified. Even as the Makati Trial Court is still hearing the aforementioned Omnibus Motion filed by the Liquidator, the City of Iligan posted a notice at the gate of the NSC Plant falsely stating that it now owns the same, and has demanded that the security guards engaged by the Liquidator and Global Steel vacate the NSC Plant.

Verotel Merchant Services B.V. ("VMS")

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

On January 27, 2016, the jury rendered a verdict solely in favor of VMS. However, recognizing that his disposition of the Bank/Bankard's pending motion for nonsuit will impact the jury verdict, the judge Raphael deferred the entry of such jury verdict until after the March 10, 2016 hearing on the Bank/Bankard's motion for nonsuit.

On 10 March 2016, the Bank/Bankard informed the judge that they will, instead, be filing a motion for judgment notwithstanding verdict (JNOV) and motion for new trial, as these are more appropriate to address the fact that, not only was the litigated claim time-barred, and VII/VMS do not have the capacity and standing to sue, respectively, the very evidence presented by VII/VMS showed that (a) the monetary claim arose from transactions involving websites not owned by VII/VMS, (b) these have been registered under another merchant, and (c) therefore, the website are not covered by VII's Tripartite Merchant Agreement with Bankard.

On May 12, 2016, Judge Raphael heard, and partially granted, the Bank/Bankard's Motion for JNOV by deleting the US$7.5 Million punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Bank/Bankard knew of, authorized, or ratified Janet Conway's fraudulent acts, and (b) Conway was a managing agent of the Bank/Bankard within the meaning of the California Civil Code Section 3294(b). However, Judge Raphael ruled that Conway was an agent of the Bank/Bankard for some purposes. Thus, he deemed the statute of limitation equitably tolled during that time Conway represented that she was negotiating to recover the funds from the defendants, as an alternative to filing a lawsuit, and sustained the award of US$1.5 Million. Judge Raphael likewise deemed the issue of VII's lack of capacity to sue mooted as the jury did not award any damages thereto, and held that VMS has standing to bring its tort claims as it was allegedly established that VMS had a business relationship with the Bank/Bankard. The judge has likewise heard, and partially granted, plaintiffs' motion for interest and awarded VMS prejudgment interest in the amount of US$490,548.34.

On 11 July 2016, the Bank/Bankard (a) timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and (b) received a copy of the Notice of Appeal solely filed by VMS on 8 July 2016. In an Order dated 30 August 2016, the California Court of Appeals sustained Bank/Bankard and directed VMS to file its Certificate of Interested Persons, not under seal; which VMS complied with on 8 September 2016. In an Order dated 16 November 2016 and filed on the same date, the Court of Appeals adopted the briefing sequence.

RCBC Securities Case

In December 2011, RCBC Securities initiated the filing of a criminal case for falsification against a former agent who carried out certain questionable transactions with her own personal clients. Since then, RCBC Securities has filed additional criminal and civil cases, including charges of BP 22, against the aforesaid former agent. These cases are now pending with the Regional Trial Court and Metropolitan Trial Court of Makati City. There is also an investigation before the Capital Markets Integrity Corporation ("CMIC") of the Philippine Stock Exchange initiated in May 2012 requesting for an investigation on the operations of RSEC in relation to the accounts handled by the former agent and requesting the CMIC to take appropriate action. The CMIC, in its letter dated 4 December 2014, dismissed the complaint on the ground of prescription and res judicata. The complainants' motion for reconsideration of the CMIC decision remains pending to date. There is also a complaint filed in December 2013 before the Securities and Exchange Commission ("SEC") for alleged violations by RSEC of the Securities Regulation Code for improperly accounting for shares handled by the former agent. The complaints sought for penalties against RSEC, including the suspension or revocation of RSEC's license. The complaint is still pending before the SEC.

Poverty Eradication and Alleviation Certificates (PEACe) Bonds

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

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

In a Resolution dated 5 October 2016, the Supreme Court partially granted the Bank and RCAP's Motion for Clarification and/or Partial Reconsideration, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCAP which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. The Supreme Court likewise held that due to the continued refusal of the Bureau of Treasury to release the amount of Php4,966,207,796.41 which it withheld upon maturity of the PEACe Bonds, even as it could have deposited the said amount in escrow as early as 19 October 2011, in compliance with the orders issued by the High Tribunal, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of Php4,966,207,796.41, counted from the aforesaid date of 19 October 2011, until full paid.

On 11 April 2017, the Bank received a copy of the Entry of Judgment stating, among others, that the Decision date 13 January 2015 and the Resolution dated 16 August 2016, which partially granted the Motion for Clarification and/or Partial reconsideration filed by the Bank and RCAP, became final and executory on 20 October 2016. With the Entry of Judgment, this case is terminated.

Applicability of RR 4-2011

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

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

On April 6, 2015, Petitioner-Banks, including RCBC and member-banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Preliminary Injunction (P.I.), 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, RTC Makati issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, RTC Makati issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the 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 10 June 2015, RTC Makati 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. The Pre-trial Conference for the Petition began on August 2, 2016.

Alleged Unauthorized Transfer of funds – Bank of Bangladesh

In February 2016, there was an alleged unauthorized transfer of funds from the Bank of Bangladesh to four (4) accounts in RCBC, which were eventually transferred to various accounts outside of RCBC. In August 2016, the Monetary Board approved the imposition of supervisory action on RCBC to pay the amount of P1.0 billion in relation to the completed special examination. There may be other cases arising from these events. The Bank has fully recognized in the Consolidated Statement of Income the P1.0 Billion supervisory action as part of Miscellaneous Expenses. On 12 August 2016, the Bank already paid with the BSP Php500 Million of the penalty with the remaining balance due in August 2017, in accordance with the terms set by the BSP. The Bank does not expect these penalties to affect its ability to perform its existing obligations or unduly hamper its operations. In May 2017, the Bank pre-paid the balance of P500 Million.

There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely would have a material effect on its financial position or operating results.

(h) Non-Involvement in Certain Legal Proceedings:

To the knowledge and/or information of the Bank, the nominees for election as Directors of the Bank, its present members of the Board of Directors or its Executive Officers, are not, presently or during the last five (5) years, involved or have been involved in any legal proceeding decided adversely affecting/involving themselves, and/or their property before any court of law or administrative body in the Philippines or elsewhere.

No director has resigned or declined to stand for re-election to the board of directors since the date of the annual meeting of security holders because of disagreement with the Bank on any matter relating to the Bank's operations, policies or practices.

To the knowledge and/or information of the Bank, none of the following events has occurred with respect to the nominees for election as Directors of the Bank, its present members of the Board of Directors, its Executive Officers, underwriters, or control persons during the last five (5) years:

a. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
b. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
c. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
d. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

(i) Certain Relationships and Related Transactions:

The Bank is a member of the Yuchengco Group of Companies (YGC). The Yuchengco family, primarily through Pan Malayan Management and Investment Corporation (PMMIC), is the largest shareholder. As of December 31, 2016, PMMIC owned 473,963,631 certificated shares, approximately 33.86% of the Bank's issued and outstanding common shares. Total shareholdings comprising both certificated and scripless shares amount to 594,248,081, approximately 42.45% of the Bank's issued and outstanding common shares.

The Bank and its subsidiaries, in the ordinary course of business, engage in transactions with entities within the YGC. The Bank adheres to the policy that transactions with related parties are conducted at arm's length with any consideration paid or received by the Bank or any of its subsidiaries in connection with any such transaction being on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances, and the same has been institutionalized in the Bank's Policy on Related Party Transactions (the "Policy").

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

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

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

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

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

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

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

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

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

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

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

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

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

Details of the Bank's major related party transactions in 2016 are described below:

- The total amount of DOSRI loans was at P1,125 as of end December 2015 and was at P553 by end of December 2016.
- RCBC and certain subsidiaries engage into trading of investment securities. These transactions are priced similar to transactions with other counterparties.
- RCBC's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the RCBC's and RSB's Trust Departments in accordance with the respective trust agreements covering the plan. The retirement fund neither provides guarantee or surety for any obligation of the Group nor its investment in its own shares of stock covered by any restriction and liens.
- RCBC and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RRC). Rental expense incurred by the Group related to this lease arrangements is included as part of Occupancy and Equipment-related account in the statements of profit or loss. RCBC's lease contract with RRC is effective until December 31, 2015. The agreement was renewed for another five years until December 31, 2020.
- In October 2013, RCBC and RSB entered into a lease agreement covering certain office and parking spaces of RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties.
- In December 2013, RBSC entered into a Special Purchase Agreement (the Purchase Agreement) with Bankard, Inc. to transfer Bankard, Inc's credit card servicing operations to RBSC. In accordance with the Purchase Agreement, the BOD of the RCBC approved the assignment of the Service Agreement (the Agreement) previously with Bankard, Inc. to RBSC. Under the Agreement, RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business.
- On August 30, 3016, RCBC's BOD approved the engagement of Philippine Integrated Advertising Agency ("PIAA") for advertising and PR services in the amount of P45 million. The contract covers product advertising, corporate/institutional advertising, brand advertising, media planning and buying, consumer promotion, printing of collaterals and production of other merchandising materials, public relations, event management and web design.
- On May 25, 2015, RCBC's BOD approved the equity infusion into Rizal Microbank of P250 million by purchasing additional 2,500,000 common shares of stock with par value of P100 each. The additional capital infusion into Rizal Microbank was approved by BSP on September 30, 2015.

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

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

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

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

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

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

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

The foregoing information is correlated with the information in Note 28 of the Audited Financial Statements annexed to this Information Statement (please see Notes to Financial Statements, Annex "B-1").

6. Compensation of Directors and Executive Officers

Executive Compensation:

Information as to the aggregate compensation paid or accrued during the last three fiscal years to the Bank's Chief Executive Officer and four other most highly compensated executive officers follows (in thousand pesos):

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES			
Names	**Principal Position**	**Aggregate Compensation** (net of Bonuses)	**Bonuses**
2017 Estimate			
Gil A. Buenaventura	President & Chief Executive Officer	55,900	18,634
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Chester Y. Luy	Senior Executive Vice President		
Emmanuel T. Narciso	First Senior Vice President		
2016 Actual			
Gil A. Buenaventura	President & Chief Executive Officer	45,728	14,582
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Michaelangelo R. Aguilar	Executive Vice President		
Emmanuel T. Narciso	First Senior Vice President		

2015 Actual			
Lorenzo V. Tan	President & Chief Executive Officer	44,250	16,534
Redentor C. Bancod	Senior Executive Vice President		
Michaelangelo R. Aguilar	Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Manuel G. Ahyong, Jr.	Executive Vice President		
Officers and Directors as a Group Unnamed			
2017 Estimate		2,125,748	652,725
2016 Actual		1,889,554	580,200
2015 Actual		1,349,349	482,861

Profit Sharing Bonus:

The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus as provided for in Section 2 Article XI of the By-Laws of the Bank.

Likewise, the members of the Board of Directors and the Advisory Board are entitled to per diem for every meeting they attended. For the years 2016 and 2015, total per diem amounted to P10.667 million and P8.490 million, respectively.

The above-named executive officers and directors, and all officers and directors as a group, do not hold equity warrants or options as the Bank does not have any outstanding equity warrants or options.

7. Independent Public Accounts

Punongbayan and Araullo (P&A) acts as the independent auditor of RCBC, RCBC Savings Bank, RCBC Forex Brokers Inc., and RCBC Leasing and Finance Corporation since 2006, of RCBC Capital since 2003, of Merchants Savings and Loan Association, Inc. since 2008 and of RCBC JPL since 2009.

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

P&A has been the independent external auditor of the Bank beginning with the audited financial statements (AFS) for the year ended December 31, 2005 and they will be recommended for re-appointment at the scheduled annual stockholders' meeting. For period 2005-2009 Mr. Leonardo Cuaresma, Jr. was the handling/signing partner of the Bank. Mr. Cuaresma, Jr. was replaced by Mr. Romualdo V. Murcia III as the handling/signing partner in 2010 and 2011. Mr. Murcia was replaced by Mr. Benjamin P. Valdez in 2012 and 2013. Starting 2014, Ms. Maria Isabel E. Comedia is the handling/signing partner of the Bank.

Representatives of P&A are expected to be present at the stockholders' meeting and will have opportunity to make statement if they desire to do so and will be available to answer appropriate questions.

The Members of the Audit Committee are as follows: Mr. Melito S. Salazar, Jr. as Chairman, and Atty. Adelita A. Vergel De Dios and Vaughn F. Montes as Members.

The Bank is in compliance with the SRC Rule 68 (3)(b)(iv).

8. Compensation Plans – Not Applicable

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or Issuance of Securities Other than for Exchange – Not applicable

10. Modification or Exchange of Securities – Not applicable

11. Financial and Other Information

a. **Financial statements meeting the requirements of SRC Rule 68, as amended**
Please see Annex "B" (include Supplementary Schedules required by SRC Rule 68- Please see Annex "B-2")

b. **Management's Discussion and Analysis (MD & A) or Plan of Operation**
Please see Annex "A"

c. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**
None.

d. **A statement as to whether or not representatives of the principal accountants for the current year and for the most recently completed fiscal year:**
Representatives of Punongbayan & Araullo are expected to be present at the stockholders' meeting and will have opportunity to make statement if they desire to do so and will be available to answer appropriate questions.

12. Mergers, Consolidations, Acquisitions and Similar Matters – Not applicable

13. **Acquisition or Disposition of Property** – Please see Note 13 and 14 of the attached Audited Financial Statements in Annex B

14. **Restatement of Accounts** – Please see Note 2 of the attached Audited Financial Statements in Annex B

D. OTHER MATTERS

15. **Action with Respect to Reports**

The Management Report, as set forth in the Annual Report, and the Minutes of the previous stockholders' regular meeting held on June 27, 2016 will be submitted for stockholders' approval.

Approval of the Annual Report constitutes a ratification of the Bank's performance during the previous fiscal years as contained in the Annual Report.

Approval of the June 27, 2016 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, such as, (a) 2015 annual report and audited financial statements, (b) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2015, (d) confirmation of significant transactions with DOSRI and related parties, (e) election of directors, and (f) appointment of external auditor.

The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (June 27, 2016) up to the date of the meeting (June 26, 2017). These include, among others, those that involve day-to-day operation, administration and management of the corporate affairs such as approval of loans, restructuring of past due accounts, sale of ROPOAs, appointment/resignation of directors/officers, sanctions/disciplinary measures imposed to erring officers/employees, and authority to file criminal/civil complaints.

16. **Matters Not Required to be Submitted** – Not applicable

17. **Amendment of Charter, By-Laws or Other Documents** – Not applicable

18. **Other Proposed Action** – Not applicable

19. **Voting Procedures**

The vote required for election or approval.

In the election of Directors, the fifteen (15) nominees with the greatest number of votes will be elected Directors.

In the other proposals or matters submitted to a vote, a vote of the majority or super majority, as the case may be, of the shares of the capital stock of the Bank present in person or represented by proxy at the meeting is necessary for approval of such proposals or matters.

The method by which votes will be counted

Each shareholder may vote in person or by proxy the number of shares of stock standing in his name on the books of the Bank. Each share represents one vote. Voting shall be by balloting. An independent third party, Punongbayan & Araullo, shall validate and count the votes to be cast.

No director has informed the Bank of any intention to oppose the matters to be taken up in the annual meeting.

E. OTHER CERTIFICATIONS

Attached is the written certification by the Corporate Secretary on directors and officers working with the government as Annex "C." Attached as Annex "D" are the Certifications of Independent Directors. Attached as Annex "E" is an Undertaking issued by the Corporate Secretary that the Bank will submit the Certification of Independent Director issued by Atty. Vergel De Dios on or before June 16, 2017.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information given in this Information Statement is true, complete and correct. This Statement is signed in the City of Makati on May 26, 2017.

RIZAL COMMERCIAL BANKING CORPORATION

By:

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

ANNUAL REPORT ACCOMPANYING INFORMATION STATEMENT REQUIRED UNDER SRC RULE 17.1 (b)

(A) Audited Consolidated Financial Statements

The Audited Financial Statements of the Bank as of December 31, 2016 are contained in the latest annual report sent to security holders at the Annual Stockholders' meeting on June 26, 2017 (unless declared a holiday due to Eid-ul-Fitr, in which case the meeting is on June 27, 2017).

(B) Management Discussion and Analysis of Financial Conditions and Results of Operations (2014-2016) and Plan of Operation

2014

Philippine GDP growth in 2014 was at 6.1%, the third consecutive year above 6%, slower vs. 7.2% in 2013. However, this is the second fastest in Asia, after China's 7.4%, which was the slowest in 24 years.

Philippine GNP growth (2014) was at 6.3%, compared to 7.5% in 2013.

In terms of industrial origin, major contributors to the Philippine economic growth in 2014 were: Services (56.7% of GDP) at 6%, slightly faster than the 5.7% in 2013 and Agriculture (10% of GDP) at 1.9%, after 1.1% in 2013. Industry (33.3% of GDP) grew by 7.5%, slower vs. 9.3% in 2013.

In terms of expenditure shares, the major contributors to the country's economic growth in 2014 were: Exports (47.2% of GDP) at 12.1% vs. -1.1% in 2013; Consumer Spending (68.9% of GDP) at 5.4%, vs. 5.7% in 2013; and Government Spending (10.3% of GDP) at 1.8%, slower vs. 7.7% in 2013.

Philippine economic growth remained resilient by growing for 64 straight quarters, despite the slower global economic growth brought about by the slowdown in China, recession in Japan, risk of recession and deflation in the Euro zone. Softer global economic growth also supported the drop in world oil prices by nearly 50% in 2014 amid increased US crude oil supplies due to shale production. The Philippines, which imports almost all its oil, benefited from this in terms of lower inflation and reduced import bill.

The US economy, the world's biggest, continued to recover in 2014, fundamentally supporting the decision of the US Federal Reserve to taper its bond purchases/QE3, which ended in October 2014. This resulted to some market volatility in the global financial markets.

The local economy was partly supported by the continued growth in OFW remittances, sustained strong growth in the BPO industry, still relatively low interest rates compared to recent years that spurred greater economic activity, increased foreign direct investments, pick up in manufacturing and exports, continued growth in tourism, and rollout of more infrastructure/PPP projects.

Inflation averaged 4.1% in 2014, higher compared to 3% in 2013, slightly above the middle of the 3% to 5% target range of the Bangko Sentral ng Pilipinas (BSP), partly due to the spill over effects of Super typhoon Yolanda in the early part of 2014 when prices of food, especially rice, increased. However, inflation already eased to 2.7% in December 2014 due to the sharp drop in global oil prices.

The 91-day Treasury bill yield ended 2014 at 1.416%, significantly up from the record low of almost zero or 0.001% in end-2013, but still considered relatively low compared to recent years.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, were mostly higher in 2014, with short-term tenors ended the year above 2%, with the biggest increase of 1.70-2.12 percentage points for the year, while long-term tenors went up by less than 1 percentage point. The 3-month PDST-R2 yield was at 2.37% as of end-2014, sharply higher by 2.05 percentage points for the year.

The BSP raised its key overnight interest rates in 2014, by 0.50 percentage point, to 4.00% for its key overnight borrowing rate, from the record low of 3.50% in end-2013. The also BSP increased its SDA rate in 2014 by a total of 0.50 percentage point to 2.50%, from the record low of 2.00% in end-2013.

Interest rates still considered relatively low compared to recent years, despite the uptick in 2014, still translated to relatively low borrowing costs that encouraged greater economic activities in terms of creating new businesses and the expansion of existing businesses. This could also have spurred greater demand for loans/borrowings, amid improved economic and credit fundamentals for the country recently and the corresponding need to service the financing requirements of the local economy, which was among the fastest growing in Asia.

The low interest rate environment was also supported by relatively narrow budget deficit, which stood at PHP73.1 billion (or 0.6% of GDP) in 2014, the narrowest in 7 years after a deficit of PHP164.1 billion (or 1.4% of GDP) in 2013 due to faster growth in government revenues despite and slower growth in government spending.

National government debt as of end-2014 was up 1% to PHP5.735 trillion, reflecting the country's improved fiscal performance and credit ratings. The country's debt-to-GDP ratio further eased to 45.4% as of end-2014, vs. 49.2% in end-2013. This supported the further credit rating upgrades on the Philippines by most of the biggest credit rating agencies in 2014, from the minimum investment grade rating achieved for the first time in 2013.

The peso exchange rate depreciated vs. the US dollar in 2014, by 0.325 pesos or 0.7% to close at 44.72 in end-2014, among the weakest in more than four years, compared to 44.39 in end-2013. This benefited exporters, OFWs and their dependents, and others that earn in foreign currencies, in terms of greater peso proceeds of their foreign currency earnings.

Gross international reserves (GIR) as of end-2014: -US$3.6bn or -4.4% to US$79.5 billion or equivalent to 10.2 months' worth of imports or nearly three times the international standard of four months.

Overseas Filipino workers (OFW) remittances up by 5.8% to US$24.3 billion (8.5% of GDP), slower than the 7.4% growth in 2013.

Revenues from the Business Process Outsourcing (BPO) industry was up by 17% to US$18 billion (6.3% of GDP).

Net foreign portfolio investments were at negative US$0.310 billion, after positive US$4.2 billion in 2013

Balance of payments (BOP) deficit was at US$2.1 billion (1% of GDP), after a BOP surplus of US$5.1 billion (1.9% of GDP) in 2013.

OFW remittances, BPO revenues, foreign tourist revenues continued to support consumer spending, which accounted for about 68.9% of the Philippine economy in 2014. Additional OFW, BPO, and tourism jobs partly caused unemployment rate in 2014 to improve to 6% from 7.1% in 2013.

Total exports of the country for 2014 were up 9% to US$61.8 billion, despite softer global economic growth. Total imports in 2014 higher by 2.4% to US$63.9 billion, after lower global oil/commodity prices reduced the country's import bill. Consequently, trade deficit in 2014 significantly narrowed to US$2.1 billion, vs. the deficit of US$5.7 billion in 2013 after the sharp drop in global oil prices by nearly 50% in 2014.

Net foreign direct investments in 2014: +66% year-on-year to US$6.2 billion, reflecting the improved economic and credit fundamentals of the Philippines, as attested by the further upgrade of the country's credit ratings by most of the biggest credit rating agencies, to a notch above the minimum investment grade, which increased international investor confidence on the country.

On the Philippine banking industry, the total loans of banks, as of end-2014 was up by 19% to PHP5.8 trillion, faster than the 15.8% growth as of end-2013, partly spurred by relatively low interest rates and sustained economic growth. Gross non-performing loan (NPL) ratio of all banks (including interbank loans) as of end-2014 eased to 2.31%, from 2.77% as of end-2013.

Domestic liquidity/M3 growth (as of end-2014): +9.6% to PHP7.6 trillion, significantly slower vs. +31.8% as of end-2013, after the BSP increased the reserve requirements on banks' deposits in 2014 by a total of 2 percentage points, partly in an effort to ensure financial stability.

The Philippine Stock Exchange Composite Index (PSEi): +22.8% in 2014, to close at 7,230.57, significantly better than +1.3% in 2013. It reached a record high of 7,413.62 on September 25, 2014. This reflects the country's improved economic fundamentals that resulted to better corporate earnings amid relatively low interest rates.

The foreign tourist arrivals growth in 2014 slowed down at 3.2% to 4.833 million, compared to the 9.6% growth in 2013. Foreign tourist revenues grew by 10% to US$4.84 billion.

The country's credit rating was upgraded further in 2014 by most of the biggest credit rating agencies to a notch above the minimum investment grade, the highest ever, after getting its first ever investment grade rating in 2013, reflecting further improvements in the country's economic and credit fundamentals.

Financial and Operating Highlights

RCBC's Total Assets increased by 8.54% or P36.036 billion to P457.905 billion while Total Capital Funds went up by 18.57% or P8.323 billion to P53.131 billion. Loans and Receivables, net expanded by 9.92% or P23.614 billion from P237.960 billion to P261.574 billion. Net Income reached P4.410 billion while Gross Operating Income reached P22.069 billion. Non-Interest Income showed a decline of 27.60% or P2.708 billion from P9.810 billion to P7.102 billion mainly due to one-off gains in 2013 arising from the sale of NPAs and equity investments. Operating expenses were well-managed at P14.236 billion, 1.64% or P238 million lower from P14.474 billion the previous year. Even with the intense pricing competition and low interest rate environment, Net Interest Income rose by 12.44% or P1.656 billion to P14.967 billion resulting to a NIM of 4.30%, one of the highest in the sector.

BALANCE SHEET			
In Million Pesos	**2014**	**2013**	**2012**
Total Assets	457,905	421,869	363,339
Investment Securities	100,790	92,700	95,179
Loans and Receivables (Net)	261,574	237,960	190,903
Total Deposits	315,761	297,853	246,757
Capital Funds	53,131	44,808	42,162

Cash and other cash items increased by 33.17% or P3.259 billion from P9.826 billion to P13.085 billion. Due from Bangko Sentral ng Pilipinas, representing 10.07% of total resources, decreased by 12.18% or P6.392 billion from P52.491 billion to P46.099 billion. Due from other banks increased by 120.25% or P9.063 billion from P7.537 billion to P16.600 billion. With the Bank's adoption of PFRS 9, investment securities are now classified into At Fair Value Through Profit or Loss, At Fair Value Through Other Comprehensive Income, and At Amortized Cost amounting to P16.458 billion, P4.537 billion, and P79.795 billion, respectively. Total investment securities reached P100.790 billion and represented 22.01% of total resources.

Total net loans and other receivables went up by 9.92% or P23.614 billion from P237.960 billion to P261.574 billion accounting for 57.12% of total resources.

Investment properties (net) increased by 16.95% or P776 million from P4.579 billion to P5.355 billion mainly due to the reclassification of a portion of RSB Corporate Center that is held for lease from Bank premises, furniture, fixtures and equipment to Investment properties. Other resources (net) decreased by 7.59% or P579 million from P7.629 billion to P7.050 billion due to decreases in real estate properties for sale, assets held for sale and margin deposits.

Deposit liabilities expanded by 6.01% or P17.908 billion from P297.853 billion to P315.761 billion and accounted for 68.96% of total resources. Demand deposits rose by 13.18% or P3.749 billion from P28.448 billion to P32.197 billion while savings deposits reached P164.269 billion and accounted for 35.87% of total resources. Time deposits, likewise, increased modestly by 6.19% or P6.955 billion from P112.340 billion to P119.295 billion as part of the Bank's deliberate strategy to manage funding cost. CASA-to-Total deposits ratio stood at 62.22% as of end-2014.

Bills payable reached P39.799 billion and accounted for 8.69% of total resources. Bonds payable, on the other hand reached P23.486 billion and accounted for 5.13% of total resources.

On May 9, 2014, the BSP authorized the Bank to issue up to ₱10.0 billion of Tier 2 Notes in one or more issuances. On June 27, 2014, the Bank issued P7 Billion Basel 3-compliant Tier 2 Unsecured Subordinated Notes bearing a coupon of 5.375%. On September 5, 2014, the Bank issued an additional ₱3.0 billion Tier 2 Capital Notes that constituted a further issuance of, and formed a single series with the existing ₱7.0 billion Unsecured Subordinated Notes. As a result, Subordinated debt stood at P9.921 billion as of end-2014.

Total liabilities amounted to P404.774 billion and accounted for 88.40% of total resources.

Revaluation reserves on available-for-sale securities became zero from negative P5.005 billion primarily due to the Bank's adoption of PFRS 9 resulting to classification of significant portion of investment securities to amortized cost. Accordingly, revaluation reserves on financial assets at fair value through other comprehensive income reached P835 million. Accumulated translation adjustment decreased by 6.58% or P5 million from P76 million to P71 million due to the impact of foreign exchange movement.

Other reserves decreased by 65.60% or P185 million from negative reserves of P282 million to P97 million as a result of the execution of the retirement of preferred shares of RSB's Special Purpose Companies (SPCs) during the last quarter of 2014 and consequently, the transfer of the redemption loss amounting to P185 million previously recognized in 2013 from other reserves to surplus. Retained earnings grew 14.21% or P2.285 billion from P16.082 billion to P18.367 billion driven by the P4.410 billion net profits generated for the year and partially offset by dividends paid. The Bank's capital, excluding non-controlling interest, reached P53.109 billion, 18.59% or P8.324 billion higher from P44.785 billion in 2013 and accounted for 11.60% of total resources.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2014**	**2013**	**2012**
Interest Income	20,200	18,824	18,757
Interest Expense	5,233	5,513	7,355
Net Interest Income	14,967	13,311	11,402
Other Operating Income	7,102	9,810	11,342
Impairment Losses	2,509	2,054	2,486
Operating Expenses	14,236	14,474	13,557
Net Income attributable to Parent Company Shareholders	4,411	5,321	5,949

Total interest income reached P20.200 billion and accounted for 91.53% of total operating income. Interest income from loans and receivables went up by 11.60% or P1.659 billion from P14.302 billion to P15.961 billion and accounted for 72.32% of total operating income. Other interest income decreased by 19.01% or P50 million from P263 million to P213 million primarily due to lower interest income from SDA. Interest income from investment securities reached P4.026 billion and accounted for 18.24% of total operating income.

Total interest expense went down by 5.08% or P280 million from P5.513 billion to P5.233 billion and accounted for 23.71% of total operating income. Interest expense from deposit liabilities reached P2.581 billion while interest expense from bills payable and other borrowings reached P2.652 billion, representing 11.70% and 12.02% of total operating income, respectively. As a result, net interest income increased by 12.44% or P1.656 billion from P13.311 billion to P14.967 billion and accounted for 67.82% of total operating income.

The Bank boosted its reserve cover with impairment losses higher by 22.15% or P455 million from P2.054 billion to P2.509 billion and represented 11.37% of total operating income.

Other operating income of P7.102 billion accounted for 32.18% of total operating income and is broken down as follows:

- Trading and securities gain-net reached P2.511 billion and accounted for 35.36% of total operating income
- Service fees and commissions reached P2.794 billion and accounted for 39.34% of total operating income
- Foreign exchange gains reached P271 million while Trust fees reached P297 million
- Miscellaneous income decreased by 71.04% or P3.015 billion from P4.244 billion to P1.229 billion mainly due to the extra-ordinary gains on sale of NPAs and equity investments recorded in 2013

Operating expenses reached P14.236 billion and utilized 64.51% of total operating income.

- Depreciation and amortization increased by 19.65% or P259 million from P1.318 billion to P1.577 billion as a result of the Bank's investments in technology and setting up of additional and renovation of existing banking channels as well as the depreciation of the RSB Corporate Center
- Taxes and licenses went down by 14.34% or P245 million from P1.708 billion to P1.463 billion due to lower gross income and higher taxes and license in 2013 coming from the GRT on the gains realized on the sale of RCBC Realty and RCBC Land
- Miscellaneous expenses decreased by 10.98% or P568 million from P5.172 billion to P4.604 billion due to lower litigation expenses related to foreclosed assets, stationery and office supplies expense, advertising expense, and other credit card-related expenses
- Occupancy and equipment-related costs increased by 5.77% or P138 million from P2.390 billion to P2.528 billion due to the opening of new branches, deployment of offsite ATMs and escalation on rental of existing branches and offices.

- Manpower costs reached P4.064 billion and consumed 18.41% of total operating income

Provision for tax expense declined by 27.40% or P345 million from P1.259 billion to P914 million mainly due to the extra-ordinary final tax related to the sale of RCBC Realty and RCBC Land in 2013.

Income attributable to non-controlling interest reached negative P1 million from P13 million posted during the same period last year.

Despite the drop in Net Income, RCBC still posted a remarkable performance in 2014 as Core Income excluding the cyclical trading gains and extra-ordinary income increased by 26%. This just affirms the commitment of management to the execution of its strategic objectives in order to build-up the core businesses as the primary source of recurring income. Armed with this mantra, the Bank aims to continue growing its client base and achieve 12 million customers in 5 years through expansion in the Bank's distribution and electronic banking channels, brand-building, and introduction of innovative products and services. The Bank will continue to cater to the country's middle class and overseas Filipino workers in the remittance business and give special focus on the growing micro, small, and medium enterprises (MSMEs), and consumer segment. The Bank will also leverage on the expected entry of Cathay Life Insurance as a strategic investor and tie-ups with various Japanese and other Asian banks to support the business expansion of their SME clients operating here in the country. It will continue to hire more young, dedicated, and competent people and train its existing personnel.

For 2014, there are no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having any cash flow or liquidity problems within the next twelve (12) months. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		**Parent**	
	2014	**2013**	**2014**	**2013**
Return on Average Assets (ROA)	1.04%	1.39%	1.23%	1.49%
Return on Average Equity (ROE)	9.23%	12.18%	9.26%	12.96%
BIS Capital Adequacy Ratio (CAR)	15.37%	16.52%	14.93%	15.10%
Non-Performing Loans (NPL) Ratio	0.90%	1.07%	0.24%	0.51%
Non-Performing Assets (NPA) Ratio	1.72%	2.10%	0.47%	1.02%
Net Interest Margin (NIM)	4.30%	4.22%	3.71%	3.75%
Cost-to-Income Ratio	64.51%	61.21%	60.08%	57.22%
Loans-to-Deposit Ratio	82.19%	72.21%	82.09%	68.55%
Current Ratio	0.49	0.42	0.48	0.50
Liquid Assets-to-Total Assets Ratio	0.21	0.43	0.21	0.46
Debt-to-Equity Ratio	7.62	8.42	6.22	8.07
Asset-to- Equity Ratio	8.62	9.42	7.23	9.07
Asset -to- Liability Ratio	1.13	1.12	1.16	1.12
Interest Rate Coverage Ratio	2.02	2.20	2.14	2.27
Earnings per Share (EPS)				
Basic	Php 3.11	Php 3.95	Php 3.11	Php 3.52
Diluted	Php 3.11	Php 3.95	Php 3.11	Php 3.52

Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK In Php 000s	**Audited**	
	2014	**2013**
Net Income	Php 1,040,096	Php 1,212,543
Return on Average Assets (ROA)	1.42%	1.88%
Return on Average Equity (ROE)	13.80%	16.06%
BIS Capital Adequacy Ratio (CAR)	14.73%	16.63%
Non-Performing Loans (NPL) Ratio	2.57%	2.17%
Non-Performing Assets (NPA) Ratio	6.35%	7.06%
Earnings per Share (EPS)	Php 33.69	Php 39.28

RIZAL MICROBANK In Php 000s	**Audited**	
	2014	**2013**
Net Loss	Php (74,772)	Php (56,319)
Return on Average Assets (ROA)	(9.12%)	(6.51%)
Return on Average Equity (ROE)	(16.47%)	(10.65%)
BIS Capital Adequacy Ratio (CAR)	56.99%	69.79%
Non-Performing Loans (NPL) Ratio	(0.61%)	(0.15%)
Non-Performing Assets (NPA) Ratio	1.19%	1.49%
Earnings per Share (EPS)	Php (8.53)	Php (6.43)

RCBC CAPITAL CORPORATION and Subsidiaries In Php 000s	**Audited**	
	2014	**2013**
Net Income	Php 464,604	Php 438,637
Return on Average Assets (ROA)	9.78%	8.29%
Return on Average Equity (ROE)	11.79%	11.02%
BIS Capital Adequacy Ratio (CAR)	41.41%	49.00%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.05%	0.21%
Earnings per Share (EPS)	Php 3.93	Php 3.71

RCBC FOREX BROKERS CORPORATION In Php 000s	**Audited**	
	2014	**2013**
Net Income	Php 76,149	Php 76,829
Return on Average Assets (ROA)	16.15%	16.98%
Return on Average Equity (ROE)	33.94%	34.14%
Capital to Total Assets	62.32%	42.47%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 152.30	Php 153.66

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary In Php 000s	**Unaudited**	
	2014	**2013**
Net Loss	Php (4,367)	Php (5,384)
Return on Average Assets (ROA)	(3.25%)	(3.97%)
Return on Average Equity (ROE)	(3.35%)	(4.09%)
Capital to Total Assets	97.24%	100.87%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php (1.75)	Php (2.15)

RCBC NORTH AMERICA, INC. In Php 000s	Unaudited	
	2014	2013
Net Income (Loss)	Php (13,697)	Php (22,198)
Return on Average Assets (ROA)	(29.56%)	(18.94%)
Return on Average Equity (ROE)	(133.52%)	(64.33%)
Capital to Total Assets	(0.75%)	39.36%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share	Php (313.24)	Php (507.66)

RCBC TELEMONEY EUROPE S.P.A In Php 000s	Unaudited	
	2014	2013
Net Income (Loss)	Php 15,513	Php (15,317)
Return on Average Assets (ROA)	4.84%	(4.99%)
Return on Average Equity (ROE)	500.92%	(135.93%)
Capital to Total Assets	(1.09%)	13.04%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share (EPS)	Php 155.13	Php (25.53)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	Audited	
	2014	2013
Net Loss	Php 1,332	Php 2,873
Return on Average Assets (ROA)	0.54%	1.10%
Return on Average Equity (ROE)	(1.19%)	(2.52%)
Capital to Total Assets	(45.73%)	(47.64%)
Non-Performing Loans (NPL) Ratio	42.56%	40.03%
Non-Performing Assets (NPA) Ratio	58.02%	59.72%
Loss per Share (EPS)	Php 0.01	Php 2.59

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Audited	
	2014	2013
Net Income	Php 27,309	Php 20,391
Return on Average Assets (ROA)	3.36%	5.88%
Return on Average Equity (ROE)	3.45%	6.00%
Capital to Total Assets	94.63%	98.97%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 19.63	Php 14.66

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Audited	
	2014	2013
Net Income (Loss)	Php 24,456	Php 17,147
Return on Average Assets (ROA)	0.63%	0.45%
Return on Average Equity (ROE)	4.65%	3.24%
Capital to Total Assets	14.05%	13.31%
Non-Performing Loans (NPL) Ratio	19.70%	22.92%
Non-Performing Assets (NPA) Ratio	16.77%	17.79%
Earnings (Loss) per Share (EPS)	Php 0.05	Php 0.06

Notes to the Computations:

1. *Consolidated and Parent Company ROA and ROE ratios were taken from the corresponding audited financial statements. ROA ratio of the subsidiaries was determined based on the average of the quarterly ending balances of total assets, audited and/or unaudited. ROE ratio of the subsidiaries was likewise computed based on the average of the quarterly ending balances of total equity, audited and/or unaudited.*

2. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used.*

3. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses) / (Total gross loan portfolio)*

4. *NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.*

5. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

2015

Philippine GDP growth in 2015 was at 5.8%, slower vs. 6.1% in 2014, but still among the fastest growing economies, not only in ASEAN, but in the whole of Asia, amid improved economic and credit fundamentals, such as favorable demographics (i.e. demographic sweet spot or majority of the population reached working age in 2015), relatively low interest rates that continued to spur more investments and overall economic growth, as fundamentally supported by benign inflation amid low prices of crude oil and other global commodities. Continued growth in OFW remittances, BPO revenues, and foreign tourist revenues continued to support consumer spending, which accounted for about 69.3% of the Philippine economy in 2015. The ASEAN Economic Integration started in end-2015 and is expected to lead to greater economic growth, going forward.

Philippine GNP growth (2015) was at 5.4%, slower compared to 5.8% in 2014.

In terms of industrial origin, Services (57% of GDP) grew by 6.7%, faster than 5.9% in 2014, among the major contributors to economic growth. Industry (33.5% of GDP) grew by 6%, slower vs. 7.9% in 2014, amid slower growth in exports due to the global economic slowdown. Agriculture (9.5% of GDP) grew by 0.2%, slower vs. 1.6% in 2014 after El Nino in the early part of 2015 and typhoon in the latter part of the year.

In terms of expenditure shares, the major contributors to the country's economic growth in 2015 were: Consumer Spending (69.3% of GDP) at 6.2%, faster vs. 5.4% in 2014, Investments (23.5% of GDP) at 13.6%, faster vs. 5.4% in 2014, and Government Spending (10.4% of GDP) at 9.4%, faster vs. 1.7% in 2014. However, Exports (46.8% of GDP) grew by at 5.5% in 2015, slower vs. 11.3% in 2014 amid the slower global economic growth, especially in China, the world's second biggest economy.

Philippine economic growth remained resilient by growing for 68th straight quarter, despite the slower global economic growth brought about by the slowdown in China, recession in Japan, risk of recession, deflation in the Euro zone, and increased global market volatility. Softer global economic growth also supported the drop in world oil prices by at least 30% in 2015 amid increased US crude oil supplies due to shale production, decreased global oil demand, and increased crude oil production. The Philippines, which imports almost all its oil, benefited from this in terms of lower inflation and reduced import bill.

The US economy, the world's biggest, continued to recover in 2015, fundamentally supporting the decision of the US Federal Reserve to increase key monetary interest rates by 0.25 basis points on December 16, 2015. This resulted partly to some volatility in the global financial markets.

China, the world's second largest economy and among the biggest importers of commodities, has experienced slower economic growth. This partly led to the devaluation of yuan in August 2015, which partly triggered the global market sell-off. The resulting lower prices of crude oil and other global commodities may have benefited the Philippines, which imports almost all of its oil, but partly led to increased global market volatility.

The local economy was partly supported by the continued growth in OFW remittances, sustained strong growth in the BPO industry, still relatively low interest rates compared to recent years that spurred greater economic activity, pick up in manufacturing, continued growth in tourism, and rollout of more infrastructure/PPP projects.

Inflation averaged 1.4% in 2015, sharply lower compared to 4.1% in 2014, below the 2%-4% target range of the Bangko Sentral ng Pilipinas (BSP), largely due to the continued decline global crude oil/commodity prices. Inflation reached a record low of 0.4% in October 2015.

The 91-day Treasury bill yield ended 2015 at 1.836%, up from 1.416% in 2014, and significantly up from a record low of 0.001% in end-2013, but still considered relatively low compared to recent years.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, were mostly higher in 2015, with short-term tenors ended the year above 2%, with an increase of 0.29-0.49 percentage points for the year, while long-term tenors went up by at least 0.50 percentage points. The 3-month PDST-R2 yield was at 2.67% as of end-2015, higher by 0.29 percentage points for the year.

The BSP maintained its key overnight interest rates in 2015 at 4.00% for its key overnight borrowing rate, from the record low of 3.50% in end-2013. The also BSP maintained
its SDA rate in 2015 at 2.50%, from the record low of 2.00% in end-2013.

Interest rates still considered relatively low compared to recent years, despite the uptick in 2015, and still translated to relatively low borrowing costs that encouraged greater economic activities in terms of creating new businesses and the expansion of existing businesses. This could also have spurred greater demand for loans/borrowings, amid improved economic and credit fundamentals for the country recently and the corresponding need to service the financing requirements of the local economy, which was among the fastest growing in Asia.

The low interest rate environment was also supported by relatively narrow budget deficit, which stood at –PHP121 billion from January to December 2015, the narrowest in 8 years after a deficit of -PHP73.1 billion (or -0.6% of GDP) in 2014 due to faster growth in government revenues despite and slower growth in government spending.

National government debt as of end-2015 was up 3.8% to PHP5.954tn, reflecting the country's improved fiscal performance and credit ratings. The country's debt-to-GDP ratio eased to 44.8% as of end-2015, vs. 45.4% in end-2014. This supported by the sustained accelerated pace of economic growth in tandem with disciplined fiscal spending that moderated borrowing requirements for the year.

The peso exchange rate depreciated vs. the US dollar in 2015, by 2.34 pesos or 5.2% to close at 47.06 in end-2015, among the weakest in more than 6 years, compared to 44.72 in end-2014. This benefited exporters, OFWs and their dependents, and others that earn in foreign currencies, in terms of greater peso proceeds of their foreign currency earnings.

Gross international reserves (GIR) as of end-2015: +US$1.126bn or +1.4% to US$80.7 billion or equivalent to 10.2 months' worth of imports or more than two times the international standard of 4 months.

Overseas Filipino workers (OFW) remittances up by 4.6% to US$25.77 billion from January to December 2015, slower than the 5.9% growth in 2014 at US$24.348 billion (8.6% of GDP). Revenues from the Business Process Outsourcing (BPO) industry were up by 17% to US$22 billion (7.5% of GDP), vs. 22% growth in 2014 at US$18.9 billion (6.6% of GDP).

Net foreign portfolio investments outflows in 2015: -US$0.600 billion, wider vs. –US$0.310 billion in 2014. Balance of payments (BOP) surplus was at US$2.616 billion (0.9% of GDP), after a BOP deficit of US$2.858 billion (1% of GDP) in 2014. OFW remittances, BPO revenues, foreign tourist revenues continued to support structural US dollar inflows into the country, as well as consumer spending, which accounted for about 69.3% of the local economy. Additional OFW, BPO, and tourism jobs and improved local employment conditions partly caused unemployment rate to improve to 6.3% in 2015, vs. 6.8% in 2014.

Total exports of the country for 2015 were down by -5.6% to US$58.648 billion amid slower global economic growth. Total imports from January to December 2015 grew 2.0% to US$66.67 billion, reflecting the requirements of a growing economy. Consequently, trade deficit from January to December 2015 widened to US$8.037 billion, vs. the deficit of US$3.296 billion in 2014 amid the decline in export and the growth in imports.

Net foreign direct investments from January to December 2015: -0.3% year-on-year to US$5.72 billion, still near the record high of US$5.740 billion in 2014 amid the improved economic and credit fundamentals of the Philippines, as attested by the further upgrade of the country's credit ratings by most of the biggest credit rating agencies, to a notch above the minimum investment grade, which increased international investor confidence on the country.

On the Philippine banking industry, the total loans of banks, as of end-2015 was up by 12% to PHP6.530 trillion, slower than the 19.1% growth as of end-2014, which was partly spurred by relatively low interest rates and sustained economic growth. Gross non-performing loan (NPL) ratio of all banks (including interbank loans) as of end-2015 improved to 2.10%, from 2.31% as of end-2014.

Domestic liquidity/M3 growth (as of end-2015): +8.3% to PHP8.340 trillion, slower vs. +11.2% as of end-2014, reflecting the slower growth in loans/credit.

The Philippine Stock Exchange Composite Index (PSEi): -3.9% in 2015, to close at 6,952.08, sharp decline from +22.8% in 2014. It reached a record high of 8,136.97 on Apr. 7, 2015 and a low of 6,603.19 on August 25, 2015.

Financial and Operating Highlights

RCBC's Total Assets increased by 12.70% or P58.16 billion to P516.06 billion while Total Capital Funds went up by 9.41% or P4.998 billion to P58.129 billion. Loans and Receivables, net expanded by 14.35% or P37.545 billion from P261.57 billion to P299.12 billion. Net Income reached P5.129 billion while Gross Operating Income reached P22.232 billion. Non-Interest Income showed a decline of 6.29% or P447 million from P7.102 billion to P6.655 billion mainly due to decline in trading gains.. Operating expenses were well-managed at P15.06 billion, 5.80% or P825 million slightly higher from P14.24 billion the previous year. Even with the intense pricing competition and low interest rate environment, Net Interest Income rose by 4.08% or P610 million to P15.577 billion resulting to a NIM of 4.15%, one of the highest in the sector.

BALANCE SHEET			
In Million Pesos	2015	2014	2013
Total Assets	516,061	457,905	421,869
Investment Securities	111,201	100,790	92,700
Loans and Receivables (Net)	299,119	261,574	237,960
Total Deposits	342,362	315,761	297,853
Capital Funds	58,129	53,131	44,808

Cash and other cash items increased by 7.53% or P985 million from P13.085 billion to P14.070 billion. Due from Bangko Sentral ng Pilipinas, representing 9.81% of total resources, increased by 9.80% or P4.518 billion from P46.099 billion to P50.617 billion. Due from other banks increased by 18.68% or P3.101 billion from P16.600 billion to P19.701 billion. With the Bank's adoption of PFRS 9 in 2014, investment securities are now classified into At Fair Value Through Profit or Loss, At Fair Value Through Other Comprehensive Income, and At Amortized Cost amounting to P5.112 billion, P4.208 billion, and P101.881 billion, respectively. Total investment securities reached P111.201 billion and represented 21.55% of total resources.

The Bank sold certain dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of Php 35.04 billion. The sale was made in order to fund capital expenditures related to the Bank's purchase of branch licenses this year and to immediately replenish regulatory capital as the purchase will result to a reduction in the Bank's capital position. The disposal resulted in a gain of Php1.48 billion, which is included under Trading and securities gains-net in the statement of profit or loss.

The Bank also sold certain dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of Php 1.28 billion due to credit deterioration. This disposal resulted in a loss of Php 234.22 million, which is included under Trading and securities gains-net in the statement of profit or loss.

In both instances, the Bank concluded that the sale is permitted by PFRS 9 and BSP Circular 708 and that there are no changes in its business models for managing financial assets to collect contractual cash flows.

Total net loans and other receivables went up by 14.35% or P37.545 billion from P261.574 billion to P299.119 billion accounting for 57.96% of total resources.

Investment properties (net) decreased by 37.07% or P1.985 billion from P5.355 billion to P3.370 billion mainly due to the reclassification of certain investment properties to assets held for sale classified under other resources. Other resources (net) increased by 42.10% or P2.968 billion from P7.050 billion to P10.018 billion due to reclassification from investment properties, acquisition of additional branch licenses and recognition of deferred tax assets.

Deposit liabilities expanded by 8.42% or P26.601 billion from P315.761 billion to P342.362 billion and accounted for 66.34% of total resources. Demand deposits rose by 37.62% or P12.114 billion from P32.197 billion to P44.311 billion while savings deposits reached P178.197 billion and accounted for 34.53% of total resources. CASA-to-Total deposits ratio stood at 64.99% as of end-2015.

Bills payable reached P49.404 billion and accounted for 9.57% of total resources. Bonds payable, on the other hand reached P39.364 billion and accounted for 7.63% of total resources.

On January 21, 2015, the Bank successfully raised $200 million worth of 5-year senior unsecured fixed-rate notes off its $1.0 billion EMTN Programme. The notes carried a coupon and yield of 4.25% and maturity of January 22, 2020. On February 10, 2015, the Bank issued another $43 million with a coupon and yield of 4.25% under the same EMTN Programme. On September 21, 2015, Rizal Commercial Banking Corporation closed and signed a USD280 million three (3)-year syndicated term loan facility with a diverse group of international banks. On October 21, 2015, the Bank successfully raised $320 million worth of senior unsecured Reg S bonds due 2021. The notes carried a coupon and yield at 3.45%.

Total liabilities amounted to P457.932 billion and accounted for 88.74% of total resources.

On July 24, 2015 the bank redeemed its USD 100 Million 9.875% Non-Cumulative Step-up Perpetual Securities ("the Hybrid Tier 1 Notes") as approved by the Board of Directors and by the Bangko Sentral ng Pilipinas last March 30, 2015 and May 27, 2015, respectively. The Hybrid Tier 1 Notes were redeemed for a total price of USD 113.93 million.

Capital Paid in Excess of Par grew by 40.17% of ₱6.487 billion from ₱16.148 billion to ₱22.635 billion, which was mainly due to the issuance of capital to Cathay Life Insurance. Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income amounted to ₱689 million, down by 17.60% or ₱146 million from ₱835 million due to fair value losses on certain investments.

Retained earnings went up by 18.11% or ₱3.327 billion from ₱18.367 billion to ₱21.694 billion as a result of net income earned during the year which was partially offset by dividends declared and the redemption premium on hybrid perpetual securities charged directly to retained earnings. The Bank's capital, excluding non-controlling interest, reached ₱58.105 billion, 9.41% or ₱4.996 billion higher from ₱53.109 billion in 2014 and accounted for 11.26% of total resources.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2015**	**2014**	**2013**
Interest Income	21,520	20,200	18,824
Interest Expense	5,943	5,233	5,513
Net Interest Income	15,577	14,967	13,311
Other Operating Income	6,655	7,102	9,810
Impairment Losses	2,350	2,509	2,054
Operating Expenses	15,061	14,236	14,474
Net Income attributable to Parent Company Shareholders	5,129	4,411	5,321

Total interest income reached P21.520 billion and accounted for 96.80% of total operating income. Interest income from loans and receivables went up by 9.40% or P1.501 billion from P15.961 billion to P17.462 billion and accounted for 78.54% of total operating income. Other interest income decreased by 16.43% or P35 million from P213 million to P178 million primarily due to lower interest income from SDA. Interest income from investment securities reached P3.880 billion and accounted for 17.45% of total operating income.

Total interest expense went up by 13.57% or P710 million from P5.233 billion to P5.943 billion and accounted for 26.73% of total operating income. Interest expense from deposit liabilities reached P2.992 billion while interest expense from bills payable and other borrowings reached P2.951 billion, representing 13.46% and 13.27% of total operating income, respectively. As a result, net interest income increased by 4.08% or P610 million from P14.967 billion to P15.577 billion and accounted for 70.07% of total operating income.

Impairment losses decreased by 6.34% or P159 million from P2.509 billion to P2.350 billion and represented 10.57% of total operating income.

Other operating income of P6.655 billion accounted for 29.93% of total operating income and is broken down as follows:

- Trading and securities gain-net reached P1.327 billion and accounted for 19.94% of total operating income
- Service fees and commissions reached P3.473 billion and accounted for 52.19% of total operating income
- Foreign exchange gains reached P260 million while Trust fees reached P286 million
- Miscellaneous income decreased by 24.16% or P0.417 million from P1.726 billion to P1.309 billion.

Operating expenses reached P15.061 billion and utilized 67.74% of total operating income.

- Manpower costs reached P4.731 billion and consumed 21.28% of total operating income
- Occupancy and equipment-related costs stood at ₱2.607 billion and consumed 11.73% of total operating income.
- Depreciation and amortization reached ₱1.611 billion.
- Taxes and licenses stood at ₱1.437 billion.
- Miscellaneous expenses settled at ₱4.675 billion from ₱4.604 billion and consumed 21.03% of total operating income.

Tax expense declined by 133.59% or P1.221 billion mainly due to the recognition of P1.138 billion Deferred Tax Income relating to Net Operating Loss Carry-over (NOLCO), allowance for impairment losses and other temporary differences.

Loss attributable to non-controlling interest remained unchanged at ₱1 million.

The Bank aims to continue growing its client base and achieve 12 million customers in 5 years through expansion in the Bank's distribution and electronic banking channels, brand-building, and introduction of innovative products and services. The Bank will continue to cater to the country's middle class and overseas Filipino workers in the remittance business and give special focus on the growing micro, small, and medium enterprises (MSMEs), and consumer segment. The Bank will also leverage on the entry of Cathay Life Insurance as a strategic investor and tie-ups with various Japanese and other Asian banks to support the business expansion of their SME clients operating here in the country. It will continue to hire more young, dedicated, and competent people and train its existing personnel.

For 2016, there are no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having any cash flow or liquidity problems within the next twelve (12) months. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		**Parent**	
	2015	**2014**	**2015**	**2014**
Return on Average Assets (ROA)	1.09%	1.04%	1.30%	1.23%
Return on Average Equity (ROE)	9.33%	9.23%	9.34%	9.26%
BIS Capital Adequacy Ratio (CAR)	15.72%	15.37%	15.63%	14.93%
Non-Performing Loans (NPL) Ratio	0. 79%	0.90%	0.26%	0.24%
Non-Performing Assets (NPA) Ratio	1. 45%	1.72%	0.37%	0.47%
Net Interest Margin (NIM)	4.15%	4.30%	3.62%	3.71%
Cost-to-Income Ratio	67.74%	64.51%	62.45%	60.08%
Loans-to-Deposit Ratio	86.74%	82.19%	87.12%	82.09%
Current Ratio	0.43	0.49	0.43	0.48
Liquid Assets-to-Total Assets Ratio	0.17	0.21	0.17	0.21

Debt-to-Equity Ratio	7.88	7.62	6.40	6.22
Asset-to- Equity Ratio	8.88	8.62	7.41	7.23
Asset -to- Liability Ratio	1.13	1.13	1.16	1.16
Interest Rate Coverage Ratio	1.81	2.02	2.06	2.14
Earnings per Share (EPS)				
Basic	Php 3.07	Php 3.11	Php 3.07	Php 3.11
Diluted	Php 3.07	Php 3.11	Php 3.07	Php 3.11

Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK	**Audited**	
In Php 000s	**2015**	**2014**
Net Income	Php 1,250,962	Php 1,040,096
Return on Average Assets (ROA)	1.48%	1.42%
Return on Average Equity (ROE)	14.10%	13.80%
BIS Capital Adequacy Ratio (CAR)	13.55%	14.73%
Non-Performing Loans (NPL) Ratio	1.94%	2.57%
Non-Performing Assets (NPA) Ratio	5.23%	6.35%
Earnings per Share (EPS)	Php 40.52	Php 33.69

RIZAL MICROBANK	**Audited**	
In Php 000s	**2015**	**2014**
Net Loss	Php (64,848)	Php (74,772)
Return on Average Assets (ROA)	-7.47%	-9.12%
Return on Average Equity (ROE)	-14.11%	-16.47%
BIS Capital Adequacy Ratio (CAR)	90.26%	56.99%
Non-Performing Loans (NPL) Ratio	-0.75%	-0.61%
Non-Performing Assets (NPA) Ratio	0.89%	1.19%
Loss per Share (EPS)	Php (5.76)	Php (8.53)

RCBC CAPITAL CORPORATION and Subsidiaries	**Audited**	
In Php 000s	**2015**	**2014**
Net Income	Php 133,505	Php 464,604
Return on Average Assets (ROA)	3.02%	9.78%
Return on Average Equity (ROE)	3.59%	11.79%
BIS Capital Adequacy Ratio (CAR)	26.27%	41.41%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.01%	0.05%
Earnings per Share (EPS)	Php 1.13	Php 3.93

RCBC FOREX BROKERS CORPORATION	Audited	
In Php 000s	**2015**	**2014**
Net Income	Php 70,914	Php 76,149
Return on Average Assets (ROA)	15.36%	16.15%
Return on Average Equity (ROE)	32.73%	33.94%
Capital to Total Assets	63.92%	62.32%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 141.83	Php 152.30

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Unaudited	
In Php 000s	**2015**	**2014**
Net Income /(Loss)	Php 3,749	Php (4,367)
Return on Average Assets (ROA)	2.92%	-3.25%
Return on Average Equity (ROE)	3.02%	-3.35%
Capital to Total Assets	95.02%	97.24%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php 1.50	Php (1.75)

RCBC NORTH AMERICA, INC.	Unaudited	
In Php 000s	**2015**	**2014**
Net Loss	Php (3,825)	Php (13,697)
Return on Average Assets (ROA)	-76.41%	-29.56%
Return on Average Equity (ROE)	-178.16%	-133.52%
Capital to Total Assets	215.19%	-0.75%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Income/(Loss) per Share	Php (87.47)	Php (313.24)

RCBC TELEMONEY EUROPE S.P.A	Unaudited	
In Php 000s	**2015**	**2014**
Net Income	Php 5,276	Php 15,513
Return on Average Assets (ROA)	1.94%	4.84%
Return on Average Equity (ROE)	45.69%	500.92%
Capital to Total Assets	-5.67%	-1.09%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 52.76	Php 155.13

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Audited	
In Php 000s	**2015**	**2014**
Net Income/ (Loss)	Php (5,745)	Php 1,332
Return on Average Assets (ROA)	-2.53%	0.54%
Return on Average Equity (ROE)	5.03%	-1.19%
Capital to Total Assets	-50.14%	-45.73%
Non-Performing Loans (NPL) Ratio	-	42.56%
Non-Performing Assets (NPA) Ratio	-	58.02%
Income/ (Loss) per Share (EPS)	Php (0.03)	Php 0.01

NIYOG PROPERTY HOLDINGS, INC.	Audited	
In Php 000s	**2015**	**2014**
Net Income	Php 88,670	Php 27,309
Return on Average Assets (ROA)	10.68%	3.36%
Return on Average Equity (ROE)	11.43%	3.45%
Capital to Total Assets	86.06%	94.63%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 63.75	Php 19.63

RCBC LEASING AND FINANCE CORP. and Subsidiary	Audited	
In Php 000s	**2015**	**2014**
Net Income	Php 33,983	Php 24,456
Return on Average Assets (ROA)	0.81%	0.63%
Return on Average Equity (ROE)	5.86%	4.65%
Capital to Total Assets	20.54%	14.05%
Non-Performing Loans (NPL) Ratio	15.70%	19.70%
Non-Performing Assets (NPA) Ratio	13.94%	16.77%
Earnings per Share (EPS)	Php 0.07	Php 0.05

Notes to the Computations:

1. *Consolidated and Parent Company ROA and ROE ratios were taken from the corresponding audited financial statements. ROA ratio of the subsidiaries was determined based on the average of the quarterly ending balances of total assets, audited and/or unaudited. ROE ratio of the subsidiaries was likewise computed based on the average of the quarterly ending balances of total equity, audited and/or unaudited.*

2. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used.*

3. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses) / (Total gross loan portfolio)*

4. *NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.*

5. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

2016

Philippine GDP growth in 2016 was at 6.8%, faster vs. 5.9% in 2015, the fastest in 3 years (since 2013) and still among the fastest growing economies, not only in ASEAN, but in the whole of Asia, amid election-related spending with the May 2016 presidential elections, improved economic and credit fundamentals such as favorable demographics (i.e. demographic sweet spot or majority of the population reached working age since 2015), still relatively low interest rates compared to recent years that continued to spur more investments and overall economic growth, as fundamentally supported by benign inflation amid relatively lower prices of crude oil and other global commodities vs. in recent years. Continued growth in OFW remittances, BPO revenues, and foreign tourist revenues continued to support consumer spending, which accounted for about 69.4% of the Philippine economy in 2016. The ASEAN Economic Integration has already started in end-2015 and is expected to lead to greater economic growth, going forward.

Philippine GNP growth (2016) was at 6.6%, faster compared to 5.8% in 2015.

In terms of industrial origin, Services (57.5% of GDP) grew by 7.5%, faster than 6.8% in 2015, among the major contributors to economic growth. Industry (33.8% of GDP) grew by 8%, faster vs. 6% in 2015, despite slower growth in exports relative to imports due to the global economic slowdown. Agriculture (8.8% of GDP) contracted, by -1.3%, vs. 0.1% in 2015 after El Nino drought reduced agricultural production in the early part of 2016 and after the typhoons in the latter part of the year.

In terms of expenditure shares, the major contributors to the country's economic growth in 2016 were: Consumer Spending (69.4% of GDP) at 6.9%, faster vs. 6.3% in 2015, Investments (26.9% of GDP) at 20.8%, faster vs. 15.1% in 2015, and Government Spending (10.5% of GDP) at 8.3%, faster vs. 7.8% in 2015.

Philippine economic growth remained resilient by growing for 72nd straight quarter, despite the slower global economic growth brought about by the slowdown in China, risk of recession and deflation in Japan and in the Euro zone, and increased global market volatility. Softer global economic growth also supported the still relatively lower world oil prices in 2016, compared to recent years, but already corrected higher from the lows after OPEC decided to cut oil production output. The Philippines, which imports almost all its oil, benefited from this in terms of lower inflation and reduced import bill.

The US economy, the world's biggest, continued to recover in 2016, fundamentally supporting the decision of the US Federal Reserve to increase key monetary interest rates by another 0.25 basis points on December 14, 2016 (after 0.25 Fed rate hike on Dec. 16, 2015). This resulted partly to some volatility in the global financial markets. Other sources of global market volatility in 2016 include Brexit (UK voted to exit from the European Union) in June 2016 and after the victory of Donald Trump in the US president elections in November 2016 (Trump signaled possible protectionist policies to save/create US jobs).

China, the world's second largest economy and among the biggest importers of commodities, again experienced slower economic growth (among the slowest in more than 25 years). This partly led to the continued devaluation of yuan since August 2015. The resulting relatively lower prices of crude oil and other global commodities (but already corrected higher from lows in 2016) may have benefited the Philippines, which imports almost all of its oil, but partly led to increased global market volatility.

The local economy was partly supported by the continued growth in OFW remittances, sustained strong growth in the BPO industry, still relatively low interest rates compared to recent years that spurred greater economic activity, pick up in manufacturing, continued growth in tourism, and rollout of more infrastructure/PPP projects.

Inflation averaged 1.8% in 2016, higher compared to 1.4% in 2015, again below the 2%-4% target range of the Bangko Sentral ng Pilipinas (BSP), largely due to the continued relatively lower global crude oil/commodity prices compared to recent years.

The 91-day Treasury bill yield ended 2016 at 1.555%, lower vs. 1.836% in end-2015, though significantly up from a record low of 0.001% in end-2013, but still considered relatively low compared to recent years.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, were mostly higher in 2016, especially long-term tenors. However, the 3-month PDST-R2 yield was at 2.07% as of end-2016, lower by 0.59 percentage points for the year.

The BSP already implemented the interest rate corridor (IRC) system in June 2016, effectively lowered its overnight policy rate by 1 percentage point to 3%. The 7-day and 28-day Term Deposit Facility (TDF) rates went up to 3% levels (up from a low of 2.50%).

Interest rates are still considered relatively low compared to recent years, despite the uptick in 2016 for most long-term tenors, and still translated to relatively lower borrowing costs that encouraged greater economic activities in terms of creating new businesses and the expansion of existing businesses. This could also have spurred greater demand for loans/borrowings, amid improved economic and credit fundamentals for the country recently and the corresponding need to service the financing requirements of the local economy, which was among the fastest growing in Asia.

The upward correction in most long-term interest rates was partly due to wider budget deficit, which already widened to –PHP235.2 billion, more than five times wider vs. –PHP46.5 billion same period last year amid the faster growth in government spending compared to government revenues, but still consistently below the government's target ceiling of 2% of GDP since 2013 (but the target was raised to 3% of GDP starting 2017 in able to further increase the government's infrastructure spending).

National government debt as of end-2016 was up 2.3% to PHP6.090 trillion, reflecting the country's improved fiscal performance and credit ratings. The country's debt-to-GDP ratio eased to 44.2% as of end-3Q 2016, vs. 44.7% in end-2015. This supported by the sustained accelerated pace of economic growth in tandem with disciplined fiscal spending that moderated borrowing requirements for the year.

The peso exchange rate depreciated vs. the US dollar in 2016, by 2.66 pesos or 5.7% to close at 49.72 in end-2016, among the weakest in about a decade, compared to 47.06 in end-2015. This benefited exporters, OFWs and their dependents, and others that earn in foreign currencies, in terms of greater peso proceeds of their foreign currency earnings.

Gross international reserves (GIR) as of end-2016: Slightly higher, by +US$24mn or +0.03% to US$80.691 billion or equivalent to 9.2 months' worth of imports and more than two times the international standard of 4 months.

Overseas Filipino workers (OFW) remittances was up, by 5.0% year-on-year to US$26.9 billion from January to December 2016, faster vs. 4.0% growth a year ago. Revenues from the Business Process Outsourcing (BPO) industry were up by 14% to US$25 billion (8.2% of GDP), vs. 16% growth in 2015 at US$22 billion (7.5% of GDP).

Net foreign portfolio investments inflows in 2016: +US$0.353 billion, vs. –US$0.599 billion in 2015. Balance of payments (BOP) deficit was at -US$0.420 billion (-0.1% of GDP), after a BOP surplus of +US$2.616 billion (+0.9% of GDP) in 2015. OFW remittances, BPO revenues, foreign tourist revenues continued to support structural US dollar inflows into the country, as well as consumer spending, which accounted for about 69.4% of the local economy. Additional OFW, BPO, and tourism jobs and improved local employment conditions partly caused unemployment rate to improve to 5.5% in 2016, vs. 6.3% in 2015.

Total exports of the country for 2016 were down by -4.4% to US$56.232 billion amid slower global economic growth. Total imports for 2016 grew by 14.2% to US$81.159 billion, reflecting the requirements of a growing economy. Consequently, trade deficit or net imports for 2016 widened to -US$24.927 billion, more than twice vs. the -US$12.240 billion in 2015 amid the decline in exports and the faster growth in imports.

Net foreign direct investments from January to December 2016: Grew by 145.7% year-on-year to US$6.973 billion, already at a new record high for 2016 amid the improved economic and credit fundamentals of the Philippines, as attested by the further upgrade of the country's credit ratings by most of the biggest credit rating agencies, to a notch above the minimum investment grade (which was reached for the first time since 2013), which increased international investor confidence on the country.

On the Philippine banking industry, the total loans of banks, as of end-2016 was up by 16.6% to PHP7.612 trillion, faster than the 11.9% growth as of end-2015, which was partly spurred by still relatively low interest rates and sustained economic growth. Gross non-performing loan (NPL) ratio of all banks (including interbank loans) as of end-2016 improved to 1.90%, from 2.10% as of end-2015.

Domestic liquidity/M3 growth (as of end-2016): +12.4% to PHP9.473 trillion, faster vs. +9.4% as of end-2015, reflecting the faster growth in loans/credit.

The Philippine Stock Exchange Composite Index (PSEi): -1.6% in 2016, to close at 6,840.64, after -3.9% in 2015. It reached a record high of 8,136.97 on Apr. 7, 2015 and a low of 6,084.28 on January 21, 2016.

Financial and Operating Highlights

Balance Sheet

RCBC's Total Assets stood at ₱521.2 billion.

BALANCE SHEET			
In Million Pesos	**2016**	**2015**	**2014**
Total Assets	521,193	516,061	457,905
Investment Securities	75,622	111,201	100,790
Loans and Receivables (Net)	306,167	299,119	261,574
Total Deposits	353,077	342,362	315,761
Capital Funds	62,133	58,129	53,131

Cash and other cash items increased by 7.86% or Php1.106 billion from Php14.070 billion to Php15.176 billion. Due from Bangko Sentral ng Pilipinas, representing 12.76% of total resources, increased by 31.42% or Php15.903 billion from Php50.617 billion to Php66.520 billion. Due from other banks increased by 28.38% or Php5.592 billion from Php19.701 billion to Php25.293 billion. Total trading investment securities decreased by 32.00% or Php35.579 billion from Php111.201 billion to Php75.622 billion and represented 14.51% of total resources.

As permitted by PFRS 9 and BSP Circular 708, the Group sold certain loans and receivables, peso and dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of Php73.464 billion. The disposals resulted in a gain of Php1.352 billion, which is included under Trading and securities gains-net in the statement of profit or loss. In addition, the Group concluded that the sales did not result to changes in its business models for managing financial assets to collect contractual cash flows.

Loans and Receivables-net reached Php306.167 billion and represented 58.74% of total resources.

Bank Premises, furniture, Fixtures and Equipment, net grew by 16.76% or Php1.274 billion from Php7.602 billion to Php8.876 billion mainly due opening of additional 25 branches and acquisition of equipment for lease during the year by a wholly owned subsidiary. Other Resources, net increased by 12.11% or Php1.065 billion from Php8.796 billion to Php9.861 billion.

Deferred Tax Assets increased by Php 955 million or 78.15% from Php 1.222 billion in 2015 to Php 2.177 billion in 2016 as a result of recognition of tax effects of additional temporary differences arising mainly from allowance for impairment, MCIT and provision for credit card reward payments. This is partially offset by the reversal of deferred tax assets arising from NOLCO.

Deposit liabilities settled at Php353.077 billion and accounted for 67.74% of total resources. Demand deposits were recorded at Php42.053 billion. Savings deposits reached Php162.926 billion and accounted 31.24% of total resources. Time deposits grew by 23.56% or Php28.243 billion from Php119.854 billion to Php148.097 billion and accounted for 28.42% of total resources.

Bills payable decreased by 23.81% or down by Php11.761 billion from Php49.404 billion to Php37.643 billion mainly attributable to the net payment on foreign borrowings, it represented 7.22% of total resources. Bonds payable, was recorded at Php41.595 billion and accounted for 7.98% of total resources.

Total liabilities stood at Php459.060 billion and represented 88.08% of Total Resources.

Total Equity went up by 6.89% or Php4.004 billion from Php58.129 billion to Php62.133 billion mainly due to Net Income for the period, net of cash dividends declared and paid.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2016**	**2015**	**2014**
Interest Income	23,137	21,520	20,200
Interest Expense	7,430	5,943	5,233
Net Interest Income	15,707	15,577	14,967
Other Operating Income	7,114	6,655	7,102
Impairment Losses	1,770	2,350	2,509
Operating Expenses	17,355	15,061	14,236
Tax Expense (Income)	(174)	(307)	914
Net Income attributable to Parent Company Shareholders	3,868	5,129	4,411

Total interest income reached Php23.137 billion and accounted for 101.38% of total operating income. Interest income from loans and receivables went up by 11.34% or Php1.980 billion from Php17.462 billion to Php19.442 billion and accounted for 85.19% of total operating income. The increase is mainly due to increase in average volume of Loans and Receivables and higher average yield. Other interest income stood at Php426 million and interest income from investment securities reached Php3.269 billion and accounted for 14.32% of total operating income.

Total interest expense went up by 25.02% or Php1.487 billion from Php5.943 billion to Php7.430 billion and accounted for 32.56% of total operating income. Interest expense from deposit liabilities, which grew by 9.26% from Php2.992 billion, reached Php3.269 billion, representing 14.32% of total operating income. Interest expense from bills payable and other borrowings reached Php4.161 billion, 41% up or Php1.210 billion higher from last year's Php2.951 billion, it represented 18.23% of total operating income. As a result, net interest income reached Php15.707 and accounted for 68.83% of total operating income.

The Group booked lower impairment losses at Php1.77 billion, down by 24.68% or Php580 million from Php2.350 billion and represented 7.76% of total operating income.

Other operating income of Php7.114 billion accounted for 31.17% of total operating income and is broken down as follows:

- Service fees and commissions stood at Php3.164 billion and accounted for 13.86% of total operating income
- Trading and securities gain-net settled at Php1.619 billion and accounted for 7.09% of total operating income
- Foreign exchange gains increased by 6.15% or Php16 million from Php260 million to Php276 million attributable to higher commission from commercial transactions
- Trust fees settled at P294 million
- Share in net earnings of subsidiaries and associates settled at Php131 million.
- Miscellaneous income went up by 34.05% or Php414 million from Php1.216 billion to P1.630 billion brought about by higher dividend and rental income.

Operating expenses grew by 15.23% or Php2.294 billion from Php15.061 billion to Php17.355 billion and consumed 76.05% of total operating income.

- Manpower costs reached Php5.408 billion and consumed 23.70% of total operating income due to additional headcount for the 25 newly opened business centers.
- Occupancy and equipment-related stood at Php2.871 billion and consumed 12.58% of total operating income
- Taxes and licenses stood at Php1.766 billion
- Depreciation and amortization reached Php1.840 billion
- Miscellaneous expenses went up by 17.01% or Php795 million to settle at Php5.470 billion from Php4.675 billion, increase was mainly due to the Php1 billion BSP fine, and it consumed 23.97% of total operating income

Excluding the Php1 billion BSP fine, OPEX grew by Php8.59% or Php1.294 billion.

Negative Tax expense was at P 174 million in 2016 from P307 million in 2015 due to lower amount of Deferred Tax Income relating to MCIT, allowance for impairment losses and other temporary differences and reversal of DTA or utilized and expired NOLCO.

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

Overall, net income was down by 24.53% or Php1.258 billion from Php5.128 billion in 2015 to Php3.870 billion in 2016.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		Parent	
	2016	2015	2016	2015
Return on Average Assets (ROA)	0.77%	1.09%	0.93%	1.30%
Return on Average Equity (ROE)	6.42%	9.33%	6.43%	9.34%
BIS Capital Adequacy Ratio (CAR)	16.16%	15.72%	16.23%	15.63%
Non-Performing Loans (NPL) Ratio	0.98%	0. 79%	0.17%	0.26%
Non-Performing Assets (NPA) Ratio	1.52%	1.45%	0.33%	0.37%
Net Interest Margin (NIM)	4.06%	4.15%	3.47%	3.62%
Cost-to-Income Ratio	76.05%	67.74%	74.30%	62.45%
Loans-to-Deposit Ratio	89.07%	86.74%	89.71%	87.12%
Current Ratio	0.56	0.43	0.52	0.43
Liquid Assets-to-Total Assets Ratio	0.26	0.17	0.26	0.17
Debt-to-Equity Ratio	7.39	7.88	5.73	6.40
Asset-to- Equity Ratio	8.39	8.88	6.73	7.40
Asset -to- Liability Ratio	1.14	1.13	1.17	1.16
Interest Rate Coverage Ratio	1.50	1.81	1.60	2.06
Earnings per Share (EPS)				
Basic	Php 2.76	Php 3.07	Php 2.76	Php 3.07
Diluted	Php 2.76	Php 3.07	Php 2.76	Php 3.07

Wholly-Owned/Virtually Owned Subsidiaries

RCBC SAVINGS BANK	Audited	
In Php 000s (Except EPS)	2016	2015
Net Income	Php 1,005,140	Php 1,250,962
Return on Average Assets (ROA)	1.05%	1.48%
Return on Average Equity (ROE)	9.89%	14.10%
BIS Capital Adequacy Ratio (CAR)	13.44%	13.99%
Non-Performing Loans (NPL) Ratio	2.88%	1.94%
Non-Performing Assets (NPA) Ratio	5.95%	5.23%
Earnings per Share (EPS)	Php 32.56	Php 40.52

RIZAL MICROBANK	Audited	
In Php 000s (Except EPS)	2016	2015
Net Loss	Php (3,384)	Php (64,848)
Return on Average Assets (ROA)	-0.33%	-7.47%
Return on Average Equity (ROE)	-0.55%	-14.11%
BIS Capital Adequacy Ratio (CAR)	65.28%	90.26%
Non-Performing Loans (NPL) Ratio	0.09%	0.00%
Non-Performing Assets (NPA) Ratio	1.24%	0.89%
Loss per Share (EPS)	Php (0.30)	Php (5.76)

RCBC CAPITAL CORPORATION and Subsidiaries	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Income	Php 294,079	Php 133,505
Return on Average Assets (ROA)	7.13%	3.02%
Return on Average Equity (ROE)	8.14%	3.59%
BIS Capital Adequacy Ratio (CAR)	27.99%	26.27%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.05%	0.01%
Earnings per Share (EPS)	Php 2.49	Php 1.13

RCBC FOREX BROKERS CORPORATION	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Income	Php 39,917	Php 70,914
Return on Average Assets (ROA)	16.60%	15.36%
Return on Average Equity (ROE)	20.14%	32.73%
Capital to Total Assets	77.08%	63.92%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 79.83	Php 141.83

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Income /(Loss)	Php (1,931)	Php 3,749
Return on Average Assets (ROA)	-1.38%	2.92%
Return on Average Equity (ROE)	-1.40%	3.02%
Capital to Total Assets	100.05%	95.02%
Non-Performing Loans (NPL) Ratio	-0.54%	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share	Php (0.77)	Php 1.50

RCBC NORTH AMERICA, INC.	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Loss	Php (1,555)	Php (3,825)
Return on Average Assets (ROA)	-91.01%	-76.41%
Return on Average Equity (ROE)	-90.98%	-178.16%
Capital to Total Assets	217.45%	215.19%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Income/Loss per Share	Php (35.56)	Php (87.47)

RCBC TELEMONEY EUROPE S.P.A	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Income (Loss)	Php (45,056)	Php 5,276
Return on Average Assets (ROA)	-52.36%	1.94%
Return on Average Equity (ROE)	-110.16%	45.69%
Capital to Total Assets	-47.43%	-5.67%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share (EPS)	Php (450.56)	Php 52.76

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Income/ (Loss)	Php 2,259	Php (5,745)
Return on Average Assets (ROA)	1.05%	-2.53%
Return on Average Equity (ROE)	-1.88%	5.03%
Capital to Total Assets	-62.35%	-50.14%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Income/ (Loss) per Share (EPS)	Php 0.01	Php (0.03)

NIYOG PROPERTY HOLDINGS, INC.	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Income	Php 10,414	Php 88,670
Return on Average Assets (ROA)	1.40%	10.68%
Return on Average Equity (ROE)	1.46%	11.43%
Capital to Total Assets	94.43%	86.06%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 7.49	Php 63.75

RCBC LEASING AND FINANCE CORP. and Subsidiary	Audited	
In Php 000s (Except EPS)	**2016**	**2015**
Net Income	Php 70,218	Php 33,983
Return on Average Assets (ROA)	1.04%	0.81%
Return on Average Equity (ROE)	11.23%	5.86%
Capital to Total Assets	13.95%	20.54%
Non-Performing Loans (NPL) Ratio	12.51%	15.70%
Non-Performing Assets (NPA) Ratio	8.41%	13.94%
Earnings per Share (EPS)	Php 0.15	Php 0.07

Notes to the Computations:

1. *Consolidated and Parent Company ROA and ROE ratios were taken from the corresponding audited financial statements. ROA ratio of the subsidiaries was determined based on the average of the quarterly ending balances of total assets, audited and/or unaudited. ROE ratio of the subsidiaries was likewise computed based on the average of the quarterly ending balances of total equity, audited and/or unaudited.*

2. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used.*

3. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses) / (Total gross loan portfolio)*

4. *NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.*

5. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2017

Sustaining the core business lines will continue to be the main thrust of the Bank for 2017. SME and consumer loans will remain as the main drivers of loan growth; Microfinance lending will continue to grow especially in the Mindanao and Visayas regions.

The Bank aims to increase its fee-based income from e-banking channels, corporate, consumer and investment banking businesses, wealth management, trust, retail banking, cash management, Bancassurance, and cards business. The Bank plans to increase deposit volume by growing its number of customers through various initiatives across different segments. Specifically, the Bank aims to increase customers transacting through electronic channels, aggressively target retail depositors by offering ATM-based products, and offer cash management products and services to business enterprises. Moreover, the BSP granted the Bank 50 licenses to open new branches in previously restricted zones in Metro Manila in 2015 which will be fully utilized by opening 27 branches in 2017.

The Bank intends to capitalize on the various alliances forged with several Japanese, Chinese, and Korean banks by offering products and services to multinational corporate clients while expanding capabilities with the transfer of technologies and best practices. Strong focus will be given to building a strong consumer franchise inclusive of a large consumer credit portfolio by capitalizing on the branch network through a much refined branch referral incentive program.

Notes to Financial Statements of March 31, 2017

Statement of Compliance with Generally Accepted Accounting Principles. The interim financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

See accompanying Notes to FS for the detailed discussion of Compliance with Generally Accepted Accounting Principles.

Accounting Policies and Methods of Computation. There were no changes in the accounting policies and methods of computation followed in the interim financial statements as compared with the most recent annual financial statements.

Seasonality or Cyclicality of Interim Operations. Seasonal or cyclical events and/or conditions do not materially affect the year-round operations of the Bank.

Changes in Estimates of Amounts Reported. There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

Issuances, Repurchases and Repayments of Debt and Equity Securities. On January 31, 2017, senior unsecured fixed-rate notes amounting to $275 million with coupon and yield rate of 5.25% already matured.

Dividends Paid for Ordinary or Other Shares. In its meeting held on April 24, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0807 per share or a total of approximately P23 thousand payable to holders of Preferred Class shares which was approved by the Bangko Sentral on April 26, 2017 and will be paid on June 21, 2017. The Board of Directors also approved the declaration and payment of cash dividends amounting to P0.5520 per share or a total of approximately P772 million payable to holders of Common Class and a total of approximately P154 thousand payable to holders of Preferred Class shares, both were approved by the Bangko Sentral ng Pilipinas on April 26, 2017 and will be paid on May 26, 2017.

In its meeting held on January 30, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.07491 per share, or a total of approximately P21 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on March 22, 2017 and paid on March 24, 2017.

In its meeting held on November 2, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.07244 per share, or a total of approximately P21 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on January 13, 2017 and paid on January 17, 2017.
In its meeting held on July 25, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0676 per share, or a total of approximately P19 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on September 16, 2016 and paid on October 11, 2016.

In its meeting held on April 25, 2016, the Board of Directors also approved the declaration and payment of cash dividends amounting to P0.7200 per share or a total of approximately P212 thousand payable to holders of Preferred Class shares which was approved by the Bangko Sentral on June 16, 2016 and paid on July 18, 2016.

In its meeting held on April 25, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.066 per share or a total of approximately P19 thousand payable to holders of Rizal Commercial Banking Corporation: March 2017 SEC Form 17-Q 24

Preferred Class shares which was approved by the Bangko Sentral on June 16, 2016 and paid on June 21, 2016. The Board of Directors also approved the declaration and payment of cash dividends amounting to P0.72 per share or a total of approximately P1.007 billion payable to holders of Common Class and a total of approximately P212 thousand payable to holders of Preferred Class shares, both were approved by the Bangko Sentral ng Pilipinas on June 16, 2016 and paid on July 18, 2016.

In its meeting held on January 25, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.06495 per share, or a total of approximately P20 thousand. The dividends were paid to shareholders of Preferred Class shares on March 23, 2016. The details of the 2017 cash dividend approvals and distributions from first quarter of 2016 up to March 31, 2017 are as follows (amounts in Thousand Php except per share figures):

Date Declared	Dividend Per Share		Dividend Total Amount		Date Approved by the BSP	Date Paid / Payable	Nature of Securities
25-Jan-16	P	0.6495	P	20	N/A	23-Mar-16	Convertible Preferred Stock
25-Apr-16	P	0.0660	P	19	16-Jun-16	21-Jun-16	Convertible Preferred Stock
25-Apr-16	P	0.7200	P	1,007,937	16-Jun-16	18-Jul-16	Common Stock
25-Apr-16	P	0.7200	P	212	16-Jun-16	18-Jul-16	Convertible Preferred stock
25-Jul-16	P	0.0676	P	19	16-Sep-16	11-Oct-16	Convertible Preferred stock
2-Nov-16	P	0.0724	P	21	13-Jan-17	17-Jan-17	Convertible Preferred stock
30-Jan-17	P	0.0749	P	21	22-Mar-17	24-Mar-17	Convertible Preferred stock
24-Apr-17	P	0.0807	P	23	26-Apr-17	21-Jun-17	Convertible Preferred stock*
24-Apr-17	P	0.5520	P	772,754	26-Apr-17	26-May-17	Common Stock*
24-Apr-17	P	0.5520	P	154	26-Apr-17	26-May-17	Preferred Stock*

**Total amount subject to change on their record dates*

Segment Information. The following table presents revenues and expenses of the Parent Company that are directly attributable to primary business segments for the period ended March 31, 2017 (in millions).

RESULTS OF OPERATIONS	Retail Banking Group	Corporate Banking Group	Treasury / Trust	Others	Total
Net interest income	2,447	2,014	382	(2,047)	2,796
Non-interest income	664	438	208	214	1,525
Total revenue	3,111	2,453	591	(1,833)	4,321
Non-interest expense	1,759	489	138	727	3,113
Income (loss) before Income tax	1,352	1,964	452	(2,560)	1,208
Income tax expense	-	-	-	206	206
Net income (loss)	1,352	1,964	452	(2,766)	1,002

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements. There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Changes in Composition of the Issuer During the Interim Period. There were no material changes in Composition of the Issuer during the Interim Period.

Changes in Contingent Liabilities or Contingent Assets. There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

Material Contingencies and Any Other Events or Transactions. During the interim period, there were no changes in material contingencies and any other events or transactions.

Performance Indicators

The following basic ratios measure the financial performance of the Bank and its consolidated subsidiaries:

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES								
	Consolidated				Parent			
	Unaudited		Audited		Unaudited		Audited	
	31-Mar-17		31-Dec-16		31-Mar-17		31-Dec-16	
Return on Average Assets (ROA)* 1/		0.79%		0.77%		0.98%		0.93%
Return on Average Equity (ROE) *2/		6.47%		6.42%		6.49%		6.43%
BIS Capital Adequacy Ratio		15.62%		16.16%		15.59%		16.23%
Non-Performing Loans (NPL) Ratio 3/		1.38%		0.98%		0.46%		0.17%
Non-Performing Assets (NPA) Ratio 4/		1.84%		1.63%[A]		0.50%		0.33%
Net Interest Margin (NIM)*		4.21%		4.06%		3.70%		3.47%
Cost-to-Income Ratio		72.78%		76.05%		70.62%		74.30%
Loans-to-Deposit Ratio		86.12%		89.07%		85.21%		89.71%
Current Ratio		0.46		0.56		0.48		0.52
Liquid Assets -to-Total Assets Ratio		0.22		0.26		0.22		0.26
Debt-to-Equity Ratio		7.29		7.39		5.71		5.73
Asset-to- Equity Ratio		8.29		8.39		6.71		6.73
Asset -to- Liability Ratio		1.14		1.14		1.18		1.17
Interest Rate Coverage Ratio		1.71		1.50		1.94		1.6
Earnings per share (EPS)* 5/								
Basic and Diluted	PHP	2.90	PHP	2.76	PHP	2.90	PHP	2.76

**March 31,2017 ratios/amounts were annualized*   *A - Restated from 1.52% to 1.63%*

1/ *Average assets for the consolidated and parent ratios were computed based on the 4-month average of end of month balances of total assets. Unaudited net income for the 3-month period ended March 31, 2017 in the amount of P1.002 billion represented the consolidated and parent.*

2/ *Average equity for the consolidated and parent ratios were, likewise, computed based on the 4-month average of end of month balances. Unaudited net income for the 3-month period ended March 31, 2017 in the amount of P1.002 billion represented the consolidated and parent.*

3/ *Non-performing loans (NPLs) were net of total specific allowance for probable losses per BSP Circular No. 772 of 2012.*

4/ *NPAs were net of total specific allowance for probable losses.*

5/ *Total weighted average number of issued and outstanding common shares (diluted) as of March 31, 2017 – 1,399,979,293 shares; as of December 31, 2016 – 1,399,979,278 shares.*

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Income	PHP	311,207	Php 1,005,140
Return on Average Assets (ROA)*		1.17%	1.05%
Return on Average Equity (ROE)*		11.57%	9.89%
BIS Capital Adequacy Ratio (CAR)		13.25%	13.44%
Non-Performing Loans (NPL) Ratio		3.70%	2.88%
Non-Performing Assets (NPA) Ratio		6.59%	5.95%
Earnings per Share (EPS)*	PHP	40.88	Php 32.56

RIZAL MICROBANK		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Income (Loss)	PHP	1,929	Php (3,384)
Return on Average Assets (ROA)*		0.62%	-0.33%
Return on Average Equity (ROE)*		1.26%	-0.55%
BIS Capital Adequacy Ratio (CAR)		54.81%	65.28%
Non-Performing Loans (NPL) Ratio		-0.03%	0.09%
Non-Performing Assets (NPA) Ratio		0.86%	1.24%
Earnings (Loss) per Share (EPS)*	PHP	0.89	Php (0.30)

RCBC CAPITAL CORPORATION and Subsidiaries		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Income	PHP	207,142	Php 294,079
Return on Average Assets (ROA)*		18.54%	7.13%
Return on Average Equity (ROE)*		22.53%	8.14%
BIS Capital Adequacy Ratio (CAR)		41.21%	27.99%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.04%	0.05%
Earnings per Share (EPS)*	PHP	7.11	Php 2.49

RCBC FOREX BROKERS CORPORATION		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Income	PHP	959	Php 39,917
Return on Average Assets (ROA)*		1.94%	16.60%
Return on Average Equity (ROE)*		2.02%	20.14%
Capital to Total Assets Ratio		95.38%	77.08%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings per Share (EPS)*	PHP	7.78	Php 79.83

**March 31, 2017 ratios/amounts were annualized*

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Income	PHP	(1,635)	Php (1,931)
Return on Average Assets (ROA)*		-4.61%	-1.38%
Return on Average Equity (ROE)*		-4.72%	-1.40%
Capital to Total Assets Ratio		96.81%	100.05%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Loss per Share (EPS)*	PHP	(2.65)	Php (0.77)

RCBC NORTH AMERICA, INC.		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Loss	PHP	-	Php (1,555)
Return on Average Assets (ROA)*		0.00%	-91.01%
Return on Average Equity (ROE)*		0.00%	-90.98%
Capital to Total Assets Ratio		58.70%	217.45%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Loss per Share (EPS)*	PHP	-	Php (35.56)

RCBC TELEMONEY EUROPE S.P.A		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Loss	PHP	(2,379)	Php (45,056)
Return on Average Assets (ROA)*		-34.46%	-52.36%
Return on Average Equity (ROE)*		14.66%	-110.16%
Capital to Total Assets Ratio		-502.27%	-47.43%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Loss per Share (EPS)*	PHP	(96.47)	Php (450.56)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)		Unaudited	Audited
In Php 000s		March 31, 2017	December 31, 2016
Net Income (Loss)	PHP	(2,907)	Php 2,259
Return on Average Assets (ROA)*		-6.17%	1.05%
Return on Average Equity (ROE)*		9.75%	-1.88%
Capital to Total Assets Ratio		-63.71%	-62.35%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings (Loss) per Share (EPS)*	PHP	(0.06)	Php 0.01

**March 31, 2017 ratios/amounts were annualized*

NIYOG PROPERTY HOLDINGS, INC. In Php 000s		Unaudited March 31, 2017	Audited December 31, 2016
Net Income	PHP	3,632	Php 10,414
Return on Average Assets (ROA)*		2.05%	1.40%
Return on Average Equity (ROE)*		2.14%	1.46%
Capital to Total Assets Ratio		95.66%	94.43%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings per Share (EPS)*	PHP	10.59	Php 7.49

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s		Unaudited March 31, 2017	Audited December 31, 2016
Net Income	PHP	20,658	Php 70,218
Return on Average Assets (ROA)*		1.08%	1.04%
Return on Average Equity (ROE)*		13.30%	11.23%
Capital to Total Assets Ratio		8.14%	13.95%
Non-Performing Loans (NPL) Ratio		11.74%	12.51%
Non-Performing Assets (NPA) Ratio		8.03%	8.41%
Earnings per Share (EPS)*	PHP	0.18	Php 0.15

**March 31, 2017 ratios/amounts were annualized*

(C) Financial Statements

The consolidated financial statements have been prepared in conformity with Financial Reporting Standards in the Philippines for Banks (FRSPB) and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(Amounts in Millions of Philippine Pesos)

	Note	3/31/2017 (Unaudited)	12/31/2016 (Audited)
RESOURCES			
CASH AND OTHER CASH ITEMS		**P 12,500**	P 15,176
DUE FROM BANGKO SENTRAL NG PILIPINAS		**66,476**	66,520
DUE FROM OTHER BANKS		**27,086**	25,293
LOANS UNDER REVERSE REPURCHASE AGREEMENT		**1,864**	7,889
TRADING AND INVESTMENT SECURITIES	3	**78,922**	75,622
LOANS AND RECEIVABLES - Net	4	**314,360**	306,167
INVESTMENTS IN ASSOCIATES - Net		**408**	383
BANK PREMISES, FURNITURE, FIXTURES &		**9,121**	8,876
INVESTMENT PROPERTIES - Net		**3,019**	3,229
DEFERRED TAX ASSETS		**2,168**	2,177
OTHER RESOURCES - Net	5	**10,125**	9,862
TOTAL RESOURCES		**######**	P 521,194
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	6	**######**	P 353,077
BILLS PAYABLE	7	**42,119**	37,643
BONDS PAYABLE	8	**28,174**	41,595
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**4,640**	4,823
OTHER LIABILITIES	9	**13,344**	11,970
SUBORDINATED DEBT	10	**9,956**	9,952
Total Liabilities		**462,617**	459,060
CAPITAL FUNDS			
Attributable to Parent Company Shareholders:			
Preferred Stock	11	**3**	3
Common Stock	11	**13,999**	13,999
Capital Paid in Excess of Par		**22,636**	22,636
Other Comprehensive Income:			
Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income		**2,087**	2,128
Cumulative Translation Adjustment		**87**	86
Retirement plan		**(1,262)**	(1,593)
Reserve for Trust Business		**415**	415
Other Reserves		**(97)**	(97)
Retained Earnings		**25,536**	24,531
		63,404	62,108
Non-controlling Interest		**27**	26
Total Capital Funds		**63,431**	62,134
TOTAL LIABILITIES AND CAPITAL FUNDS		**######**	P 521,194

See Notes to Interim Financial Information.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(Amounts in Millions of Philippine Pesos)

	Note	YTD Ended 3/31/2017 (Unaudited)	YTD Ended 3/31/2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before tax		P 1,238	P 1,888
Adjustments for:			
Interest income		(5,885)	(5,904)
Interest expense		1,737	1,693
Impairment losses		333	464
Depreciation and amortization		460	411
Dividend income		(154)	(9)
Share in net earnings of associates		(28)	(32)
Operating income before working capital changes		(2,299)	(1,490)
Decrease (Increase) in financial assets at fair value through profit and loss	3	12,419	(484)
Increase in loans and receivables	4	(8,580)	(3,304)
Decrease (Increase) in investment property		210	(15)
Increase in other resources	5	(259)	(90)
Increase (Decrease) in deposit liabilities	6	11,308	(25,146)
Increase (Decrease) in accrued taxes, interest and other expenses		(68)	23
Increase in other liabilities	9	1,706	98
Cash generated from (used in) operations		14,436	(30,407)
Interest received		5,938	6,113
Interest paid		(1,982)	(1,845)
Cash paid for taxes		(106)	26
Net Cash From (Used in) Operating Activities		18,286	(26,113)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in Financial Assets at FVOCI	3	18	(6)
Decrease (increase) in Investment securities at amortized cost	3	(15,785)	32,532
Acquisitions of bank premises, furniture, fixtures and equipment (net)		(633)	(1,379)
Cash dividends received		154	146
Increase in investments in subsidiaries and associates		-	(127)
Acquisitions of intangibles		(46)	(52)
Net Cash From (Used in) Investing Activities		(16,292)	31,114
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from (payments of) bills payable	7	4,476	(4,575)
Dividends paid		(0)	(0)
Net proceeds from (Redemption of) bonds payable		(13,421)	-
Net proceeds from issuance of common stock		(0)	0
Net Cash From (Used in) Financing Activities		(8,946)	(4,575)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,952)	426
CASH AND CASH EQUIVALENTS, BEGINNING			
Cash and other cash items		15,176	14,070
Due from Bangko Sentral ng Pilipinas		66,520	50,617
Due from other banks		25,293	19,685
Loans and Receivables under reverse repurchase agreement		7,889	-
		114,878	84,373
CASH AND CASH EQUIVALENTS, END			
Cash and other cash items		12,500	13,176
Due from Bangko Sentral ng Pilipinas		66,476	45,054
Due from other banks		27,086	26,568
Loans and Receivables under reverse repurchase agreement		1,864	-
		P 107,926	P 84,798

See Notes to Interim Financial Information.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN CAPITAL FUNDS
(Amounts in Millions of Philippine Pesos)

	Note	1/1/2017 to 3/31/2017 (Unaudited)	1/1/2016 to 3/31/2016 (Unaudited)
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
PREFERRED STOCK	11		
Balance, beginning		3	3
Conversion of preferred stock		(0)	-
Balance,end		3	3
COMMON STOCK	11		
Balance, beginning		13,999	13,999
Conversion of preferred stock to common stock		0	-
Balance,end		13,999	13,999
CAPITAL PAID IN EXCESS OF PAR			
Balance, beginning		22,636	22,635
Conversion of preferred stock to common stock		0	-
Balance,end		22,636	22,635
NET UNREALIZED GAINS/(LOSSES ON FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME			
Balance, beginning		2,128	688
Fair value gains (losses) during the period		(41)	(26)
Balance, end		2,087	663
CUMULATIVE TRANSLATION ADJUSTMENTS			
Balance, beginning		86	62
Translation adjustment during the period		1	18
Balance, end		87	79
OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN			
Balance, beginning		(1,593)	(1,268)
Remeasurement of the defined benefits during the priod		331	6
Balance, end		(1,262)	(1,262)
RESERVE FOR TRUST BUSINESS			
Balance, beginning		415	388
Transfer from retained earnings - free		-	-
Balance, end		415	388
OTHER RESERVES		(97)	(97)
RETAINED EARNINGS			
Beginning balance, as previously reported		24,531	21,694
Prior period adjustments		(4)	-
Beginning balance, as restated		24,527	21,694
Net profit		1,002	1,801
Cash dividends on preferred shares		(0)	(0)
Transfer of fair value reserves on FVOCI		7	-
Transfer to reserves for trust business		-	-
Balance, end		25,536	23,496
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		P 63,404	P 59,904
MINORITY INTEREST			
Balance, beginning		26	24
Fair value gains on available-for-sale securities		1	1
Net Profit for the year		1	0
Balance, end		27	25
TOTAL CAPITAL FUNDS		P 63,431	P 59,930

See Notes To Interim Financial Information.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions of Philippine Pesos)

	1/1/2017 to 3/31/2017 (Unaudited)	1/1/2016 to 3/31/2016 (Unaudited)
NET PROFIT FOR THE PERIOD	P 1,003	P 1,802
OTHER COMPREHENSIVE INCOME (LOSSES) DURING THE PERIOD:		
Fair value losses on Financial assets at Other Comprehensive Income	(41)	(26)
Remeasurement of defined benefits	331	6
Translation adjustments on foreign operations	1	18
Other Comprehensive Income (Loss) for the period	291	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	P 1,293	P 1,800
COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	1	1
COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	P 1,293	P 1,798

See Notes to Interim Financial Information.

If material;

(i) Commitments and Contingent Liabilities

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

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

In October 2008, Global Steel Philippines (SPV-AMC), Inc. ("GSPI") and Global Ispat Holdings (SPV-AMC), Inc. ("GIHI"), which purchased the Iligan Plant assets of the National Steel Corporation (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 the Liquidator and the secured creditors, including the Bank and RCBC Capital, to deliver the Plant assets free and clear from liens and encumbrance. On May 9, 2012, the SIAC rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80,000,000.00, as and by way of lost opportunity to make profits and (b) P1,403,000,000.00, representing the value of the Lost Land

Claim. A petition to set aside the Partial Award was filed with the Singapore High Court. On July 31, 2014, the Singapore High Court set aside the arbitral award.

GSPI and GIHI appealed on January 26, 2015 before the Singapore Court of Appeals. 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 million 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. 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 November 27, 2015, the Singapore Court of Appeals held that, applying the provisions of the International Arbitration Act of Singapore, which governed the proceedings between the parties, the issue of GSPI and GIHI's lost opportunity to make profit cannot be remanded to the Arbitral Tribunal, or to a new Arbitral Tribunal for that matter, to be litigated anew after the earlier award relating thereto has been set aside by the courts. 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 since this issue was not actually fully litigated before the Arbitral Tribunal, 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 may be the subject of 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 Bank's exposure is approximately Php263,235,917.31 in terms of estimated property taxes and transfer costs due on the Iligan Plant assets, while it has a receivable from Global Steel of P485.5 million, taking into consideration the P49.3 million installment payment it had received from the funds previously in escrow. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as UDSCL with zero net book value. The Bank's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries), now that all pre-closing taxes on the NSC assets sold to GSPI and GIHI, covering the period 1999 to 14 October 2004, are deemed paid, following the denial with finality of the City of Iligan's Petition for Review by the Supreme Court and the issuance of an Entry of Judgment on 16 March 2016.

In defiance, however, of the aforesaid final and executory ruling, the City of Iligan (a) issued a Notice of Delinquency against NSC, seeking to collect the tax arrears covering the period 1999 to 2016, (b) levied the NSC properties, and (c) set the same for public auction on 19 October 2016, which proceeded even as the LGU received the 18 October 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57 ("Makati Trial Court"), directing it to (a) comply with the valid and binding Tax Amnesty Agreement dated 13 October 2004, and (b) afford NSC relief from the payment of interests and penalties. On 3 November 2016, the Iligan City police took possession of the NSC Plant compound. On 4 November 2016, the NSC, through the Liquidator, filed an Omnibus Motion praying that (a) the City of Iligan, the Sangguniang Panlunsod and City Treasurer be directed to show cause why they should not be held in contempt, and (b) the Auction Sale of the NSC properties held on 19 October 2016 be nullified. Even as the Makati Trial Court is still hearing the aforementioned Omnibus Motion filed by the Liquidator, the City of Iligan posted a notice at the gate of the NSC Plant falsely stating that it now owns the same, and has demanded that the security guards engaged by the Liquidator and Global Steel vacate the NSC Plant.

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

On January 27, 2016, the jury rendered a verdict solely in favor of VMS. However, recognizing that his disposition of the Bank/Bankard's pending motion for nonsuit will impact the jury verdict, the judge Raphael deferred the entry of such jury verdict until after the March 10, 2016 hearing on the Bank/Bankard's motion for nonsuit.

On 10 March 2016, the Bank/Bankard informed the judge that they will, instead, be filing a motion for judgment notwithstanding verdict (JNOV) and motion for new trial, as these are more appropriate to address the fact that, not only was the litigated claim time-barred, and VII/VMS do not have the capacity and standing to sue, respectively, the very evidence presented by VII/VMS showed that (a) the monetary claim arose from transactions involving websites not owned by VII/VMS, (b) these have been registered under another merchant, and (c) therefore, the website are not covered by VII's Tripartite Merchant Agreement with Bankard.

On May 12, 2016, Judge Raphael heard, and partially granted, the Bank/Bankard's Motion for JNOV by deleting the US$7.5 Million punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Bank/Bankard knew of, authorized, or ratified Janet Conway's fraudulent acts, and (b) Conway was a managing agent of the Bank/Bankard within the meaning of the California Civil Code Section 3294(b). However, Judge Raphael ruled that Conway was an agent of the Bank/Bankard for some purposes. Thus, he deemed the statute of limitation equitably tolled during that time Conway represented that she was negotiating to recover the funds from the defendants, as an alternative to filing a lawsuit, and sustained the award of US$1.5 Million. Judge Raphael likewise deemed the issue of VII's lack of capacity to sue mooted as the jury did not award any damages thereto, and held that VMS has standing to bring its tort claims as it was allegedly established that VMS had a business relationship with the Bank/Bankard. The judge has likewise heard, and partially granted, plaintiffs' motion for interest and awarded VMS prejudgment interest in the amount of US$490,548.34.

On 11 July 2016, the Bank/Bankard (a) timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and (b) received a copy of the Notice of Appeal solely filed by VMS on 8 July 2016. In an Order dated 30 August 2016, the California Court of Appeals sustained Bank/Bankard and directed VMS to file its Certificate of Interested Persons, not under seal; which VMS complied with on 8 September 2016. In an Order dated 16 November 2016 and filed on the same date, the Court of Appeals adopted the briefing sequence.

In December 2011, RCBC Securities initiated the filing of a criminal case for falsification against a former agent who carried out certain questionable transactions with her own personal clients. Since then, RCBC Securities has filed additional criminal and civil cases, including charges of BP 22, against the aforesaid former agent. These cases are now pending with the Regional Trial Court and Metropolitan Trial Court of Makati City. There is also an investigation before the Capital Markets Integrity Corporation ("CMIC") of the Philippine Stock Exchange initiated in May 2012 requesting for an investigation on the operations of RSEC in relation to the accounts handled by the former agent and requesting the CMIC to take appropriate action. The CMIC, in its letter dated 4 December 2014, dismissed the complaint on the ground of prescription and res judicata. The complainants' motion for reconsideration of the CMIC decision remains pending to date. There is also a complaint filed in December 2013 before the Securities and Exchange Commission ("SEC") for alleged violations by RSEC of the Securities Regulation Code for improperly accounting for shares handled by the former agent. The complaints sought for penalties against RSEC, including the suspension or revocation of RSEC's license. The complaint is still pending before the SEC.

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

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

In a Resolution dated 5 October 2016, the Supreme Court partially granted the Bank and RCAP's Motion for Clarification and/or Partial Reconsideration, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCAP which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. The Supreme Court likewise held that due to the continued refusal of the Bureau of Treasury to release the amount of Php4,966,207,796.41 which it withheld upon maturity of the PEACe Bonds, even as it could have deposited the said amount in escrow as early as 19 October 2011, in compliance with the orders issued by the High Tribunal, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of Php4,966,207,796.41, counted from the aforesaid date of 19 October 2011, until full paid.

On 11 April 2017, the Bank received a copy of the Entry of Judgment stating, among others, that the Decision date 13 January 2015 and the Resolution dated 16 August 2016, which partially granted the Motion for Clarification and/or Partial reconsideration filed by the Bank and RCAP, became final and executory on 20 October 2016. With the Entry of Judgment, this case is terminated.

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

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

On April 6, 2015, Petitioner-Banks, including RCBC and member-banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Preliminary Injunction (P.I.), 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, RTC Makati issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, RTC Makati issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the 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 10 June 2015, RTC Makati 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. The Pre-trial Conference for the Petition began on August 2, 2016.

In February 2016, there was an alleged unauthorized transfer of funds from the Bank of Bangladesh to four (4) accounts in RCBC, which were eventually transferred to various accounts outside of RCBC. In August 2016, the Monetary Board approved the imposition of supervisory action on RCBC to pay the amount of P1.0 billion in relation to the completed special examination. There may be other cases arising from these events. The Bank has fully recognized in the Consolidated Statement of Income the P1.0 Billion supervisory action as part of Miscellaneous Expenses. On 12 August 2016, the Bank already paid with the BSP Php500 Million of the penalty with the remaining balance due in August 2017, in accordance with the terms set by the BSP. The Bank does not expect these penalties to affect its ability to perform its existing obligations or unduly hamper its operations. In May 2017, the Bank pre-paid the balance of P500 Million.

There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely would have a material effect on its financial position or operating results.

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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 March 31, 2017 and December 31, 2016.

		2017 (Unaudited)		2016 (Audited)
Trust department accounts	**P**	**89,799**	P	84,804
Derivative liabilities		**40,461**		27,256
Derivative assets		**39,098**		32,172
Outstanding guarantees issued		**33,431**		31,828
Unused commercial letters of credit		**9,750**		10,783

Spot exchange sold		**5,191**		5,455
Spot exchange bought		**5,189**		5,452
Inward bills for collection		**2,777**		2,169
Late deposits/payments received		**549**		540
Outward bills for collection	**58**		84	
Others	**17**		17	

(ii) events that will trigger direct or contingent financial obligation that is material to the company; including any default or acceleration of an obligation

To the knowledge and/or information of the Bank, there are no events that will trigger a direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(iv) description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures

Similarly, there were no significant elements of income or loss that did not arise from the Bank's continuing operations.

(v) any known trends, events or uncertainties (material impact on sales)

There are also no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

(D) Material Changes from Period to Period Financial Statements (Vertical and Horizontal Analyses)

31 March 2017 vs 31 December 2016

Consolidated Total Resources of the Bank for the period ended March 31, 2017 was recorded at P526.049 billion.

Cash and other Cash Items decreased by 17.63% or P2.676 billion from P15.176 billion to P12.500 billion. Due from Bangko Sentral recorded at P66.476 billion, and accounted for 12.64% of the Total Resources. Due from other Banks increased by 7.09% or P1.793 billion, from P25.293 billion to P27.086 billion.

Loans under repurchase agreement decreased by 76.37% or P6.025 billion, from P7.889 billion to P1.864 billion. Loans and Receivables, Net was recorded at P314.360 billion and accounted for 59.76% of the Banks's Total Resources.

Investment Securities at Amortized Cost increased by 30.44% or P15.785 billion from P51.864 billion to P67.649 billion. It accounted for 12.86% of the Total Resources. Total Investment Securities stood at P78.922 billion and accounted for 15.00% of Total Resources.

Investments in Associates, net grew by 6.60% or P25 million from P383 million to P408 million.

Total Deposit Liabilities, which accounted for 69.27% of Total Resources, settled at P364.385 billion. Savings Deposits stood at P168.878 billion and accounted for 32.10% of total resources. Demand Deposits accounted for 8.91% of total resources increased by 11.50% or P4.837 billion from P42.053 billion to P46.890 billion while higher-costing time deposits reached P148.616 billion and accounted for 28.25% of total resources. CASA-to-deposit ratio improved to 59.21% as of end-March 2017 from 58.06% as of end-December 2016.

Bills Payable increased by 11.89% or P4.476 billion from P37.643 billion to P42.119 billion due to higher foreign currency dominated borrowings for this period. Bonds Payable, on the other hand, decreased by 32.27% or P13.421 billion from P41.595 billion to P28.174 billion mainly due to maturity of $275 million Senior Notes in January 2017.

Total Liabilities stood at P462.617 billion and accounted for 87.94% of Total Resources.

Total Capital Funds reached P63.431 billion and accounted for 12.06% of Total Resources.

Finally, there are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations.

31 March 2017 vs. 31 March 2016

RCBC posted a Net Income of P1.002 billion for the first quarter of 2017, P799 million or 44.38% lower than the P1.801 billion income for the same period last year.

Net Interest Income, representing 71.86% of Total Operating Income, stood at P4.148 billion. Interest Income from Loans and Receivables grew by 5.11% or P245 million from P4.808 billion to P5.054 billion and accounted for 87.54% of the Total Operating Income. Interest Income from Investment Securities which accounted for 11.90% of Total Operating Income decreased by 34.37% or P360 million from P1.047 billion to P687 million. On the other hand, interest income from other investments increased by 191.64% or P95 million from P49 million to P144 million.

Total Interest Expense, accounted for 30.09% of Total Operating Income, was made up of Interest on Deposit Liabilities and Interest on Bills Payable and Other Borrowings which are 16.16% and 13.93% of the Total Operating Income, respectively. Total Interest Expense stood at P1.737 billion; interest expense in deposit liabilities grew by 29.33% from P721 million to P933 million mainly due to higher average volume of time deposits; interest expense in bills payable and other borrowings, on the other hand, decreased by 17.24% or P168 million from P972 million to P804 million due to the maturity of certain Senior Notes.

Provisioning for Impairment Losses this period, which accounted for 5.77% of the Total Operating Income was at P333 million, 28.12% or P130 million lower from P464 billion that was set for the same period last year.

Other Income settled at P1.625 billion, 22.95% or P484 million lower than same period last year, and accounted for 28.14% of Total Operating Income. Items under Operating Income posted the following results:

- Trading and securities gain-net recorded at P32 million.
- Service fees and commissions increased by 10.01% or P76 million and represented 14.52% of Total Operating Income.
- Trust fees stood at P69 million.
- Foreign exchange gains went down by P82 million from P235 million last year, now at P153 million.

- Miscellaneous income was higher by 64.39% or P209 million from the same period last year at P324 million now at P533 million mainly due to higher dividend and rental income.

Representing 72.78% of Total Income, Other Operating Expenses increased by 5.86% or P233 million from P3.969 billion to P4.201 billion due to the following:

- Employee benefits went up by 10.31% or P137 million from P1.333 billion to P1.470 billion mainly due to the additional headcount as a result of branch expansion.
- Occupancy & equipment related expenses stood at P756 million and consumed 13.09% of total operating income.
- Taxes and licenses settled at P432 million.
- Depreciation and amortization increased by 11.95% or P49 million from P411 million to P460 million as a result of setting up of additional banking channels, renovation of existing branches, and acquisition of equipment for lease.
- Miscellaneous expenses settled at P1.083 billion and used up 18.76% of total operating income.

Tax expense reached P236 million and increased by 174.38% or P150 million as a result of lower origination of deferred tax assets on MCIT and allowance for impairment.

There were no significant elements of income or loss that did not arise from the bank's continuing operations.

(E) External Audit Fees

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

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of pocket expenses, by its independent accountant amounts/amounted to P10.75 million and P10.20 million for 2016 and 2015, respectively. Additionally, approximately P2.15 million was paid for other services rendered by the independent accountant in 2016.

The audit fees already incorporate fees for tax accounting, compliance, advice, planning and any other form of tax services rendered by the external auditor. There is no separate breakdown of tax fees since the tax compliance procedures are normal/recurring procedures conducted by the external auditor during their year-end audit and is not engaged separately by the Bank from the annual financial statements audit.

As for non-audit services and other fees, these pertain only to the quarterly financial statements review.

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

The Members of the Audit Committee are as follows: Mr. Melito S. Salazar, Jr. as Chairman, and Atty. Adelita A. Vergel De Dios and Vaughn F. Montes as Members.

The Audit Committee approved the policies and procedures for the above services

(F) Brief Description of the General Nature and Scope of Business of RCBC and its Subsidiaries

Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. It has total resources of P521.2 billion and total net worth of P62.6 billion, including minority interest, as of end-December 2016. The Bank ranked seventh (7^{th}) in terms of assets among private local banks. In terms of business centers, the Bank, excluding government-owned and foreign banks, ranked sixth (6th) with a consolidated network of 481 business centers inclusive of 35 extension offices and supplemented by 1,488 ATMs as of December 31, 2016.

The Bank offers commercial, corporate and consumer lending products, cash management products, treasury products, and remittance services. RCBC also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Bank and its subsidiaries (hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (auto, mortgage/housing loans, and credit cards and microfinance loans), remittance, leasing, foreign exchange and stock brokering.

The Bank, incorporated under the name Rizal Development Bank, began operations as a private development bank in the province of Rizal in 1960. In 1963, the Bank received approval from the Central Bank of the Philippines to operate as a commercial bank and began operations under its present name, Rizal Commercial Banking Corporation. RCBC obtained its universal banking license in 1989 and has been listed on the Philippine Stock Exchange Inc. (PSE) since 1986.

RCBC's common shares are 42.45% directly and indirectly owned by Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions comprising the Yuchengco Group of Companies (YGC) and other investments. Other significant investors include the World Bank's International Finance Corporation and Cathay Life Insurance Co. Ltd., a wholly-owned subsidiary of Cathay Financial which is the largest publicly listed financial holding company in Taiwan.

The registered address of RCBC is Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

Through its universal banking license, the Bank is allowed to perform a number of expanded commercial and investment bank functions and to invest in the equity of a variety of allied and non-allied financial and non-financial undertakings.

The Bank's subsidiaries are as follows:

RCBC Capital Corporation (RCBC Capital), a 99.96% owned subsidiary, was established in 1974 as the Bank's investment banking subsidiary. It offers a complete range of investment banking and financial consultancy services which include (i) the underwriting of equity, quasi-equity and debt securities on a firm or best efforts basis for private placement or public distribution; (ii) the syndication of foreign currency or peso loans; and (iii) financial advisory services. ***RCBC Securities, Inc. (RCBC Securities),*** a wholly-owned subsidiary of RCBC Capital, is engaged in the electronic and traditional trading of listed securities and in providing corporate and market research. ***RCBC Bankard Services Corporation (RCBC Bankard)***, a wholly-owned subsidiary of RCBC Capital is engaged in providing services to the credit card business of the Bank.

RCBC Savings Bank, Inc. (RSB), a wholly-owned subsidiary of the Bank, was established in 1996 as the Bank's consumer banking arm. RSB provides deposit products, real estate loans, auto loans and personal loans. As of end-December 2016, RSB had 152 business centers and 441 ATMs nationwide.

RCBC Forex Brokers Corporation (RCBC Forex), a wholly-owned subsidiary of the Bank, was incorporated in 1998. RCBC Forex is primarily engaged in dealing and brokering currencies in foreign exchange contracts with local and international clients. In 2016, the foreign exchange business of RCBC Forex was consolidated into RCBC Treasury Group such that RCBC Forex will only continue dealing with money changers, foreign exchange dealers and remittance agents. This will provide synergies such as elimination of redundancy, generation of higher income and meaningful cost savings, and maintenance of client service/relationship. The integration will also enhance Treasury group's presence in the provinces while Forex operations will contribute extensive experience in documentary review.

RCBC International Finance Limited (RCBC IFL), a wholly-owned subsidiary of the Bank, was established in July 31, 1962 and is the Bank's overseas branch in Hong Kong. ***RCBC Investment Ltd. (RCBC IL)*** is a 100% owned subsidiary of RCBC IFL established on August 1, 1980 to engage in the business of remittance, money exchange, retail lending and investment. RCBC IL was placed under dormant status in May 2009 and RCBC IFL took over its businesses using the Money Service Operator's (MSO) and Money Lender's (ML) Licenses.

RCBC North America, Inc. (formerly RCBC California International, Inc.), a wholly-owned subsidiary of the Bank (83.97% owned by RCBC; 16.03% indirectly owned through RCBC IFL), was a foreign exchange remittance office in California. The company ceased its operations in March
2014.

RCBC TeleMoney Europe S.p.a., a wholly-owned subsidiary of the Bank, was established in 1995 in
Rome, Italy to engage in the remittance business. The company ceased its operations in March 2016.

Merchants Savings and Loan Association, Inc. (now operating under the name & style - Rizal Microbank, a thrift bank), a 98.03% owned subsidiary, was acquired on May 15, 2008 to engage in microfinancing and development of small businesses. Rizal Microbank has 18 branches and 5 microbanking offices with operations in Southern Luzon and Mindanao. Rizal Microbank moved its Head Office (HO) and branch from Makati City to Davao City in April 2011.

RCBC Leasing and Finance Corporation (formely First Malayan Leasing and Finance Corporation) (RCBC LFC), *a* 97.80% owned subsidiary of the Bank acquired in March 2012, is a pioneer in the leasing and financing industry in the Philippines as the company started its operations in 1957. RCBC LFC is a non-bank financial institution with a quasi-banking license granted by the Bangko Sentral ng Pilipinas. It serves the requirements of corporate, commercial and consumer markets through its innovative loans, leases and investment products. ***RCBC Rental Corporation*** is a wholly-owned subsidiary of RCBC LFC engaged in renting and leasing business machines, transport vehicles and heavy equipment under an operating lease arrangement.

Niyog Property Holdings, Inc. (NPHI), a wholly-owned subsidiary of the Bank, was incorporated on September 13, 2005 to purchase, subscribe for or otherwise dispose of real and personal property of every kind and description but not as an investment company. It is 48.11% owned by the Bank and 51.89% indirectly owned through RSB.

RCBC-JPL Holding Company, Inc. (formerly Pres. Jose P. Laurel Rural Bank, Inc.) (RCBC-JPL), 99.39% owned, was renamed with a corresponding change in primary business to handle the disposition of the remaining assets of the former JPL Rural Bank. On April 1, 2012, RMB acquired selected assets and liabilities of JPL Rural Bank.

(G) Directors and Executive Officers

The directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Incumbent directors are:

Name	Age	Position	Inclusive Dates	Citizenship
Ms. Helen Y. Dee	73	Director	March 28, 2005 to present	Filipino
		Chairperson of the Board	June 27, 2005 to present	Filipino
		Interim President and Chief Executive Officer	March 23, 2016 to June 30, 2016	
Mr. Cesar E. A. Virata	86	Director	1995 to present	Filipino
		Corporate Vice-Chairman	June 22, 2000 to present	
		Acting Chief Executive Officer	January 28, 2002 to June 29, 2003	
		Chief Executive Officer	June 30, 2003 to June 28, 2004	
Mr. Gil A. Buenaventura	64	Director	July 1, 2016 to present	Filipino
		President and Chief Executive Officer	July 1, 2016 to present	
Mr. Tze Ching Chan	60	Director	November 28, 2011 to present	Chinese
Mr. Richard G.A. Westlake	65	Director	October 1, 2014 to present	New Zealand
Mr. John Law	66	Director	April 27, 2015 to present	Taiwanese
Mr. Yuh-Shing Peng	45	Director	April 27, 2015 to present	French & Taiwanese (dual citizen)
Atty. Florentino M. Herrera, III	65	Director	August 30, 2016 to present	Filipino
Mr. Armando M. Medina	67	Independent Director	Feb. 26, 2003 to present	Filipino
Mr. Juan B. Santos	78	Independent Director	Effective July 1, 2016 (assumption of office is on November 2, 2016) to present	Filipino
Mr. Melito S. Salazar, Jr.	67	Independent Director	June 27, 2016 to present	Filipino
Atty. Adelita A. Vergel De Dios	70	Independent Director	June 27, 2016 to present	Filipino
Amb. Lilia R. Bautista	81	Independent Director	July 25, 2016 to present	Filipino
Mr. Gabriel S. Claudio	62	Independent Director	July 25, 2016 to present	Filipino
Mr. Vaughn F. Montes, Ph.D.	66	Independent Director	September 26, 2016 to present (appointed on July 25, 2016)	Filipino

The names, ages and positions of all **incumbent executive officers** are as follows:

Redentor C. Bancod, 52, Filipino, Senior Executive Vice-President, is the Head of the IT Shared Services Group. He was also the Head of IT Shared Services & Operations Group and the concurrent head of Digital Banking Group before assuming his current role. Previously, he was Vice-President & General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice-President and Chief Technology Officer of Sun Life Of Canada (Philippines) Inc. from October 2003 to 2007; Senior Vice- President & Chief Information Officer of Equitable Bank from July 1996 to September 2003; Assistant Vice-President and Head of Applications Development in Far East Bank from October 1993 to June 1996; Assistant Vice-President of Regional Operations (Asia Pacific) of Sequel Concepts, Inc. U.S.A/Ayala Systems Technology Inc. from November 1992 to September 1993; Project Manager in Union Bank of Switzerland, NA from April 1988 to November 1992; and Chief Designer and Technical Adviser in Computer Information System Inc. from March 1984 to April 1998. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines and is a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University.

John Thomas G. Deveras, 53, Filipino, Senior Executive Vice-President, is the Head of Asset Management & Remedial Group and Strategic Initiatives. Initially, he was the Strategic Initiatives Head when he joined RCBC in 2007 but was appointed as Head of Asset Management & Remedial Group in October 2015. Prior to joining the Bank, he was an Investment Officer at International Finance Corporation. He also worked for PNB Capital and Investment Corporation as President and PNB Corporate Finance as Senior Vice-President. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and earned his Masters in Business Administration from the University of Chicago.

Chester Y. Luy, 47, Filipino, Senior Executive Vice President, is the Head of Treasury Group. Prior to joining RCBC, he served in several leadership roles with various banks : Bank of Singapore as Managing Director / Head of Corporate Finance and Structured Transactions (January 2015 to June 2016), Julius Baer as Managing Director / Senior Advisor and Head of Investment Finance (December 2010 to November 2014), Bank of America / Merrill Lynch as Managing Director/Co-Head of Investment Team for Asia Pacific Region (June 2009 to November 2010), Barclays Capital as Managing Director / Head of High Yield Debt Capital for Asia Pacific Region (April 2002 to June 2009), HSBC Securities as Managing Director / Supervisory Analyst for Credit Risk Analysis Group (March 2001 to April 2002), JP Morgan Chase Securities as Vice President for Credit Risk Analysis Group (June 1995 to March 2001) and Merrill Lynch as Investment Management for Asia Pacific Region (June 1990 to September 1993). Mr. Luy graduated in 1990 from the University of the Philippines with a degree in Bachelor of Science in Business Administration. He obtained his Masters in Business Administration degree major in Finance at J.L. Kellogg Graduate School of Management, Northwestern University in 1995.

Michelangelo R. Aguilar, 60, Filipino, Executive Vice-President, is the Head of Conglomerates and Global Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and Corporate Banking Segment 1 Head from September to November 2012. Prior to joining the Bank, Mr. Aguilar was Managing Director of Standard Chartered Bank and Head, Origination and Client Coverage and Co-Head, Wholesale Banking (2004 to 2011) and Country Head, Global Markets (1997 to 2004). He obtained his Bachelor of Science degree in Mechanical Engineering from De La Salle University and his Masters in Business Management from the Asian Institute of Management. He is a registered Mechanical Engineer granted by the Board of Mechanical Engineers, Professional Regulatory Commission.

Michael O. de Jesus, 57, Filipino, Executive Vice-President, is the Head of National Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and the Corporate Banking Segment 2 Head from July 2007 to November 2012. He has a Bachelor of Arts degree in Economics from Union College in Schenectady, New York and a Masters in Business Administration (Finance) from The Wharton School, University of Pennsylvania.

Rommel S. Latinazo, 57, Filipino, Executive Vice-President, is the President and Chief Executive Officer of RCBC Savings Bank. Prior to this, he was the Head of Corporate Banking Segment 1 under the Corporate Banking Group. He joined the Bank in 2000 as First Vice-President. Previously, he held various positions in Solidbank Corporation, Standard Chartered Bank, CityTrust Banking Corporation, First Pacific Capital Corporation and Philamlife Insurance Company. Mr. Latinazo obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and his Masters in Business Administration from the University of the Philippines.

Ana Luisa S. Lim, 57, Filipino, Executive Vice-President, is the Head of Operational Risk Management Group. She was formerly the Head of Internal Audit Group prior to assuming her current role. She is also a Director and Corporate Secretary of BEAMExchange, Inc. She joined the Bank in 2000 primarily to implement the risk-based audit approach under a shared-services set-up in conformity with the Bank's strategic risk management initiatives. Ms. Lim obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor.

Simon Javier A. Calasanz, 37, Filipino, First Senior Vice President, is the President and CEO of RCBC Bankard Services Corporation. Prior to this, he worked for over 13 years at Hongkong Shanghai Banking Corporation where he handled the following roles : Senior Vice President and Head of Contact Center Management and Consumer Loans (February 2012 to October 2015), Senior Vice President and Head of Cards and Consumer Assets (January 2009 to January 2012), Vice President for Credit Approval Risk Management (May 2007 to January 2009), OIC for Consumer Credit and Risk (September 2008 to November 2008), Assistant Vice President for Personal Financial Services (September 2006 to April 2007), Manager for Third Party Verification Agencies and Process Management (July 2005 to September 2006), Assistant Manager for Quality Review and Systems Support (December 2004 to July 2005), Manila Credit and Risk Support Manager-Manila Project Team (August 2004 to October 2004), Assistant Manager for Management Information Systems (June 2003 to December 2004), Management Information Credit Analyst (September 2002 to June 2003) and Credit Approval Unit Credit Analyst (April 2002 to September 2002). In addition, he also performed significant roles for the Credit Card Association of the Philippines where he is currently the Special Advisor to the Board, and for the Credit Management Association of the Philippines in which the last position he assumed was as Director in 2008. Mr. Calasanz graduated from De La Salle University with a Bachelor of Science degree in Commerce, major in Marketing Management and Bachelor of Arts degree in Psychology.

George Gilbert G. dela Cuesta, 49, Filipino, First Senior Vice President, is the Group Head of the Legal Affairs Group and the Bank's Corporate Secretary. Previously, he was the General Counsel of Asian Terminals, Inc. and the Vice President for Legal of Mirant (Phils.) Corporation. He held various positions at Hanjin Heavy Industries & Construction Co. Ltd., Follosco Morallos & Herce Law Office, PNOC-EDC and at the Department of Environmental and Natural Resources. He started his career at Quisumbing and Torres. Atty, dela Cuesta graduated from the University of the Philippines in 1988 with a degree in Bachelor of Arts major in Political Science (cum laude). He earned his Law degree from the same university in 1992.

Jonathan C. Diokno, 44, Filipino, First Senior Vice-President, is the Head of the Retail Banking Group. He has has over 22 years of professional experience in transaction banking, cash management services and overseas Filipino remittance with extensive focus in sales and product management. He served as Head of BDO Remittance Origination, Head of Business Development BDO Cash Management Services, Head of Sales for Global Relationship Banking (Multinational) Accounts Cash Management Services Citibank, N.A., Business Development Manager Cash Management Services, Standard Chartered Bank and various officer positions in Cash Management at Bank of the Philippine Islands/Citytrust Banking Corporation. Mr. Diokno graduated from the University of the Philippines with a Bachelor of Science major in Business Administration in 1994, He is married with one son.

Lourdes Bernadette M. Ferrer, 58, Filipino, First Senior Vice-President, is the Head of the Trust and Investments Group. Prior to joining the Bank in September 2000, she held various related positions in Solidbank Corporation and the International Corporate Bank. She graduated from the University of the Philippines with a Bachelor of Science degree in Statistics and likewise obtained her Master's Degree in Business Administration from the same university.

Gerald O. Florentino, 48, Filipino, First Senior Vice-President, is the President of RCBC Securities. He held the position of Group Head and Deputy Group Head of Corporate Planning in RCBC prior to assuming his current position. Before joining the Bank, he was Senior Vice-President for the Investment Banking Group of Investment and Capital Corporation of the Philippines. He gained his corporate planning expertise from AXA Philippines as Vice-President and Head of Strategic Planning, Project Management and Business Development and AXA Way from 2007 to 2009. He also held various positions in UCPB for seven years during which his last appointment was the Head of Cash Management Products for the Working Capital Products Group. Mr. Florentino graduated from the Loyola University of Chicago, Illinois with a degree in Bachelor of Business Administration majoring in Finance and obtained his Masters in Business Management from the Asian Institute of Management.

Richard David C. Funk II, 52, Filipino, First Senior Vice-President, is the Chief Compliance Officer & Group Head of the Regulatory Affairs Group. He has over 20 years of professional experience in providing legal guidance on statutory and regulatory framework. His work has impacted business operations, particularly in the areas of banking, insurance and related fields such as anti-money laundering, regulatory compliance, corporate governance and corporate social responsibility. His experiences include serving as AML Certification (ACP) Trainor for RCBC, Compliance Officer and concurrent Head of Legal & Recovery Office of PNB General Insurers Co., Inc., Deputy Director and Group Head of the Compliance and Investigation Group, Anti-Money Laundering Council Secretariat and Officer–In-Charge, Claims Adjudication Division of the Insurance Commission. Atty. Funk graduated from Lyceum of the Philippines in 1992 with a degree in Bachelor of Laws. He completed his Bachelor of Arts degree, major in Political Science, in 1988 from the same school.

John P. Go, 48, Filipino, First Senior Vice-President, is the Head of Chinese Banking Segment 2. Prior to joining the Bank, Mr. Go was the Vice-President/Chief Finance Officer/Assistant to the Chairman of Liwayway Marketing Corporation (March 2002 to January 2008), Assistant Vice-President of UCPB (August 1996 to February 2002) and Manager/Business Development Department Head of Monte Piedad Savings Bank (January 1996 to July 1996). He holds a Bachelor of Science degree in Marketing from the Philippine School of Business Administration.

Margarita B. Lopez, 49, Filipino, First Senior Vice President, is the Head of Digital Banking Group and the concurrent Head of Operations Group. Prior to joining the Bank, she was connected with Manulife Financial as a member of the Board of Directors and Corporate Vice President/ Asia Head of Digital from October 2014 to March 2016 and the Chief Operations Officer from February 2010 to September 2014. She also held the following positions in various institutions: Chief Operations Officer / Head of Customer Services and Support at Philippine AXA Life (January 2007 to February 2010), Group Head/First Vice President of Electronic Banking Services at Philippine National Bank (January 2005 to December 2006) and Division Head/Vice President of Transactional Banking at United Coconut Planters Bank (1996 to 2004). She also held consultancy roles from 1988 to 1996 and was the Analyst Programmer for Infolink assigned at CityTrust from 1987 to 1988. Ms. Lopez started her career as Lecturer at the University of the Philippines in 1995. She obtained her Bachelor of Computer Science and Masters in Technology Management, Business and Industry in the same university.

Regino V. Magno, 58, Filipino, First Senior Vice-President, is the Head of Business Risk Group. He was the Bank's Chief Risk Officer and the Head of Corporate Risk Management Services (CRISMS) when he was hired in 2009. Prior to joining the Bank, he was the Chief Risk Officer of Sterling Bank of Asia from August 2007 to December 2008. He was a Market Risk Consultant of Chase Cooper, a London-based consulting firm, Chief Risk Officer of Philippine National Bank for four years, a Consultant of Philippine Deposit Insurance Corporation for one year, and a Senior Risk Manager at the Bank of the Philippine Islands for four years. He also held various positions in CityTrust Banking Corporation. Mr. Magno obtained his Bachelor of Science degree in Industrial Management Engineering from De La Salle University and his Masters in Business Administration from the University of the Philippines.

Remedios M. Maranan, 56, Filipino, First Senior Vice-President, is the National Service Head of Retail Banking Group. Ms. Maranan started as a BOTP Trainee in 1989 after which she assumed various positions in branch operations. Her noteworthy stints include being the Regional Operations Head for Metro Manila in December 1998 to April 2004, BC Services Division Head in May 2004 to May 2008 and Regional Service Head for Metro Manila in June 2008 to February 2010 and Deputy Group Head of BC Services from March 2010 to September 2013. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the Polytechnic University of the Philippines.

Yasuhiro Matsumoto, 57, Japanese, First Senior Vice-President, is the Head of Global and Ecozone Segment and Japanese Business Relationship Office. Prior to this, he worked for The Bank of Tokyo-Mitsubishi UFJ, Ltd. since 1984, when the bank was named The Sanwa Bank, Ltd. He has also previously served as a director of the Bank. He obtained his Bachelor of Economics degree from Waseda University, Japan.

Emmanuel T. Narciso, 55, Filipino, First Senior Vice President, is the Group Head of Global Transaction Banking. Prior to joining RCBC, he was the Group Head of Transaction Banking in Banco de Oro Unibank, Inc. from June 2011 to August 2015. He was also previously connected with the Hongkong and Shanghai Banking Corporation, where he handled the following roles: Head of Business Banking Division (Philippines), Head of Payments and Cash Management for Vietnam and Philippines. He also worked for Security Bank Corporation as Head of Corporate Transaction Banking Division and Citibank N.A. where his last appointment was as Business Development Head for Global Transaction Services. Mr. Narciso started his career in the banking industry when he was hired by the Bank of the Philippine Islands as an Analyst/Programmer in 1984. He obtained his Bachelor of Arts in Economics from the Ateneo de Manila University in 1984 and finished his Master in Business Management from the Asian Institute of Management in 1989.

Reynaldo P. Orsolino, 56, Filipino, First Senior Vice-President, is the Segment Head of Emerging Corporates. He was also the Head of Commercial & Medium Enterprises Division before assuming his current position. Prior to joining the Bank, he served as Senior Vice-President of Philippine National Bank from June 2003 to July 2007, and previously held senior positions at the Planters Development Bank, Asian Banking Corporation, and the Land Bank of the Philippines. He holds a Bachelor of Arts degree in Economics from the University of the Philippines.

Bennett Clarence D. Santiago, 47, Filipino, First Senior Vice-President, is the Head of the Credit Management Group. He has over 21 years of professional experience in risk management with significant years focused to commercial credit risk management and evaluation as well as enterprise risk management. His experiences include serving as Head, Commercial Banking Credit Evaluation Unit, Risk Management Group of BDO; Risk Head of Citibank N.A.; Chief Compliance Officer, Union Bank of the Philippines; and various officer positions in International Exchange Bank, Globe Telecom Inc., and Hongkong and Shanghai Banking Corporation. He graduated from the University of the Philippines in 1991 with a Bachelor of Science degree in

Business Administration. He finished his Master in Business Administration in 2001 from Ateneo de Manila Business School..

Rowena F. Subido, 50, Filipino, First Senior Vice-President, is the Group Head of Human Resources. She was also the Deputy Group Head of Human Resources before assuming her current position. Prior to joining the Bank, she worked with Citibank, N.A. as Country Lead Human Resources Generalist/Senior Vice-President, prior to which she was Head of Human Resources for the Institutional Clients Group for almost two years. She has also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Human Resources Head for four years. She also has HR experience in retail, distribution and manufacturing industries, having worked for California Clothing Inc. where she was Human Resources Head, International Marketing Corporation as Division Manager for Human Resources & Operations, Tricom Systems (Philippines), Inc. as a Personnel and Administration Officer and Seamark Enterprises, Inc. as a Personnel Officer. Ms. Subido obtained her Bachelor of Science degree majoring in Psychology from the University of Santo Tomas and her Masters in Psychology majoring in Organisational/Industrial Psychology at De La Salle University.

Ma. Christina P. Alvarez, 46, Filipino, Senior Vice-President, is the Head of Corporate Planning Group. Prior to assuming this position, she was the OIC of Corporate Planning Group from October to December 2014 and the Financial Planning and Development Division Head from August 2006 to September 2014. She worked with various Banks in the areas of: Financial Planning, Risk Management and Credit/Financial Analysis. Ms. Alvarez graduated from Ateneo de Manila University in 1991 with a Bachelor of Arts degree in Management Economics. She earned her Masters in Business Management degree from the Asian Institute of Management in 1998.

Enrique C. Buenaflor, 46, Filipino, Senior Vice President, is the Head of Corporate Cash Management Segment. He joined RCBC in 2010 as Business Development Manager of Global Transaction Banking Group and was later appointed as Head of Business Development Division in 2011. Prior to joining RCBC, he was the Group Head/Vice-President of Structure Products for Philippine Bank of Communications (August 2005 to March 2010), Operations Head of Central Verification Unit for Citifinancial Corporation (July 2004 to July 2005), Sales Head/Assistant Vice-President of Corporate Cash Management Services (2001 to 2004) and Product Manager (1999 to 2001) for ABN AMRO Bank. He also worked for Philippine Global Communications Corporation as Senior Manager for Corporate Planning (July 1999 to November 1999) and Capitol Wireless, Inc as Business Development Director/Marketing and Sales Manager (March 1997 to May 1999). He started his career in Citibank N.A. as Operations Staff in 1992 and then as Management Associate in 1996. Mr. Buenaflor earned his undergraduate degree, Bachelor of Science in Business Management from Ateneo de Manila University and finished his Masters in Business Management at Asian Institute of Management.

Karen K. Canlas, 42, Filipino, Senior Vice-President, is the Division 1 Head of Wealth Management Segment 2. She was the OIC of Division 1 from February to August 2011 and the Senior Relationship Manager of the same division from February 2010 to February 2011. Prior to joining RCBC, she was the Corporate Sales Unit Head/Vice President of Export Bank from August 2005 to January 2010, Relationship Manager/Senior Manager of Equitable PCI Bank from February 2003 to August 2005, Branch Head (Main Office) of Bank of Commerce from May 2002 to January 2003, Manager (Relationship Banking Group) of Export and Industry Bank from September 2001 to May 2002 and Branch Head of Global Business Bank from September 2000 to September 2001. She also held various positions at Urban Bank for almost 6 years in which her last appointment was as Manager of Alabang Regional Office, Business Development Group. Ms. Canlas started her career as Technical Staff at the National Economic Development Authority in March 1994. She obtained her Bachelor of Arts major in Economics minor in Political Science degree from De La Salle University in 1994.

Brigitte B. Capina, 56, Filipino, Senior Vice-President, is the Regional Sales Director of South Metro Manila. Prior to occupying this position, she was the Marketing and Sales Director of Makati Central Business District in 2013, the Regional Sales Manager of South Metro Manila in 2012, Regional Sales Manager of Corporate Headquarters in 2009 and Business Manager for various branches such as RCBC Plaza in 2005, Buendia in 2004 and Makati Avenue in 2003. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the University of San Agustin, Iloilo City and her Masters in Business Management from the University of the Philippines, Visayas.

Arsenio L. Chua, 56, Filipino, Senior Vice-President, is the Regional Sales Director of North Metro Manila. Prior to occupying this position, he was the Marketing and Sales Director of Ortigas Central Business District in 2013, Regional Sales Manager of North Metro Manila in 2012, Regional Sales Manager of Central Metro Manila in 2010, District Sales Manager of Southern Metro Manila in 2009 and Business Manager of Caloocan Branch in 2007. He obtained his Bachelor of Science degree in Management and Industrial Engineering from the Mapua Institute of Technology.

Claro Patricio L. Contreras, 56, Filipino, Senior Vice-President, is the Head of Remedial Management Division. Prior to joining RCBC, he was the AVP for Special Accounts Management Services Group at BPI (April 2000 to June 2000), AVP for Credit Mgmt. Services Group at FEBTC (January 1997 to March 2000), and Manager for Credit Management Services Group at FEBTC (October 1995 to December 1996). He completed his Bachelor of Science degree in Commerce majoring in Business Management from San Beda College.

Elizabeth E. Coronel, 48, Filipino, Senior Vice-President, is the Head of Conglomerates and Strategic Corporates Segment. She joined RCBC in June 2013 as Senior Banker and Head of Conglomerate Banking Division. Previously, she was the Senior Vice-President and Chief Operations Officer of Equicom Savings Bank, a position she held for more than five years. She also held various positions in local and foreign banks namely Mizuho Corporate Bank as Vice President and Co-Head of Corporate Finance Department (January 2007 to February 2008), Equitable PCIBank as Vice-President and Head of Corporate Banking Division 4 (1996 to 2007) and Citibank as Relationship Manager of Global Consumer Bank (1993 to 1996). She started her career in the banking industry when she joined RCBC in 1989 as Marketing Assistant for Corporate Banking. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizúho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

Antonio Manuel E. Cruz, Jr., 49, Filipino, Senior Vice President, is the Division 1 Head for Emerging Corporates Segment. He joined the Bank in 2008 and assumed the following positions for Commercial & Small Medium Enterprises under National Corporate Banking : Metro Manila-Luzon Head from December 2012 to September 2013, Makati Lending Center Head from September 2009 to December 2012 and Metro Manila Lending Center Head from January 2008 to September 2009. Before joining RCBC, he was the Ortigas Lending Center Head for Philippine National Bank from December 2005 to December 2007 and the Relationship Manager for Asia United Bank from September 2000 to November 2005. He started his banking career at Solidbank Corporation where he assumed the following positions : Relationship Manager from January 1994 to August 2000, Management Trainee from July 1993 to December 1993, Senior Analyst from January 1993 to June 1993 and Junior Analyst from July 1990 to December 1992. Mr. Cruz obtained his degree in AB Economics from the Ateneo de Manila University in 1990.

Sabino Maximiano O. Eco, 48, Filipino, Senior Vice-President, is the Deputy Group Head of Operations and the concurrent head of Branch Banking Services Division. Prior to this appointment, he held various positions in the Bank such as Retail and Channels Division Head (November 2008 to January 2014), BC Operations Division Head (May 2004 to October 2008), Cash Management Operations Department Head (January 2001 to April 2004), CASA Recon &

Verification Head (August 1999 to January 2001), Branch Operations Head (January 1996 to August 1999), Branch Accountant (November 1994 to January 1996), Branch Officer At Large (July to November 1994), BOTP Trainee (April to July 1994), CASA Bookkeeper (February 1992 to April 1994) and GL/SL Bookkeeper (April 1991 to February 1992). Mr. Eco graduated from Far Eastern University with a Bachelor of Science degree in Commerce majoring in Accounting.

Edwin R. Ermita, 54, Filipino, Senior Vice-President, is the Bank Security Officer. He was also the Corporate Services Division Head prior to assuming his current position. Previously, Mr. Ermita worked for CTK Incorporated as Consultant, Solidbank as Security and Safety Department Head and UCPB as Security and Safety Department Head. He started his career in UCPB as Teller in 1983 before moving to Branch Marketing in 1985. Mr. Ermita earned his Bachelor of Science in Management from Ateneo de Manila University. He finished his Masters in Business Administration with specialization in Industrial Security Management from the Philippine Women's University.

Benjamin E. Estacio, 46, Filipino, Senior Vice-President, is the Regional Service Head of Mindanao. Prior to assuming this position, he was the District Service Head of Southern Mindanao from May 2004 to March 2011. Mr. Estacio started his career with the Bank as SA Bookkeeper in February 1992 after which he assumed various positions in the branch. He graduated from the University of San Carlos, Cebu City with a Bachelor of Science in Commerce major in Accounting in 1991.

Erico C. Indita, 48, Filipino, Senior Vice President, is the Segment Head of Retail Banking Sales. Mr. Indita was hired as Domestic Remittance Clerk in 1993 after which he assumed various positions in Retail Banking. His noteworthy stints includes being the Regional Sales Director of Central Metro Manila (January 2015 to November 2016), District Sales Director of Makati Central Business District (January 2014 to December 2014), Marketing and Sales Director of Chinese Uptown (February 2013 to December 2013), District Sales Manager of Makati Central Business District (January 2011 to February 2013) and Business Manager of Makati Avenue (November 2004 to December 2010). He graduated from San Beda College with a degree in Bachelor of Science in Commerce major in Management in 1989 and finished his Masters in Business Administration at the Ateneo de Manila in 2007.

Vivien I. Lugo-Macasaet, 57, Filipino, Senior Vice-President, is the Head of Management Services Division. She was also the Head of the HO Operations Division from November 2008 to January 2014. Prior to joining the Bank, she served as Vice-President of Financial Markets Operations at Citibank (May 2006 to June 2008), Senior Vice-President and Group Head of the International Processing Group at PNB (December 2002 to April 2006) and Vice-President and Business Manager for Institutional Equities at JP Morgan Equities (July 2001 to October 2002). Ms. Lugo-Macasaet graduated from the University of the Philippines with a Bachelor of Arts degree in Economics.

Jonathan Edwin F. Lumain, 55, Filipino, Senior Vice President, is the Bank's Chief Technology Officer. Mr. Lumain joined the Bank in 2001 and held the following IT-related positions : IT Head for Shared Technology Services (January 2008 to May 2016), Application Systems Department Head (August 2003 to December 2007) and Information Management Head (August 2001 to August 2003). Prior to joining RCBC, he was the Department Head of Branch Systems for BPI (November 1999 to July 2001), Department Head of Trust Banking Systems Development for Far East Bank and Trust Company (August 1993 to October 1999), Project Manager for Philippine Commercial International Bank Automation Center (November 1990 to July 1993) and Systems Analyst for Al Ajlani Ent., KSA (May 1985 to October 1990). He started his career in IT when he joined Andres Soriano Corporation as Programmer Trainee in December 1981. Mr. Lumain earned his Bachelor of Science in Business Administration degree from the University of the Philippines in 1981. He obtained his Master of Science in Computer Science from the Ateneo de Manila University in 1997.

Florentino M. Madonza, 46, Filipino, Senior Vice-President, is the Group Head of Controllership effective October 14, 2014. He was the Deputy Group Head of Controllership from August 2014 to October 2014, General Accounting and Services Division Head from July 2004 to July 2014, General Accounting Department Head from September 2001 to July 2004, Assistant to the Department Head of General Accounting from January 1998 to September 2001, Asset Management and Sundry Section Head from September 1997 to December 1997 and Corporate Disbursement and Payroll Section Head from June 1996 to September 1997. Prior to joining the Bank, he worked for Sycip, Gorres, Velayo and Co. from July 1993 to May 1996 as Auditor. Mr. Madonza completed his Bachelor of Science in Commerce major in Accounting (Cum Laude) from the Araullo University, and is a Certified Public Accountant.

Jane N. Mañago, 52, Filipino, Senior Vice-President, is the Group Head of Wealth Management. Prior to this appointment, she was the OIC of Wealth Management Group from December 2015 to January 2016, Segment Head of Wealth Management 1 from September 2014 to November 2015, Division 2 Head of Wealth Management from December 2006 to August 2014 and Relationship Manager for Division 2 from April 2006 to December 2006. She also worked for YGC Corporate Services Inc. as Officer-In-Charge and Marketing Head. Prior to joining the Bank, she worked with Citibank as Cash Product Manager for Global Transaction Services (September 1998 to January 1999), Account Manager (April to August 1998) and Head of Corporate Banking for Chinatown Branch (November 1996 to March 1998) and at Equitable Banking Corporation from May 1986 to October 1996, where her last appointment was the Head of the Research and Special Projects Unit. She obtained her Bachelor of Science degree in Commerce degree majoring in Business Administration and her Bachelor of Arts degree majoring in Behavioural Science from the University of Santo Tomas.

Jose Jayson L. Mendoza, 45, Filipino, Senior Vice President, is the Provincial Division Head for Commercial and SME Banking Segment. He joined the Bank in 2008 as Lending Center Head for Small & Medium Enterprises Division-Luzon. Previously, he worked with Maybank Philippines as Head of Retail Loans Management (January 2005 to August 2008), Philippine National Bank as Account Officer (January 2003 to December 2004), Philippine Savings Bank as Account Officer (August 1996 to December 2002) and Islacom as Senior Credit Investigator (May 1994 to July 1996). He started his banking career when he joined Allied Banking Corp. as Credit Investigator in 1993. Mr. Mendoza graduated in 1993 from De La Salle University with a degree of AB Management.

Carlos Cesar B. Mercado, 50, Filipino, Senior Vice-President, is the Head of Balance Sheet Management Segment. He joined the Bank in June 2009 and held the position of Trading Segment Head. Prior to joining RCBC, he was the Managing Director/Senior Vice-President of Basic Capital Investments Corp. in 2001, a Treasurer/First Vice-President of Treasury of United Overseas Bank Philippines in 2000 and a Division Head of Domestic Funds and Liquidity Management of Equitable-PCI Bank in 1994. Mr. Mercado earned his Japan-focused Executive Masters in Business Administration with highest distinction from the University of Hawaii and the Japan-America Institute of Management Science in December 1993, under the Fujitsu Asia-Pacific Scholarship. He obtained his Bachelor of Arts degree majoring in Electrical Engineering from the University of the Philippines.

Gerardo G. Miral, 51, Filipino, Senior Vice-President, is the Head of Consumer Lending Group of RCBC Savings Bank. Prior to his secondment to RCBC Savings Bank, he was the Division II Head of Global and Ecozone Segment from April 2011 to January 2016 and Relationship Manager for JES Division II from February 2002 to April 2011. He also assumed various positions in the branch from September 1987 to February 2002. Mr. Miral obtained his Bachelor of Arts major in Economics degree from the University of Sto. Tomas in 1986.

Ma. Cecilia F. Natividad, 43, Senior Vice President, is the Head of the Marketing Group. She has over 21 years of professional experience in the areas of global and multi corridor marketing, strategic planning and classic and digital communications. Her experiences include serving as

Head of Marketing, Philippines of The Western Union Company, Marketing Manager of Nestle Philippines, Inc., and Sales Trainor of Ayala Life Insurance, Inc. She graduated from the Ateneo de Manila University in 1995 with a Bachelor of Science degree in Legal Management.

Evelyn Nolasco, 55, Filipino, Senior Vice-President, is the Head of the Asset Disposition Division. Before she joined the Bank, she was the Senior Vice-President and Treasury Head of the AGSB Group of Companies in 1995 and Manager for Corporate Finance for SGV & Company from 1994 to 1995. She graduated from De La Salle University with a Bachelor of Science degree in Commerce majoring in International Marketing and obtained her Master's degree in Business Management from the Asian Institute of Management.

Matias L. Paloso, 58, Filipino, Senior Vice-President, is the Head of Retail Banking Support Segment. He was formerly the Head of RBG Products, Support & Systems Segment from July 2014 to November 2016 and was seconded to RSB as Deputy Group Head of Retail Banking from April 2012 to July 2014. Prior to this, he was assigned at RCBC as the Regional Sales Manager of North Metro Manila in 2011, Regional Sales Manager of Southern Luzon in 2009, District Sales Manager of South West Luzon in 2002 and Business Center Manager of Camelray Branch in 1999. He obtained his Bachelor of Science degree in Commerce majoring in Accounting from Divine Word College, Tagbilaran City.

Loida C. Papilla, 55, Filipino, Senior Vice-President, is the Asset Management Support Division Head. She joined RCBC in 2006 as Operations Support Division Head. She worked for various institutions in the following capacities : Assistant Vice-President / Head of Billing and Collections Section in PNB (April 2004 to February 2006), Assistant Vice-President/OIC in UCPB Securities Inc. (August 1999 to January 2004), Operations Finance Manager in Guoco Securities Inc. (January 1994 to August 1999), Media Consultant in the Office of the Senate President (October 1992 to December 1993), Research Director in Philippine Newsday (June 1989 to June 1992), Research Head in Business Star (June 1987 to June 1989) and Researcher in Business Day Corp. (November 1981 to June 1987). Ms. Papilla graduated from the University of the East in 1981 with a Bachelor of Science in Business Administration major in Accounting. She is also a Certified Public Accountant.

Alberto N. Pedrosa, 47, Filipino, Senior Vice-President, is the Head of Investment and Markets Trading Segment. He was also the Investment Portfolio Management Division Head from August 2009 to June 2015. Prior to joining the Bank, he was the Chief Trader for Uniworks, Inc. (April 2009 to July 2009), Vice-President and Head of Global Liquid Products Trading for JG Summit Capital Markets (2000 to 2008), Assistant Vice-President of Asset, Liquidity Management and Investment Trading for PCIBank (1995 to 2000) and Senior Assistant Manager and Junior FX Trader for the Bank of the Philippine Islands (1993 to 1995). Mr. Pedrosa started his career when he joined BPI's Officer Training Program in 1993. He completed his Bachelor of Science degree in Commerce majoring in Philosophy at the London School of Economics.

Arsilito A. Pejo, 54, Filipino, Senior Vice-President, is the Regional Sales Director of Eastern Visayas since January 1, 2015. Mr. Pejo joined RCBC in 1982. His noteworthy stints include being the Regional Service Head of Visayas from June 2008 to December 2014 and Area Service Head of Visayas from May 2004 to May 2008, Regional Operations Head from October 2002 to April 2004 and Cebu Operations Center Head from June 1998 to September 2002. He obtained his Bachelor of Science degree in Commerce major in Accounting from Colegio de San Jose – Recoletos in 1982.

Samuel V. Poblete, 59, Filipino, Senior Vice President, is the Head of Branch Audit Group. Previously, he was the Chief Internal Auditor of Philippine Veterans Bank from November 1999 to February 2015. He also worked for Bank of Commerce for 15 years where he assumed the following roles: Branch Manager of Kamuning (1998 to 1999), Branch Manager of Salcedo Branch (1995 to 1998), Acting Head of Internal Audit Department (January 1993 to September 1993), Head/Manager of Head Office and EDP Audit Section (1991 to 1993), Head / Manager of

Branch Audit Section (1989 to 1991), Acting Head / Assistant Manager of Internal Audit Department (1988 to 1989), Head / Assistant Manager of Branch Audit Section (1987 to 1988) and Head / Pro Manager of Branch Audit Section (1983 to 1987). He also served as Auditor In Charge (Manila Branch) for Negros Navigation Co. Inc. from 1981 to 1983 and External Auditor of Sycip, Gorres, Velayo and Company from 1978 to 1980. Mr. Poblete obtained his degree in Bachelor of Science in Business Administration major in Accountancy from the University of the East. He is a Certified Public Accountant.

Nancy J. Quiogue, 48, Filipino, Senior Vice-President, is the Regional Service Head of North and Central Metro Manila. Prior to assuming her current position, she was the Regional Service Head for Metro Manila from April 2010 to December 2014 and District Service Head for Metro Manila from May 2004 to April 2010. She also held various positions at the Bank since 1991. Ms. Quiogue graduated from the Philippine School of Business Administration with a Bachelor of Science degree in Business Administration majoring in Accounting.

Elsie S. Ramos, 51, Filipino, Senior Vice-President, is the Legal Affairs Division Head. She joined the Bank in 2006 and assumed the position of Litigation Department Head. Prior to joining RCBC, she was the Corporate Lawyer and Head of Legal and Corporate Affairs Division for Empire East/Land Holdings (2004 to 2006), Senior Associate and Lawyer-In-Charge of the Docket/Records Section for Ponce Enrile Reyes and Manalastas (2003 to 2004), Senior Associate for Martinez and Mendoza (2001 to 2002), Senior/Junior Associate for Ponce Enrile Reyes and Manalastas (1996 to 2000) and Legal Consultant for Companero Y Companera (1997 to 1998). She held various positions in the University of the Philippines, Department of History such as Assistant Professor (1994 to 1998), Assistant to the Chairman (1992 to 1993) and Instructor (1988 to 1994). She was also a Part-Time Instructor at the St. Scholastica's College, Manila from 1987 to 1989. She obtained her Bachelor of Arts and Master of Arts degree in History from the University of the Philippines, Diliman. She also finished her Bachelor of Law in the same university.

Ismael S. Reyes, 50, Filipino, Senior Vice-President, is the Head of Retail Banking Marketing Segment. He was formerly the National Sales Director when he joined the Bank in 2013. Prior to joining RCBC, he assumed various positions in Philippine Savings Bank as First Vice-President/ Head of the Loans Operations Group (October 2012 to October 2013), First Vice President/Branch Banking Group Head (January 2011 to October 2012), Vice-President/Deputy Branch Banking Group Head (June 2010 to December 2010) and Vice- President/ Business Development Unit Head (October 2008 to May 2010). He worked for iRemit Inc where he handled roles such as Division Head for Market Management (January 2004 to September 2008) and Deputy Head for the Global Sales and Marketing Division (August 2001 to December 2003). He also worked with Bank of the Philippine Islands where he was assigned as Operations Manager /Section Head for Funds Transfer Department from 1999 to 2001. His banking career started in Far East Bank in 1987 when he was hired as Staff for International Operations Division. By 1990 he was promoted to a supervisory rank in the same division and as an officer in 1993. He held the position of Department Head in International Operations in 1995 and became a Project Officer for the Remittance Center in 1996. Mr. Reyes earned his Bachelor of Science degree in Commerce major in Economics at the University of Santo Tomas.

Steven Michael T. Reyes, 45, Filipino, Senior Vice-President, is the Head of Commercial Trading and Sales Segment. Previously, he was First Vice President of Global Markets for Australian & New Zealand Banking Group (March 2009 to January 2014), Vice President / Head of Capital Markets for Banco De Oro (October 2006 to March 2009), Assistant Vice President /Debt and Interest Rate Trader for Citibank, Singapore (January 2006 to October 2006) and Assistant Vice President/Bonds Trader for Citibank, Manila (January 2002 to December 2005). He also worked for Equitable PCIBank from July 1999 to December 2001 and PCIBank from May 1996 to July 1999 and held the following positions : Senior Manager/Head of Capital Markets Desk (July 2000 to December 2001), Manager /Global Fixed Income Proprietary Trader (July 1999 to July 2000), Assistant Manager / Fixed Income Proprietary Bond Trader (July 1997 to July

1999) and Proprietary Bond Trader (May 1996 to July 1997). Mr. Reyes started his banking career when he joined Bank of the Philippine Islands in 1993 as Position Analyst. He completed his Bachelor of Science in Tourism Management at the University of the Philippines in 1993.

Ma. Rosanna M. Rodrigo, 55, Filipino, Senior Vice President, is the Regional Sales Director of North Luzon Region. Ms. Rodrigo joined the Bank in 1992 and assumed the following positions : Marketing and Sales Director of North West Luzon (February 2013 to September 2013), District Sales Manager of North Central Luzon (November 2009 to February 2013), Branch Manager of Tarlac (February 2005 to November 2009), Branch Manager of Hacienda Luisita (July 1997 to January 2005) and Senior Personal Banker of Tarlac (November 1992 to June 1997). She also worked for Producers Bank of the Philippines as Cashier of Tarlac Branch (April 1983 to October 1992), Far East Bank and Trust Co. as New Accounts Clerk of Tarlac Branch (March 1982 to March 1983) and as contractual employee for New Accounts of Tarlac Branch (December 1981 to February 1982). Ms. Rodrigo obtained her Bachelor of Arts degree in Mass Communication major in Broadcasting from the University of the Philippines in 1981.

Joseph Colin B. Rodriguez, 49, Filipino, is the Treasurer of RCBC Savings Bank. Prior to this appointment, he was the President and Chief Executive Officer of RCBC Forex Brokers Corporation from April 2015 to August 2016 and Senior Vice President and Treasurer of RCBC Savings Bank from August 2011 to March 2015. He also assumed various positions in Rizal Commercial Banking Corporation as Head of the FX Risk Division and Head of Institutional Relationship Management Division. Before joining RCBC, he spent over two decades at the Treasury division of several foreign /local banks. He was Vice President and Head of the Foreign Exchange and Swap Desk at ING Bank Manila. He was also a Dealer at the Manila office of Banque Indosuez and Assistant Dealer at the Riyadh office of Banque Al Hollandi (ABN AMRO Bank). He also headed the FX and Swaps division of Bank of the Philippine Islands. He graduated from De La Salle University with a double degree in Liberal Arts & Commerce, Major in Marketing and in Political Science.

Raoul V. Santos, 50, Filipino, Senior Vice-President, is the Investment Services Division Head. He joined RCBC in 2001 as Portfolio Management Section Head before assuming the Investment Services Department Head position in 2008. He also worked for Metropolitan Bank and Trust Company (2000 to 2001), Solidbank Corporation (1999 to 2000). Phinma, Inc. (1991 to 1999) and SGV & Co. (1990 to 1991). Mr. Santos obtained his Bachelor of Science degree in Management of Financial Institutions and Bachelor of Arts degree in Asian Studies from the De La Salle University.

Libertine R. Selirio, 51, Filipino, Senior Vice-President, is the Division I Head of Global and Ecozone Segment. Prior to this, she was the Deputy Division Head of JES II from June 2011 to October 2012, Relationship Manager of JES Division II from February 2002 to May 2011, Branch Manager of Dasmarinas from September 2000 to February 2002, Branch Manager of Carmona from July 1998 to September 2000 and Branch Manager of Imus from September 1997 to July 1998. Before joining RCBC, she worked for Pilipinas Bank and assumed the following positions: Account Officer (1993 – 1997), Financial Analysis and Evaluation Section Head (1991 – 1993), Credit Analyst (1989 – 1991) and EDP Teller (1987 – 1989). Ms. Selirio earned her Bachelor of Science in Commerce major in Accounting from St. Scholastica's College in 1986.

Johan C. So, 46, Filipino, Senior Vice-President, is the Head of Division 1 in Local Corporate Banking Segment. Prior to assuming current position, he was the Head of Kaloocan Division from July 2013 to January 2014 and Head of Chinese Banking Division III from June 2008 to June 2013. From August 2005 to May 2008, he worked for Philippine Bank of Communications in which the last position he assumed was as Vice-President/Unit Head of Corporate Banking Group 5. He also worked for Standard Chartered Bank from May 1999 to May 2002, T.A. Bank of the Philippines, Inc. from February 1997 to May 1999 and China Banking Corporation from 1993 to 1997. Mr. So graduated from De La Salle University in 1992 with a degree in Bachelor of Science in Applied Economics and Bachelor of Science in Commerce major in Marketing Management.

He obtained his Masters degree in Business Administration from the Ateneo Graduate School of Business in 1999.

Ma. Angela V. Tinio, 53, Filipino, Senior Vice-President, is the Head of Commercial and Small Medium Enterprises Banking Segment. She has been with the Bank since 2000, holding various positions in Corporate Banking such as VisMin Lending Region Head (December 2010 to June 2013), Metro Manila-Luzon Region Head (April 2006 to November 2010) and Account Management Department Head (July 2000 to April 2006). She worked with Bank of the Philippine Islands as Special Business Unit/Corporate Banking II Manager and Market Head in April 2000. She also held various positions in Far East Bank and Trust Company from June 1997 to April 2000, PDB Leasing and Finance Corporation from February 1996 to April 1997 and Traders Royal Bank from January 1985 to January 1996. Ms. Tinio obtained her Bachelor of Arts degree in Economics from the University of the Philippines and her Master's degree in Business Administration from the De La Salle University.

Gianni Franco D. Tirado, 44, Filipino, Senior Vice President, is the Regional Sales Director of Mindanao Region. Prior to assuming his current role, he was the Marketing and Sales Director of Central Mindanao (February 2013 to September 2013), District Sales Manager of Central Mindanao (March 2009 to February 2013) and Branch Manager for several branches in Mindanao (November 2000 to February 2009). He also assumed the Branch Operations Head of Marbel (February 1998 to October 2000), CI/Appraiser/Loans Clerk (June 1996 to January 1998) and CASA Bookkeeper of Dadiangas (October 1993 to May 1996). Mr. Tirado earned his Bachelor of Science in Commerce major in Accounting degree from the Notre Dame of Dadiangas University in 1993. He also completed his Masters in Education major in Special Education at the Holy Cross of Davao College in 2009.

Juan Gabriel R. Tomas IV, 46 Filipino, Senior Vice-President, is theHead of the Customer Service Support Segment, Operations Group. He has over 20 years of professional experience in loans, custody and treasury operations, IT application, development and support, capital markets, customer service, process standardization, automation and re-engineering in the banking industry and consulting firms. His experiences include serving as Head of Capital Markets and Custody, Operations Group, Citibank N. A., Head of Treasury Services Unit, Citibank N. A. Consultant, Deutsche Bank AG Manila, and Consultant, Accenture (formerly Andersen Consulting). Mr. Tomas graduated from Ateneo de Manila University in 1993 with a Bachelor of Science degree in Management. He completed his Masters in Business Management major in Finance in 2001 at the Asian Institute of Management.

Raul Martin J. Uson, 54, Filipino, Senior Vice President, is the Segment Head for Front Line Operations. He was previously connected with PBCom as Business Centre Operations and Oversight Head. He also assumed the following roles at Citibank N.A. prior to joining PBCom in 2012 : Operations and Services Head (2007 to 2012), Deputy Senior Country Operations Officer for Citi Indonesia (2006), Credit Operations and Transaction Services Head for Citigroup Business Process Solutions (2004 to 2006), Transaction Services Head (2001 to 2004), Internal Control Head (1999 to 2001), Infrastructure Head (1998 to 2001), Quality Assurance Head (1996 to 1998), Expense Processing Department Head (1993 to 1995), Quality Assurance Officer (1991 to 1993), Trade and Reconcilement Unit Head (1988 to 1991), Cash Officer for Greenhillls Branch (1985 to 1988) and Teller for Makati Branch (1984 to 1985). Mr. Uson graduated from the University of the Philippines Baguio with a degree in AB Economics and Psychology in 1983.

Teodoro Eric D. Valena, Jr., 58, Filipino, Senior Vice-President, is the Applications Architect of IT Shared Services Group. Previously, he was the Retail E-Channels Division Head from January 2015 to September 2015, Finacle Division Head from January 2008 to December 2014, Applications Development & Management Division Head from September 2006 to December 2007 and the Application System Services Department Head from April 2001 to September 2006. Prior to joining the Bank, he held various IT-related positions in several institutions such as Citibank (January 1987 to March 2001), MANCOMTECH (July 1986 to November 1986), Revenue Information Systems Services Inc. (October 1983 to May 1986), Trans-Union Corp. (June 1983 to October 1983), Mini-Systems Inc. (October 1981 to March 1983) and United Computer Programming Center (April 1981 to October 1981). Mr. Valena started his career as a Programmer/ Trainee at Mini-Systems Inc. in 1980. He graduated from the University of the Philippines with a Bachelor of Arts in Social Sciences major in Economics in 1983.

Four of the Directors and executive officers mentioned above have held their positions for at least five (5) years.

(H) Market Price and Dividends

(1) Market Price of Bank's Common Equity

The common shares of the Bank are listed in the Philippine Stock Exchange. As of April 10, 2017 the market price of RCBC's common shares closed at 39.30 per share. The trading prices of said shares for the different quarters of the years 2017, 2016 and 2015 are as follows:

		Q1		Q2		Q3		Q4	
		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date	
2017	High	43.55	2.13.17						
	Low	34.20	1.03.17						
2016	High	34.30	2.23.16	32.50	04.04.16	36.95	09.16.16	38.00	10.19.16
	Low	29.10	3.22.16	30.00	05.16.16	31.60	07.08.16	33.55	12.29.16
2015	High	48.50	01.19.15	46.90	04.23.15	40.00	08.04.15	33.00	11.20.15
	Low	45.15	03.31.15	40.10	06.30.15	30.05	09.30.15	29.25	10.16.15

Source: Philippine Stock Exchange

*(2) Number of Stockholders as of **April 30, 2017*** — ***781** stockholders (common)*
— ***77** stockholders (preferred)*

(3) Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

No recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction to be reported.

*(4) Top 20 Stockholders of RCBC as of **April 30, 2017***

Common stockholders

name	shares	percentage
PCD NOMINEE CORPORATION	481,715,481	34.410%
PAN MALAYAN MANAGEMENT	473,963,631	33.857%
PCD NOMINEE CORPORATION	411,637,931	29.404%
SYBASE EQUITY INVESTMENTS CORPORATION	23,528,800	1.681%
ABOITIZ & COMPANY, INC.	3,103,530	0.222%
HYDEE MANAGEMENT & RESOURCE CORPORATION	2,173,349	0.155%
LON, FRANCISCO GENARO OZAMIZ	600,000	0.043%
NAVARRO, RIZALINO S.	260,865	0.019%
A. T. YUCHENGCO, INC.	255,190	0.018%
CONCEPCION, CARMENCITA DE LAS ALAS	224,490	0.016%

ALAS, CARLOS DE LAS	114,298	0.008%
ALAS, CORNELIO DE LAS	114,195	0.008%
CHAN, FREDERICK	111,677	0.008%
YANG JIN LIANG	100,000	0.007%
RUFINO, JOSIE PADILLA	92,865	0.007%
LOMBOS, MANUEL C. &/OR MEYRICK J.	68,574	0.005%
LEGASPI, GRELI S.	57,290	0.004%
YAO, SHUOBIN	57,000	0.004%
YAO, SHUOYU	57,000	0.004%
RUFINO, JOSEFINA PADILLA	54,292	0.004%

Preferred stockholders

name	shares	percentage
ROSARIO, RODOLFO P. DEL	81,521	29.22%
GO, HOMER	46,355	16.62%
CONCEPCION, CARMENCITA	31,842	11.41%
OPTIMUM SECURITIES CORP.	16,666	5.97%
BDO SECURITIES CORP.	9,304	3.33%
ERESE, HENRY	8,790	3.15%
NGO, LORETA	8,600	3.08%
MANDARIN SECURITIES CORPORATION	7,583	2.72%
TAN, LUCIANO H.	7,309	2.62%
ABACUS SECURITIES CORP.	6,021	2.16%
HWANG, HANS YAP	5,558	1.99%
ANG, TONY ANG &/OR ROSEMARIE	5,372	1.93%
SIA, JOHNSON CHUA	5,000	1.79%
CAMPOS LANUZA & CO. INC.	3,535	1.27%
ACERO, NICASIO MARIN JR., &/OR ARNOLFO O.	3,371	1.21%
CO, JUSTINA DY	3,258	1.17%
CHENG, SUSAN	2,665	0.96%
GLOBALINKS SEC. & STOCKS	2,454	0.88%
BEDAN CORPORATION	2,100	0.75%
LUYS SECURITIES CO. INC.	1,852	0.66%

Security Ownership of Foreigners (as of April 30, 2017)

Title of Class	Shares	% of Total
Common	**481,929,926**	**34.43**
Preferred	416	**0.15**

(4) Cash Dividends **(as of April 30, 2017)**

Date Declared	Dividend		Date Approved	Date Paid / Payable	Nature of Securities
	Per Share	Total Amount Php (in Thousand Php)			

30-Jan-12	P 0.0649	P 26	24-Feb-12	27-Mar-12	Preferred stock
26-Mar-12	P 0.9000	P 1,026,771	April 19, 2012	4-Jun-12	Common stock
26-Mar-12	P 0.9000	P 308	April 19, 2012	4-Jun-12	Preferred stock
28-May-12	P 0.0632	P 22	26-Jun-12	3-Jul-12	Preferred stock
30-Jul-12	P 0.0624	P21	6-Sep-12	28-Sep-12	Preferred stock
26-Nov-12	P0.0593	P20	18-Dec-12	2-Jan-13	Preferred stock
26-Nov-12	*	P203,524	4-Mar-13	April 27, 2013	Hybrid Tier 1
26-Nov-12	*	P212,559	6-Sep-13	25-Oct-13	Hybrid Tier 1
28-Jan-13	P0.0578	P20	4-Mar-13	26-Mar-13	Preferred stock
25-Mar-13	P1.00	P 1,275,659	April 29, 2013	27-May-13	Common stock
25-Mar-13	P1.00	P 342	April 29, 2013	27-May-13	Preferred stock
April 29, 2013	P 0.05774	P 20	10-Jun-13	27-Jun-13	Preferred stock
29-Jul-13	P 0.05745	P 20	6-Sep-13	26-Sep-13	Preferred stock
29-Oct-13	P 0.05686	P 19	13-Jan-14	15-Jan-14	Preferred stock
29-Oct-13	*	P 224,014	25-Feb-14	April 27, 2014	Hybrid Tier 1
29-Oct-13	*	P 215,000	15-Sep-14	27-Oct-14	Hybrid Tier 1
27-Jan-14	P 0.05615	P 19	25-Feb-14	27-Mar-14	Preferred Stock
31-Mar-14	P 1.00	1,275,659	23-May-14	16-Jun-14	Common Stock
31-Mar-14	P 1.00	P342	23-May-14	16-Jun-14	Preferred Stock
April 28, 2014	P 0.05700	P19	25-Jul-14	30-Jul-14	Preferred Stock
28-Jul-14	P 0.05364	P19	15-Sep-14	10-Oct-14	Preferred Stock
27-Oct-14	P 0.05640	P19	19-Dec-14	28-Jan-15	Preferred Stock
27-Oct-14	*	P218,608	20-Mar-15	April 27, 2015	Hybrid Tier 1
27-Oct-14	*	P221,570	Pending	27-Oct-15	Hybrid Tier 1
26-Jan-15	P0.05630	P18	20-Mar-15	27-Mar-15	Preferred Stock
30-Mar-15	P0.60	P840,144	13-May-15	10-Jun-15	Common Stock

30-Mar-15	P0.60	P203	13-May-15	10-Jun-15	Preferred Stock
April 27, 2015	P0.056670	P19	11-Sep-15	22-Sep-15	Preferred Stock
27-Jul-15	P0.05830	P 18	11-Sep-15	22-Sep-15	Preferred Stock
4-Nov-15	P 0.05928	P 18	N/A	22-Dec-15	Preferred Stock
25-Jan-16	P 0.64950	P 20	N/A	23-Mar-16	Preferred Stock
April 25, 2016	P 0.06600	P 21	Pending	Pending	Preferred Stock
April 25, 2016	P 0.72000	P 1,007,934	Pending	Pending	Common Stock
April 25, 2016	P 0.72000	P 223	Pending	Pending	Preferred stock
16-Jun-16	P 0.72000	P 195	9-Jun-16	18-Jul-16	Preferred Stock
16-Jun-16	P 0.72000	P 1,007,936	9-Jun-16	18-Jul-16	Common Stock
25-Apr-17	P 0.552	cannot yet determined	24-Apr-17	26-May-17	Preferred Stock
25-Apr-17	P 0.552	cannot yet determined	24-Apr-17	26-May-17	Common Stock

Dividends are declared and paid out of the surplus profits of the Bank as often and at such times as the Board of Directors may determine after making provisions for the necessary reserves in accordance with law and the regulations of the Bangko Sentral ng Pilipinas.

(l) Compliance with leading practices on Corporate Governance

Core Principles

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

RCBC adheres to the core principles of transparency, accountability and fairness which are embodied in the Board-approved Corporate Governance Manual. The Manual is reviewed annually to ensure that governance policies are consistent with the pertinent regulations issued by the Bangko Sentral ng Pilipinas ("BSP") and the Securities and Exchange Commission ("SEC"). The Bank's governance structure and processes are benchmarked against local and international leading practices. Thus, the best practices set by the (i) Basel Committee on Banking Supervision's Principles for Enhancing Corporate Governance and the (ii) Maharlika Board of the PSE are incorporated in the Bank's Corporate Governance Manual. The Bank's efforts at the continuous enhancement of Corporate Governance within the organization ensures that the interests of stockholders and other stakeholders are well-regarded, the directors, officers, and associates/employees are cognizant of their responsibilities, and the affairs of the Bank are conducted in a safe and sound manner.

The Bank's Corporate Govemance Manual fully complies with the SEC's Revised Code of Corporate Governance, as amended.1 It also conforms to the guidelines and respective best practices under the PSE Corporate Governance Guidelines Disclosure Template and the ASEAN Corporate Governance Scorecard that has promoted greater transparency through more disclosures. This, in turn, enhanced the confidence of the clients/investors that the Bank truly commits to the highest standards of good corporate governance. The Bank shall continue to strengthen its corporate governance policies and procedures in accordance with the BSP and SEC guidelines.

The Board of Directors

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

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

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

Nominations

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

Fit and Proper Standards

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

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

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

Maximum Board Seats

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

Election

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

Who Are In Our Board

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

Independent Directors

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

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

Prior to the issuance of SEC Memorandum Circular No. 19 on November 22, 2016, or the Code of Corporate Governance for Publicly-Listed Companies, independent directors serve as such for a period of 5 consecutive years. After which, he is required to undergo a "cooling off period" of 2 years. During the said cooling off period, an independent director should not engage in any activity that, under existing rules, disqualifies a person from being elected as an independent director in a bank. At the end of the cooling off period, the independent director may again serve as such in the Bank for another 5 consecutive years. Thereafter, he is perpetually barred from being elected as an independent director in the same bank.

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

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

Board Oversight and Tone at the Top

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

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

Advisory Board

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

Separate Roles of the Chairperson and Chief Executive Officer (CEO)

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

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

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

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

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

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

Access to Information

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

The Corporate Secretary

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

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

On November 28, 2016, the Board of Directors appointed Atty. George G. dela Cuesta as the Bank's Corporate Secretary following the resignation of Atty. Maria Celia H. Fernandez-Estavillo effective December 31, 2016.

Meetings and Quorum Requirement

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

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

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

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

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

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

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

DIRECTORS	BOARD		EXCOM[1]		AUDIT[2]		ROC[3]		CG[4]		RPT[5]		TECH[6]		TC[7]		PERC[8]	
	M*	A**	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A
GABRIEL S. CLAUDIO[23]	6	5							5	5	4	4						
VAUGHN F. MONTES[24]	4	4			4	3	3	3	5	3			2	2				

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

Board Committees

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

1. The Executive Committee

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

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

Activities in 2016

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

2. The Audit Committee

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

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

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

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

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

- Review of audit reports of both internal and external auditors and engaging in discussions of the results of audits during Audit Committee meetings to evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting and information technology security. This also included the review of the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from audit;
  - Compliance with accounting standards;
  - Compliance with tax, legal and regulatory requirements;
  - Going concern assumptions;
  - Major judgmental areas; and
  - Completeness of disclosures of material information including subsequent events and related party transactions.

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

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

- Review of the Audit Committee and Internal Audit Charters.

3. The Risk Oversight Committee

Composition:	At least three (3) members of the Board of Directors including at least one (1) independent director and a chairman who is a non-executive member
Members:	Mr. Vaughn F. Montes, Ph. D (*ind.*) – chairman; Mr. Melito S. Salazar, Jr. *(ind.)* – vice-chairman; Mr. Cesar E.A. Virata; Mr.

Richard G.A. Westlake; Mr. John Law; Mr. Juan B. Santos *(ind.)*; Mr. Gil A. Buenaventura *(observer)*

Responsibilities:

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

The highlights of the Risk Oversight Committee's actions in 2015 are as follows:

Organizational Matters:

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

General Risk Management Policies, Procedures:

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

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

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

Credit Risk:

- Notation and disposition of Credit Stress Testing results;
- Notation and disposition of regular credit risk portfolio reports on ratings migration, concentration, asset quality, and risk-based pricing compliance;
- Notation of reports on subsidiary credit risk oversight;
- Oversight on BSP Circular No. 855 (Credit Risk Management) implementation;
- Notation and discussion of Loan Portfolio RAROC analysis;
- Approval of amendments to policy on risk rating coverage;
- Approval of policy on the review process for 1:1 loans;
- Approval of the revised rating scale for performing borrowers;
- Approval of the Facility Risk Rating Framework;
- Approval of the Expected Credit Loss Framework and methodology;
- Approval of the revised policy on Treasury credit exposures;
- Approval of financial & credit metrics for use in review of Treasury credit exposures;
- Approval of the creation of a SEMS Coordinator function;
- Approval to purchase S&P Scorecards updates;

Market & Liquidity Risk:

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

Operational Risk:

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

Information Security Governance:

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

Contingency Management / Business Continuity:

- Noted and concurred with the results of the study on the construction of a second Disaster Recovery site
- Approval of the amended Crisis Management Team
- Approval of the amended Crisis Communication Team
- Approval of the deployment of manpack repeaters & radio communication process ownership
- Notation of Disaster Recovery Test reports
- Notation of various contingency initiatives and disaster preparedness activities

Risk Management Systems:

- FATCA Implementation oversight
- Notation of regular updates on the implementation of Risk Management projects

Trust Risk Management:

- Notation of regular Trust risk management reports

Consumer Protection:

- Approval of the Financial Consumer Protection Framework

4. The Corporate Governance Committee

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

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

Responsibilities:

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

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

- Review and evaluation of the qualifications of persons nominated to the Board as well as new officers with rank of Assistant Vice President and up requiring appointment by the Board;

- Review the interlocking directorships of members of the Board;
- Recommended to the Board the adoption of the recommendations of the International Finance Corporation ("IFC") in its reports on the Corporate Governance Excellence Program for RCBC;
- Oversaw and monitored the implementation of the recommendations of IFC;
- Review and evaluation of the results of the annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees;
- Review of the annual performance evaluation of senior management and those recommended for promotion; and
- Review/evaluation of certain findings of the BSP in the recent examination.

5. The Trust Committee

Composition:	At least five (5) members including (i) the president or any senior officer of the bank and (ii) the trust officer. The remaining committee members, including the chairman, may be any of the following: (i) non-executive directors or independent directors who are not part of the Audit Committee or (ii) those considered as qualified independent professionals, provided that in case there are more than five (5) Trust Committee members, the majority shall be composed of qualified non-executive members
Members:	Mr. Juan B. Santos *(ind.)* – chairman, Mr. Gil A. Buenaventura, Mr. Cesar E.A. Virata, Mr. Armando M. Medina *(ind.)*, Ms. Lourdes M. Ferrer
Responsibilities:	Oversees the trust and fiduciary business of the Bank.

As mandated in its charter, the Trust Committee accomplished various activities in 2015 which include, but is not limited to, the following:

- Formulation of policies and guidelines:
  - Approval of Revised Trust Policy Manual (November 2016)
  - Approval of Revised Trust Risk Manual (November 2016)
  - Approval of new policies and guidelines to further streamline controls:
    a) Guidelines on access to the BSP Overnight and Term Deposit Facility
    b) Policies and guidelines on transactions monitoring, suspicious transactions and alert dispositions
    c) Policies and guidelines on records management and retention
    d) Required due diligence check on certified UITF marketing personnel
    e) Guidelines related to consumer protection in Trust
    f) Revised rating system for stockholders
    g) Implementation of thank you letter
    h) Revised trust trading limits
    i) Mark-to-market valuation of financial assets of Trust
    j) Revised Trust and Stock Transfer Operations Manuals
    k) Policy on related party transactions covering UITFs
    l) Revised benchmarks for Rizal UITFs
    m) Escalation and triage policy for Trust

- Conducted oversight of trust business
  - Review of Trust performance for 2015

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

• Evaluation and approval of management recommendations on the investment and disposition of funds or
    - Approval of lines for local financial institutions (November 2016)
    - Approval of lines of foreign financial institutions (July 2016)
    - Accreditation of stockbrokers (Sept 2016)
    - Approval of credit lines for corporate borrowers and bond issuers (as necessary)
    - Approval of the list of investment outlets for various accounts (as necessary)
    - Approval of various issues (bonds, IPOs and preferred shares) offered in the market
    - Approval of list of equity issues (August 2016)

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

- Updates on regulatory developments and impacts to Trust business.

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

6. The Technology Committee

Composition:	At least 5 members of the Board.
Members:	Ms. Helen Y. Dee – chairperson, Mr. Gil A. Buenaventura, Mr. Cesar E.A. Virata, Mr. Vaugn F. Montes, Ph.D. (*ind.*), Mr. Armando M. Medina *(ind.)*
Responsibilities:	The Committee exercises authority over all IT Project Steering Committees of the various RCBC Business Groups and subsidiaries (the Group), with the principal purpose of assisting the Board in fulfilling the following oversight responsibilities: • Approves major IT investments. • Manages and aligns IT initiatives across the Group. • Reviews status of major projects. • Prioritizes IT initiatives, when warranted. • Evaluates emerging IT solutions for use of the Group. • Reviews and resolves IT risks and other IT related issues raised in the TechCom. • Ensures compliance to BSP rules and regulations relating to Information Technology.

7. The Personnel Evaluation and Review Committee

Composition:	A Chairperson, who shall be a member of the Board of Directors, and other members who may either be directors or senior management officers of RCBC. The Head of the Internal Audit Group shall sit during meetings as a resource person.
Members:	Ms. Helen Y. Dee – chairperson; Ms. Lizette Margaret Mary J. Racela – Head, Retail Banking *(until November 30, 2017, replaced by Mr. Jonathan C. Diokno effective January 16, 2017)*, Mr. Florentino M. Madonza – Head, Controllership, Mr. Regino V. Magno – Corporate Risk Management Services, Ms. Rowena F. Subido – Head, Human Resources, Atty. Maria Celia Fernandez-Estavillo – Head, Legal and Regulatory Affairs *(until December 31, 2016)*
Responsibilities:	• To act as an independent body in the evaluation and review of cases involving dishonesty, fraud, negligence or violation of any

internal Bank policy, rule or procedure committed by an RCBC employee.

- To ensure that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.

8. The Related Party Transactions Committee

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

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

Responsibilities:

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

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

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

Material Transactions

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

- Approval of the voluntary leave of absence filed by Mr. Lorenzo V. Tan effective March 23, 2016;
- Approval of the Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC-Trust and Investment Group as of year ended December 31, 2015, as audited by Punongbayan & Araullo, subject to the final approval of the stockholders;
- Appointment of Mr. Raymundo C. Roxas as President and Director of Merchants Savings and Loan Association, Inc., doing business under the name and style of Rizal Microbank effective March 21, 2016;
- Increase in the Programme Size of Bank's Medium Term Note Programme from USD 1 Billion to USD 2 Billion.
- Resignation of Mr. Raul V. Tan, Treasurer and Executive Vice President effective April 20, 2016;
- Appointment of Mr. Carlos Cesar B. Mercado as acting Treasurer effective April 20, 2016;
- Secondment to RCBC Savings Bank and Appointment of Mr. Claro A. Pineda III as Acting Head of Operations and Technology of RCBC Savings Bank effective May 2, 2016;
- Change in the secondment status of Mr. Simon Javier A. Calasanz in RCBC Bankard Services Corporation as its new Director and President and CEO after the retirement of Mr. Oscar B. Biason;
- Designation of Ms. Evelyn Nolasco as Director and Vice President of Niyog Property Holding, Inc. effective May 1, 2016;
- Designation of Mr. Claro Patricio L. Contreras as Chairman and President, Ms. Loida C. Papilla as Director and Vice President and Mr. Rolando I. Ramirez, Jr. as Director of RCBC-JPL Holdings Co., Inc.;
- Resignation of Mr. Lorenzo V. Tan effective May 6, 2016;
- Declaration and payment of cash dividend, subject to BSP approval, amounting to P0.72 per share, or a total of approximately P1.0008 Billion payable to holders of Preferred and Common Class shares as of the close of the 10th trading day from receipt of approval of BSP (July 1, 2016) and payable within ten (10) trading days from record date (July 18, 2016);
- Hiring of Mr. Chester Y. Luy as Senior Executive Vice President and Treasurer/Head of the Treasury Group;
- The hiring of Mr. Samuel V. Poblete as Senior Vice President and Head of Branch Audit Group;
- The appointment of Mr. Gil A. Buenaventura as Director, President and Chief Executive Officer effective July 1, 2016;
- The appointment of Ms. Margarita B. Lopez, First Senior Vice President, as Head of the Operations Group concurrent with her role as Head of Digital Banking Group Head effective June 16, 2016;
- Resignations of Mr. Medel T. Nera, Atty. Teodoro D. Regala and Atty. Wilfrido E. Sanchez as members of the Board effective close of business hours of July 25, 2016;
- Appointment of Ambassador Lilia R. Bautista as Independent Director and member of the Executive Committee effective close of business hours of July 25, 2016;
- Appointment of Mr. Gabriel S. Claudio as Independent Director and member of the Corporate Governance Committee and Related Party Transactions Committee effective close of business hour of July 25, 2016;
- Appointment of Mr. Vaughn F. Montes, Ph.D. as Independent Director and member of the Risk Oversight Committee, Audit Committee, Technology Committee and Corporate Governance Committee effective August 1, 2016;
- Appointment of Mr. Yuh-Shing (Francis) Peng as member of the Corporate Governance Committee to replace Chairperson Helen Y. Dee;

- Appointment of Independent Director Armando M. Medina as member of the Trust Committee, and the appointment of Mr. Cesar E.A. Virata as Acting Chairman of the Trust Committee;
- Retirement of Ambassador Alfonso T. Yuchengco as Honorary Chairman of the Board, and his appointment as Chairman Emeritus effective August 30, 2016;
- Appointment of Atty. Florentino M. Herrera III as a Regular Director on August 30, 2016;
- Recall of secondment to RCBC Forex Corporation of Mr. Joseph Colin B. Rodriguez, and his secondment to and appointment as Treasurer of RCBC Savings Bank effective September 1, 2016;
- The appointment of Mr. Regino V. Magno as Group Head of Business Risk effective October 1, 2016;
- The appointment of Ms. Ana Luisa S. Lim as Group Head of Operational Risk effective October 1, 2016;
- The confirmation of concurrent and interlocking appointment of RCBC's Treasurer Mr. Chester Y. Luy as President and Chief Executive Officer of RCBC Forex Brokers Corporation November 28, 2016;
- The hiring of Atty. George G. Dela Cuesta as Deputy Group Head of Legal and Regulatory Affairs Group with the rank of First Senior Vice President on November 28, 2016. He assumed the positions of Group Head of Legal Affairs Group and Corporate Secretary effective January 1, 2017;
- The hiring of Mr. Jonathan C. Diokno as Group Head of Retail Banking Group with the rank First Senior Vice President effective January 16, 2017;
- Approval of proposed 2017 Budget;
- Revisions to various policy manuals.

Performance Evaluation and Assessment of Independence

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

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

Separate Meeting of the Non-Executive Directors

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

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

Shareholdings in the Company

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

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

**Combined direct and indirect shares of PMMIC*

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

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

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

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

Accountability and Audit

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

Internal Audit Function

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

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

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

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

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

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

The External Auditor

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

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of pocket expenses, by its independent accountant amounts/amounted to P10.75 million and P10.20 million for 2016 and 2015, respectively. Additionally, approximately P2.15 million was paid for other services rendered by the independent accountant in 2016.

<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.</u> In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2016 and 2015, there were no disagreements with Punongbayan and

Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

Certification by CEO and Internal Audit

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

Internal Control

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

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

- Control Environment

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

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

- Risk Assessment

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

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

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

- Control Activities

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

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

a. Establishing approvals and authorization for transactions and activities;
b. Reconciliation;
c. Review of operating performance and exception reports;
d. Establishing safeguards or physical controls for use of assets and records;
e. Segregation of duties to reduce a person's opportunity to commit and conceal fraud or errors;
f. Requirement on mandatory leaves;
g. Rotation of duties; and
h. Number control

- Management Reporting System

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

- Monitoring Activities and Correcting Deficiencies

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

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

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

Policies

The Policy on Related Party Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Details of the Bank's major related party transactions in 2016 are described below:

- The total amount of DOSRI loans was at P1,125 as of end December 2015 and was at P553 by end of December 2016.

- RCBC and certain subsidiaries engage into trading of investment securities. These transactions are priced similar to transactions with other counterparties.

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

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

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

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

- On August 30, 3016, RCBC's BOD approved the engagement of Philippine Integrated Advertising Agency ("PIAA") for advertising and PR services in the amount of P45 million. The contract covers product advertising, corporate/institutional advertising, brand advertising, media planning and buying, consumer promotion, printing of collaterals and production of other merchandising materials, public relations, event management and web design.

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

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

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

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

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

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

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

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

Code of Conduct

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

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

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

A. Treatment of Clients
B. Treatment of Bank Assets
C. Treatment of Others
D. Conflict of Interests
E. Knowledge, Understanding & Compliance

Anti-Corruption Policy

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

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

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

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

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

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

Use of Inside Information

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

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

Open Communication Policy

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

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

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

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

The above officers are duty-bound to:

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

(b) Oversee the implementation of this policy; and

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

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

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

(a) The report was made voluntarily and in good faith;
(b) There is absolute necessity for the testimony of the informant in order for the Bank to build an administrative/criminal case;
(c) There is no other direct evidence available for the proper prosecution of the anomaly committed;
(d) The testimony or information can be substantially corroborated in its material points;
(e) The informant does not appear to be the most guilty; and
(f) The informant actively cooperates and assists in the prosecution of the accused or perpetrator of the anomaly/irregularity.

Exemption from administrative sanction and/or criminal prosecution shall be upon the recommendation of the Investigative Committee and final approval of the Personnel Evaluation & Review Committee (PERC).

If an employee makes an allegation in good faith and said allegation is not confirmed by subsequent investigation, no action shall be taken against that employee. If the allegation is, however, proven to be malicious or vexatious, the same may be considered a form of misconduct depending on the circumstances of the case.

Any act of retaliation, reprisal or harassment against informant-employees in relation to their act of reporting anomalies is tantamount to grave misconduct – a gross/terminable offense.

Any act of misrepresentation, forgery or deceit that an employee may initiate in order to intentionally harm a co-employee constitutes dishonesty and grave misconduct, which are grounds for termination of employment.

Dividend Policy

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

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

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

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

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

a. Bad debts against which valuation reserves are not required by the BSP to be set up;
b. Unbooked valuation reserves, and other unbooked capital adjustments required by the BSP, whether or not allowed to be set up on a staggered basis;
c. Deferred income tax;
d. Accumulated profits not yet received but already recorded by a bank representing its share in profits of its subsidiaries under the equity method of accounting;
e. Accrued interest as required to be excluded pursuant to Item *"d"* of Subsec. X305.4, net of booked valuation reserves on accrued interest receivable or allowance for uncollectible interest on loans; and
f. Foreign exchange profit arising from revaluation of foreign exchange denominated accounts.

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

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

Details of the 2016 cash dividend distribution are as follows:

Nature of Securities	Dividend		Record Date	Date Approved		Date Paid/Payable
	Per Share	Total Amount Php (In Thousand Php)		By BOD	By BSP	
Preferred	P0.6495	P0.02	March 21, 2016	January 25, 2016	**	March 23, 2016
Preferred	P0.0660	P0.02	June 21, 2016	April 25, 2016	June 16, 2016	June 21, 2016
Common	P0.7200	P1,007.94	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
Preferred	P0.7200	P0.21	June 30, 2016	April 25, 2016	June 16, 2015	July 18, 2016
Preferred	P0.0676	P0.02	September 21, 2016	July 25, 2016	September 16, 2016	October 11, 2016
Preferred	P0.0724	P0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017

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

Stakeholders

Creditors' Rights

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

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

Supplier/Contractor Selection and Criteria

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

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

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

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

Environmentally-Friendly Value Chain

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

Remuneration Policy and Structure

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

Board of Directors

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

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

Non-executive directors are entitled to reasonable per diem for attendance in board and board committee meetings. Non-executive directors receive a per diem of P35,000.00 for attendance in board meetings. The Audit and Risk Oversight Committee Chairmen receive P20,000.00 while members of the said committees receive P15,000.00 per diem for attendance in meetings. Per diem in other board committees is at no greater than P15,000.00 for the chairman and P10,000.00 for members.

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

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

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

Long-Term Bonus Plan for Key Employees and Material Risk Takers

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

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

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

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

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

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

Names	Principal Position	Year	Aggregate Compensation (net of bonuses)	Bonuses
Gil A. Buenaventura	President & Chief Executive Officer	2016		
Redentor C. Bancod	Senior Executive Vice President			
John Thomas G. Deveras	Senior Executive Vice President			
Michaelangelo R. Aguilar	Executive Vice President			
Emmanuel T. Narciso	First Senior Vice President			
			45,728	14,582

The Compliance Office

RCBC is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. The Compliance Office, which was created by virtue of BSP Circular No. 145 as amended by Circular No. 747 dated February 6, 2012, is tasked with overseeing the effective implementation of the Bank's compliance program. This program is consistent with the Bank's mission of conducting its business with integrity, excellence and commitment while providing fast, affordable and quality financial services to its clients. Pursuant to BSP Circular No. 747, Section X180 of the BSP's MORB as amended and the SEC's Revised Code of Corporate Governance, the Board approved the revisions/updates to the Bank's Manual of Compliance in January 2015.

The Compliance Officer

The Compliance Officer is the lead senior officer for the purpose of administering the compliance program and interacting with the BSP on compliance related issues. The principal function of the CCO is to oversee the design of an appropriate compliance system, promote its effective implementation and address the breaches that may arise. The CCO is also responsible in ensuring the integrity and accuracy of all documentary submission to the BSP.[2]

Structure

In order to strengthen and improve the Bank's Compliance Program, the Compliance Office was reorganized in May 2011 and expanded into three departments, namely: the Anti-Money Laundering Department, the Testing and Monitoring Department and the Corporate Governance Department under the direct control and supervision of the Compliance Officer. In December 2013, the Foreign Account Tax Compliance Act (FATCA) Compliance Department was created, also under the direct control and supervision of the Compliance Officer. Under these departments are a CG Lawyer, an AML Lawyer, AML Specialists, Compliance Specialists and FATCA Specialists. Likewise, the designated Deputy Compliance Officer (DCO) from each unit/department/division is responsible for the actual implementation of applicable regulatory issuances and the submission of compliance certifications to the Compliance Office. The Compliance Officer reports directly to the Audit Committee.

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

[2] Subsec. X180.4, Manual of Regulations for Banks, September 2016.

subsidiaries, such as RCBC International Finance Ltd., RCBC Investments Ltd., and RCBC Telemoney Europe SpA. This ensures consistent and uniform implementation of the requirements of the BSP and other regulatory agencies. This also involves monitoring of inter-company transactions to ensure that these are done at arm's length and in the regular course of business.

Training

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

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

AMLA

The Bank has existing and updated policies in compliance with the Anti-Money Laundering Act (AMLA) or Republic Act (RA) No. 9160 enacted in September 2001 and amended by RA Nos. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively.

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

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

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

FATCA Compliance

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

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

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

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

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

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

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

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

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

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

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

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

Common Reporting Standards

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

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

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

Shareholders' Rights

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

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

Right to Nominate Candidates for Board of Directors

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

Conduct of Shareholders' Meeting

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

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

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

Transparency/Commitment to Disclose Material Information

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

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

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

(J) Undertaking to Provide Annual Report

The Bank undertakes to provide each stockholder without charge a copy of the annual report on SEC Form 17-A upon written request to the Bank addressed to:

Atty. George Gilbert G. dela Cuesta
Corporate Secretary
Rizal Commercial Banking Corporation
46/F, Yuchengco Tower, RCBC Plaza
6819 Ayala Ave. cor. Sen. Gil J. Puyat Ave.
Makati City

NOTICE OF MEETING

Dear Stockholder:

Please be advised that the Annual Stockholders' Meeting of the Bank will be held on **June 26, 2017** [unless declared a holiday (celebration of Eid-ul-Fitr), in which case the meeting will proceed on the next business day, June 27, 2017] at the Alfonso Sycip Executive Lounge, 47th Floor, Yuchengco Tower, RCBC Plaza, Ayala Ave., cor. Gil Puyat Ave., Makati City at 4:00 P. M., for the purpose of considering and acting on the following matters:

1. Proof of Due Notice of the Meeting
2. Determination of the Presence of Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 27, 2016
4. Approval of the Annual Report and the Audited Financial Statements for 2016
5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2016
6. Confirmation of significant transactions with DOSRI and related parties
7. Election of Directors
8. Appointment of External Auditor
9. Such other matters as may properly come before the meeting
10. Open Forum

Enclosed is a copy of the Information Statement pursuant to Section 20-IS of the Securities Regulation Code.

Only stockholders of record at close of business on May 26, 2017 will be entitled to vote at the meeting or any adjournment thereof.

We are not soliciting your proxy. However, you may attend the meeting by submitting a duly-accomplished proxy substantially in the the form attached hereto to the Corporate Secretary through the following address not later than **5:00 P.M. of June 19, 2017**.

The validation of proxies shall be held on **June 20, 2017 at 2:00 pm** at the Office of the Corporate Secretariat.

Corporate Secretariat Unit
21st Floor, RCBC Plaza, Tower II
6819 Ayala Avenue corner
Sen. Gil J. Puyat Avenue, Makati City

May 15, 2017 Makati City, Metro Manila, Philippines.

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

PROXY

KNOW ALL MEN BY THESE PRESENTS:

That I, ____________________, a shareholder of the RIZAL COMMERCIAL BANKING CORPORATION (the "Corporation"), a domestic corporation, do hereby nominate, constitute and appoint ____________________________, with full power of substitution and delegation, as the proxy, of the undersigned to represent and vote all shares registered in my name on the books of Corporation, or owned by me at the Annual Meeting of Stockholders on June 26, 2017 (or, if declared a holiday, on June 27, 2017) of said Corporation, and any adjournment/s thereof, as fully to all intents and purposes as I might or could do if present and acting in my person, hereby ratifying and confirming any and all acts which my said attorney and proxy may do in or upon any and all matters which may properly come before any said meeting, or any adjournment or adjournments thereof, upon the proposals enumerated below.

In case of absence of ________________________ and any substitute proxy designated by him at the said meeting, the undersigned hereby grants the Chairman of the meeting chosen accordance with the Corporation's By-Laws or, in case of his absence the President of the Corporation, full power and authority to act as alternate proxy of the undersigned at such meeting.

The proxy/substitute proxy/alternate proxy, as the case may be, shall vote subject to the instructions indicated below and the proxy/substitute proxy/alternate proxy, as the case may be, is authorized to vote in his discretion upon other business as may properly come before the Annual Meeting of Stockholders and any adjournments or postponements thereof. Where no specific instruction is clearly indicated below, the proxy/substitute proxy/alternate proxy, as the case may be, shall vote and shall be deemed authorized to vote "FOR" with respect to Proposal 1 to 6 and "FOR ALL" with respect to Proposal 7.

PROPOSALS AND VOTING INSTRUCTIONS

Management recommends a "FOR" vote for Proposal 1 and a "FOR ALL" vote for Proposal 2

	FOR	AGAINST	ABSTAIN
1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 27, 2016	☐	☐	☐
2. Approval of the Annual Report and the Audited Financial Statements for 2016	☐	☐	☐
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2016	☐	☐	☐
4. Confirmation of Significant Transactions with DOSRI and Related Parties	☐	☐	☐
5. Appointment of Punongbayan & Araullo as External Auditor	☐	☐	☐
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.	☐	☐	☐

7. Election of Directors 15 Directors (8 Regular Directors and 7 Independent Directors)

a. Ms. Helen Y. Dee
b. Mr. Cesar E.A. Virata
c. Mr. Gil A. Buenaventura
d. Mr. Tze Ching Chan
e. Mr. Richard Gordon Alexander Westlake
f. Mr. John Law
g. Mr. Yuh-Shing (Francis) Peng
h. Atty. Florentino M. Herrera
i. Mr. Armando M. Medina
j. Mr. Juan B. Santos
k. Amb. Lilia R. Bautista
l. Mr. Melito S. Salazar, Jr.
m. Atty. Adelita A. Vergel De Dios
n. Mr. Gabriel S. Claudio
o. Mr. Vaughn F. Montes

For All	**Withhold For All**	**Exceptions**
☐	☐	☐

Exceptions:

a. ____________	f. ____________	k. ____________
b. ____________	g. ____________	l. ____________
c. ____________	h. ____________	m. ____________
d. ____________	i. ____________	n. ____________
e. ____________	j. ____________	o. ____________

The stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided above. If the stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided above.

The stockholder can either (a) vote for all of the nominees, in which case the stockholder's total votes will be split and cast equally among the nominee(s); (b) withhold his vote for all of the nominees; or (c) vote only for some and not all of the nominees, in which case the stockholder's total votes will be distributed and cast as indicated by the stockholder in the spaces provided above. If the stockholder does not indicate the number of shares to be distributed among the remaining nominees who are not named on the spaces for exceptions above, then the stockholder's total votes will be split and cast equally among the remaining nominees. The total number of votes which a stockholder may cast is equal to fifteen (15) times the number of shares of common stock and voting preferred stock held as of the Record Date.

This proxy shall be valid for the Annual Meeting of Stockholders of the Corporation on June 26, 2017 (or, if declared a holiday, on June 27, 2017) unless sooner withdrawn by me through notice in writing delivered to the Corporate Secretary. In case I shall be present at the meeting, this proxy stands revoked.

IN WITNESS WHEREOF, I, the undersigned shareholder, have executed this proxy at ____________________ this _______day of _________________ 2017.

____
(Signature Over Printed Name)

☐ Stockholder
☐ Authorized Representative of Stockholder

Date: _______________, 2017

PLEASE SEE NEXT PAGE

PLEASE SEE REVERSE SIDE FOR ADDITIONAL INFORMATION AND INSTRUCTIONS

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RECEIPT

Received from RCBC one (1) envelope containing the following:

- ✓ Notice of Annual Meeting of Stockholders on June 26, 2017 (if declared a holiday, June 27, 2017) and Information Statement (CD Format)
- ✓ Proxy Form
- ✓ Reply Envelope
- ✓ 2016 Annual Report

Received By:____________________________________
(Signature Over Printed Name)

Date: ____________________

GENERAL INFORMATION AND INSTRUCTIONS

1. *Submission of Proxy*

(a) The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at the principal office and mailing address of the Company not later than **5:00 P.M. of June 19, 2017**

(b) If the proxy is given by one or more joint owners of shares of stock of the Company, the proxy form must be signed by all of the joint owners.

(c) If the shares of stock of the Company are owned in an "and/or" capacity, the proxy form must be signed by either one of the registered owners.

(d) If the proxy is given by a holder of shares of stock of the Company that is a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose.

(e) A proxy given by a broker or dealer in respect of shares of stock of the Company carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.

(f) If any customer of a broker or dealer who is the beneficial owner of shares of stock of the Company executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.

2. *Revocation of Proxy*

A holder of shares of stock of the Company who has given a proxy has the power to revoke it by written instrument duly signed and dated, which must be received at the Company's principal office and mailing address not later than **5:00 P.M. of June 23, 2017**. A proxy is also considered suspended if an individual stockholder attends the meeting in person and expresses his intention to vote in person for the duration of said meeting, and shall continue to be in full force and effect thereafter.

3. *Validation of Proxy*

The validation of proxies will be held on June 20, 2017 at 2:00 pm at the Office of the Corporate Secretary. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11(b) of the SRC Rule 20.

RCBC
A YGC Member

RIZAL COMMERCIAL BANKING CORPORATION

AGENDA

ANNUAL MEETING OF THE STOCKHOLDERS

DATE	:	26 June 2017* *unless declared a holiday (celebration of Eid-ul-Fitr), in which case the meeting will proceed on the next business day, June 27, 2017
TIME	:	4:00 P. M.
PLACE	:	Alfonso Sycip Executive Lounge 47th Floor, RCBC Plaza Yuchengco Tower Ayala Ave., cor. Gil Puyat Ave. Makati City

1. Proof of the Due Notice of the Meeting
2. Determination of the presence of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 27, 2016
4. Approval of the Annual Report and the Audited Financial Statements for 2016
5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2016
6. Confirmation of significant transactions with DOSRI and related parties
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Open Forum
11. Adjournment

RATIONALE AND EXPLANATION
FOR AGENDA ITEMS REQUIRING SHAREHOLDERS' APPROVAL

1. Proof of Due Notice of the Meeting

Rationale/ Explanation: Only stockholders of record as of May 26, 2017 shall be entitled to notice and vote at the meeting. The notice of the meeting, which shall contain, in addition to the date, hour and place of such meeting, a statement of the matters to be taken up at such meeting, shall be delivered personally or by registered mail, with return card, postage prepaid, at least fifteen (15) business days prior to the date thereof, addressed to each stockholder at his address appearing on the books of the Corporation in accordance with Article IV, Section 1 (c) of the Amended By-Laws of the Corporation.

2. Determination of the presence of a Quorum

Rationale/ Explanation: Quorum shall consist of stockholders owning the majority of the subscribed capital stock represented in person or by proxy. The Corporate Secretary shall declare whether or not a quorum exists for the Annual Stockholders Meeting.

3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 27, 2016

Rationale/ Explanation: Approval of the June 27, 2016 Minutes of the Annual Meeting of the Stockholders constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, such as, (a) 2015 annual report and audited financial statements, (b) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2015, (c) confirmation of significant transactions with DOSRI and related parties, (d) election of directors, and (e) appointment of external auditor;

A vote representing majority of stockholders represented and eligible to vote during the meeting is required to pass a resolution on this matter.

4. Approval of the Annual Report and the Audited Financial Statements for 2016

Rationale/ Explanation: Approval of the Annual Report constitutes a ratification of the Bank's performance during the previous fiscal years as contained in the Annual Report. The Annual Report will contain the results of the operation of the Company during the year 2016. The financial statements as of December 31, 2016 will also be presented and endorsed for approval by the Board of Directors and the Audit Committee. The Audited Financial Statements for 2016 will be attached to the Definitive Information Statement and is incorporated in the Bank's SEC 17-A (Annual Report) submitted to the Securities and Exchange Commission (SEC) and available on the Bank's website.

A vote representing majority of stockholders represented and eligible to vote during the meeting is required to pass a resolution on this matter.

5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2016

Rationale/ Explanation: The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (June 27, 2016) up to the date of the meeting (June 26, 2017, unless the same is declared a holiday in which case the meeting will be held on June 27, 2017). These include, among others, those that involve the day-to-day operation, administration and management of the corporate affairs such as approval of loans, restructuring of past due accounts, sale of ROPOAs, appointment/ resignation of directors/ officers, sanctions/disciplinary measures imposed to erring officers/employees, authority to file criminal/civil complaints.

A vote representing majority of stockholders represented and eligible to vote during the meeting is required to pass a resolution on this matter.

6. Confirmation of Significant Transactions with DOSRI and Related Parties

Rationale/ Explanation: Significant transactions with DOSRI and related parties for the year 2016 include loans and deposit liabilities, trading of investment securities, lease with RCBC Realty Corporation (RRC), lease with RCBC Savings Bank, assignment of the Service Agreement previously executed with Bankard, Inc. to RCBC Bankard Services Corporation (RBSC) engagement of Philippine Integrated Advertising Agency for advertising and PR services, equity infusion to Rizal Microbank, the subscription to shares of stock of RCBC Leasing & Finance Corporation, agreement with House of Investments for the procurement of outsourcing services, service agreements with RCBC Savings Bank and Bankard Inc. (now RBSC), and the administration and management of some of the subsidiaries' retirement funds. The Bank's other transactions with affiliates include service agreements, leasing office premises to subsidiaries, and regular banking transactions (including purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances. Details of said related party transactions are disclosed in the Bank's SEC 17-A Report which is also available on the Bank's website.

In accordance with BSP Circular No. 895 dated December 14, 2015, which requires the Bank's stockholders to confirm by majority vote, the Bank's significant transactions with DOSRI and related parties, the above-mentioned significant transactions are presented to the stockholders for confirmation.

7. Election of Directors

Rationale/ Explanation: The By-Laws of the Bank allows all shareholders, including minority stockholders, the right to nominate candidates for the Board of Directors. Nominees for election as members of the Board of Directors of RCBC, including nominees for election as independent Directors, as well as their profiles will be provided in the Definitive Information Statement.

A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

8. Appointment of External Auditor

Rationale/ Explanation: The Audit Committee will screen and endorse to the stockholders the appointment of a selected qualified SEC-accredited auditing firm as external auditor of RCBC for the year 2017, including their proposed remuneration. The profile of the external auditor will be provided in the Definitive Information Statement.

A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

9. Other Matters

Rationale/ Explanation:	Other matters that may have arisen after the Notice of Meeting and Agenda have been sent out, or those raised throughout the meeting may be presented to the stockholders for consideration. Stockholders may also propose to consider such other relevant matters or issues.

10. Open Forum

Rationale/ Explanation:	The Chairman shall also open the floor for comments and questions by stockholders.

11. Adjournment

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	7	5	1	4

Company Name

RIZAL COMMERCIAL BANKING
CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town)Province)

YUCHENGCO TOWER, RCBC PLAZA
6819 AYALA AVENUE COR.
SEN. GIL PUYAT AVENUE
MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.rcbc.com	(632) 894 9000	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
779	Last Monday of June	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Carmela V. Silverio	webmaster@rcbc.com	(632) 894 9000	N/A

Contact Person's Address

Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City

Note 1: *In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

RCBC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Rizal Commercial Banking and Subsidiaries (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

12th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City 0727
Direct Line: (632) 894-9000

RCBC

HELEN Y. DEE
Chairperson, Board of Directors

GIL A. BUENAVENTURA
President & Chief Executive Officer

CHESTER Y. LUY
SEVP, Head – Treasury Group

FLORENTINO M. MADONZA
SVP, Head – Controllership Group

SUBSCRIBED AND SWORN TO BEFORE ME, this MAR 09 2017 day of ______, 2017 at Makati City, Philippines, affiants exhibited to me their valid identifications, to wit:

Name	*ID No.*	*Date/ Place of Issue*
Helen Y. Dee	CTC No. 13435734	02/21/2017, Makati
Gil A. Buenaventura	CTC No. 25023251	01/12/2017, Makati
Chester Y. Luy	CTC No. 01240033	01/26/2017, Manila
Florentino M. Madonza	CTC No. 25021494	01/11/2017, Makati

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20 (2017-2018)
Until 31 December 2018
PTR NO. 5910037; 01-03-17; Makati City
IBP NO. 1055567; 01-03-17; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

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BOOK NO. 338
SERIES OF 2017.

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Grant Thornton

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Financial Statements and Independent Auditors' Report

Rizal Commercial Banking Corporation and Subsidiaries

December 31, 2016, 2015 and 2014
(With Corresponding Figures as of January 1, 2015)

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Report of Independent Auditors

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:

(a) Impairment of Loans and Receivables

Description of the Matter

As of December 31, 2016, the Group's loans and receivables amounted to P306,167 million, net of allowance for impairment of P7,411 million, while the Parent Company's loans and receivables amounted to P228,432 million, net of allowance for impairment of P4,792 million, which details are disclosed in Note 11 to the financial statements. Loans and receivables were the most significant resources of the Group and the Parent Company which represented 59% and 55% of the total resources, respectively. Both the Group's and the Parent Company's management exercise significant judgment and use subjective estimates in determining when and how much to recognize impairment loss on loans and receivables. These judgment and estimates are set out in the Group's and the Parent Company's accounting policies in Note 2 to the financial statements, which describes the following impairment assessments:

- Loans and receivables are assessed for impairment on an individual basis if there is objective evidence of impairment that exists (or a loss event) as of the end of the reporting period. Management considers the following in determining that a loss event occurred, among others – significant financial difficulty of the issuer or obligor; a breach of contract, such as a default or delinquency in interest or principal payments; and, it becoming probable that the borrower will enter bankruptcy or other financial reorganizations. Loss events are classified by management according to the following credit grades – substandard, doubtful and loss, depending on the level of credit risk.

- Collective assessments are made on a portfolio basis where the loans and receivables are grouped on the basis of similar credit risk characteristics (i.e., on the basis of management's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). The methodology utilized by management in collective impairment assessment uses significant assumptions such as default rate and loss given default, which are applied to each portfolio belonging to a particular group and credit grade.

Because of the significance of the amounts involved and subjectivity of management's judgment and estimates used, we identified the inadequacy of the allowance for impairment on loans and receivables as a significant risk of material misstatement.

How the Matter was Addressed in the Audit

We established reliance on the Group's and the Parent Company's internal control by testing the operating effectiveness of key activities-level controls over the assessment and approval of customer credit; the capturing of information relevant to calculate the allowance for impairment (e.g., risk grades, default rates and loss given defaults); and, the calculation and recognition of impairment.

In addition, we performed substantive audit procedures, which included, among others:

- checking and evaluating the methodology used by management whether it was in accordance with the individual and collective impairment assessments prescribed by Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*;

- on selected loan accounts, checking whether the loans identified for individual impairment assessment were appropriately classified according to credit grades and recalculating the net present values of expected cash inflows using the effective interest rates applicable for each loan, which were compared to the outstanding balances of the loans; and,

- evaluating the basis used in determining the main factors in computing the impairment loss for collective assessment such as default rates and loss given defaults by considering payment history for selected loans per economic activity or industry classification and credit grade.

(b) Fair Value Measurement of Unquoted Security Classified at Fair Value Through Profit or Loss

Description of the Matter

The Group and the Parent Company has an outstanding significant investment in an unquoted security classified at fair value through profit or loss (FVPL) amounting to P586 million as of December 31, 2016, on which management recognized fair value gain in profit or loss of P219 million in 2016. The valuation of such financial instrument involves a complex valuation technique (i.e., price-to-book value method), which used significant assumptions and estimates such as price-to-book ratios of comparable listed entities and application of a certain haircut rate, considered as Level 3 unobservable inputs, as discussed in Notes 3 and 7 to the financial statements. As a result, the valuation of such security was considered significant to our audit.

How the Matter was Addressed in the Audit

Our work included evaluating the appropriateness of management's valuation methodology in accordance with PFRS 13, *Fair Value Measurement.* We used our own internal valuation expert to assess and challenge the valuation assumptions used, including the identification of comparable listed entities and the related financial information such as net book value per share and quoted prices of those listed entities. In testing the reasonableness of the haircut rate used, we considered available non-financial information relating to the potential marketability of the subject security, and consistency of the application of the haircut rate used in prior period.

(c) Recoverability of Deferred Tax Assets

Description of the Matter

The Group's and the Parent Company's deferred tax assets amounted to P2,177 million and P1,285 million, respectively, as of December 31, 2016. The recognition of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent of the changes in probability that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilized. Determining probabilities of sufficiency of future taxable profits is highly judgmental requiring preparation of profitability projections. Accordingly, we identified the recoverability of deferred tax assets as an audit area of focus.

How the Matter was Addressed in the Audit

Our work included, among others, obtaining management's income projections based on its Internal Capital Adequacy Assessment Process document. Relative to this, we checked appropriateness of management's assumptions underlying the recoverability of this asset by comparing the forecasts to our expectations based on historical performance. We also considered the fact that the Group and the Parent Company had utilized deferred tax assets in prior periods.

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

(d) Matter in Relation to Significant Changes to Policies and Procedures Over Deposit Liabilities

Description of the Matter

During the latter part of 2016, in response to regulatory findings related to the alleged unauthorized transfer of funds as disclosed in Note 29 to the financial statements, the Group's and the Parent Company's management initiated and implemented branch transformation project, which essentially segregates sales and service functions in the branches. Part of the project include the creation of a Branch Operations Control Division, of which one of its main functions is to independently validate a random sample of accounts opened, reactivated dormant accounts, and monitoring of returned "Thank You" letters (TYLs) by investigating the completeness of address by matching it to proof of address or direct contact with the customer. Such initiative significantly changed the policies and procedures over deposit account openings at the branches level, particularly on anti-money laundering (AML) compliance and know-your-customer procedures.

The Group and the Parent Company also strengthened its Compliance Monitoring Section of the AML Department for onsite testing for high risk accounts, enhancement of testing procedures, immediate sanctions of erring branches, and hiring of additional manpower. The Policy Management Section of the AML Department conducts analysis of the covered and suspicious transactions while the Alerts Management Section of the AML Department performs testing of alerts generated and the disposal thereof. The Compliance Monitoring Section reviews transactions of sampled accounts, including testing of returned TYLs. The Group's anti-money laundering controls are fully disclosed in Note 4 to the financial statements.

In addition, a Branch Audit Group (BAG) was formed and separated from the Internal Audit Group (IAG) to focus on compliance audit at the branch level, while the IAG remained to focus on compliance audit of the business units of the head office.

The above changes had significant impact on our audit of the deposit liabilities. Hence, we considered such changes in our audit strategy.

How the Matter was Addressed in the Audit

To support our reliance on the effectiveness of internal controls over deposit liabilities transaction cycle, we selected certain branches which already implemented the changes in policies and procedures over deposit account openings and checked, on a test basis, that new customers were subjected to background investigation based on the new requirements of the changes in practices such as the enhanced identification (ID) verification procedures by confirming the authenticity of the depositor's ID; enhanced due diligence and senior management approval for high-risk accounts; and face-to-face certification of an authorized officer. We also checked the timely resolution of TYLs marked as "Returned to Sender" received in 2016.

With respect to establishing reliance on the work of the BAG and IAG, our work, among others, included:

- considering the nature and scope of work performed by the BAG and IAG during the year; and,

- obtaining internal audit working papers and checked if adequately planned, performed, supervised, reviewed and documented, and if sufficient appropriate evidence was gathered to support conclusions, and such conclusions were appropriate in the circumstances by reperforming the work done by the BAG and IAG, on a test basis, on account openings, deposit and withdrawal activities for selected branches.

Key audit matter we identified in our audit of the consolidated financial statements of the Group:

Assessment of Goodwill Impairment

Description of the Matter

As of December 31, 2016, the balance of goodwill amounted to P268 million, which is included as part of the Other Resources account in the Group's statement of financial position. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. This annual impairment test was significant to our audit because management's assessment process is complex and highly judgmental and is based on significant assumptions, specifically on the cash generating units (CGUs) where the goodwill is allocated and the future cash flows of that particular CGUs, which are affected by expected future market or economic conditions. Relative to this, the Group engaged a third party valuation specialist to assist them in assessing any impairment on the recognized goodwill. Management's significant assumptions include:

- RCBC Savings Bank, Inc. (RSB), the identified CGU on which the goodwill is allocated, will continue as a going concern;

- RSB will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- RSB's performance forecasts for the next 5 years.

The Group's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, evaluating the assumptions and methodologies used by management and its valuation specialist, particularly those relating to the forecasted revenue growth and profit margins of RSB by considering historical trends. In addition, our audit on the financial statements of RSB as of and for the year ended December 31, 2016 did not identify event or conditions that may cast significant doubt on RBS's ability to continue as a going concern.

Key audit matter we identified in our audit of the separate financial statements of the Parent Company:

Effects of Adoption of PAS 27 (Amendments), Separate Financial Statements – Equity Method in Separate Financial Statements

Description of the Matter

Effective January 1, 2016, PAS 27 (Amendments) provides a third option, which permits an entity to account for its investment in subsidiaries, associates and joint ventures under the equity method in its separate financial statements, in addition to the current option of accounting those investments at cost or in accordance with PAS 39 or PFRS 9, *Financial Instruments.* In addition, the Bangko Sentral ng Pilipinas (BSP), through its Circular No. 915, mandatorily require banks and non-bank financial institutions to measure their equity investments using the equity method in their separate financial statements. Accordingly, the Parent Company changed its accounting policy in accounting for its investments in subsidiaries and associates from the cost method to the equity method in its separate financial statements in accordance with PAS 27 (Amendments) and BSP Circular No. 915.

The change in its accounting policy required the Parent Company to restate its comparative financial statements for December 31, 2015 and the corresponding figures as of January 1, 2015 to reflect the material retrospective effects of the use of the equity method in measuring its investments in subsidiaries and associates.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement arising from the change in the Parent Company's policy in accounting for its investments in subsidiaries and associates included, among others, the following:

- obtaining latest and prior period financial information of the subsidiaries and associates that were used by management in measuring the Parent Company's equity investments; and,

- recalculating the retrospective and current period adjustments made in determining the restated and current period balances of affected accounts of the Parent Company.

The impact of the adoption of PAS 27 (Amendments) are disclosed in Note 2 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 26 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) 15-2010 and RR 19-2011 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 and RR 19-2011 require the supplementary information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Securities Regulation Code Rule 68, as amended, of the SEC.

The engagement partner on the audits resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 5908622, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-3 (until Dec. 22, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-21-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 27, 2017

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(With Corresponding Figures as of January 1, 2015)
(Amounts in Millions of Philippine Pesos)

		GROUP		PARENT COMPANY		
	Notes	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015 (As Restated - See Note 2)	January 1, 2015 (As Restated - See Note 2)
RESOURCES						
CASH AND OTHER CASH ITEMS	9	**P 15,176**	P 14,070	**P 11,000**	P 10,127	P 9,539
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**66,520**	50,617	**50,871**	42,026	37,763
DUE FROM OTHER BANKS	9	**25,293**	19,701	**24,109**	18,196	15,535
LOANS AND RECEIVABLES ARISING FROM REVERSE REPURCHASE AGREEMENT	9	**7,889**	-	**4,931**	-	-
TRADING AND INVESTMENT SECURITIES - Net	10	**75,622**	111,201	**65,652**	97,790	87,540
LOANS AND RECEIVABLES - Net	11	**306,167**	299,119	**228,432**	231,708	205,614
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES - Net	12	**383**	363	**17,178**	15,884	14,458
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**8,876**	7,602	**5,192**	4,975	4,487
INVESTMENT PROPERTIES - Net	14	**3,229**	3,370	**2,816**	2,883	3,426
DEFERRED TAX ASSETS	26	**2,177**	1,222	**1,285**	443	-
OTHER RESOURCES - Net	15	**9,861**	8,796	**6,316**	5,780	5,084
TOTAL RESOURCES		**P 521,193**	P 516,061	**P 417,782**	P 429,812	P 383,446

See Notes to Financial Statements.

	Notes	GROUP December 31, 2016	GROUP December 31, 2015	PARENT COMPANY December 31, 2016	PARENT COMPANY December 31, 2015 (As Restated - See Note 2)	PARENT COMPANY January 1, 2015 (As Restated - See Note 2)
LIABILITIES AND EQUITY						
DEPOSIT LIABILITIES	17	**P 353,077**	P 342,362	**P 260,165**	P 264,070	P 248,022
BILLS PAYABLE	18	**37,643**	49,404	**31,712**	45,816	36,837
BONDS PAYABLE	19	**41,595**	39,364	**41,595**	39,364	23,486
SUBORDINATED DEBT	20	**9,952**	9,936	**9,952**	9,936	9,921
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**4,823**	4,453	**3,633**	3,404	3,498
OTHER LIABILITIES	22	**11,970**	12,413	**8,688**	9,187	8,643
Total Liabilities		**459,060**	457,932	**355,745**	371,777	330,407
EQUITY	23	**62,133**	58,129	**62,037**	58,035	53,039
TOTAL LIABILITIES AND EQUITY		**P 521,193**	P 516,061	**P 417,782**	P 429,812	P 383,446

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		GROUP			PARENT COMPANY		
	Notes	**2016**	2015 (As Restated - See Note 2)	2014 (As Restated - See Note 2)	**2016**	2015 (As Restated - See Note 2)	2014 (As Restated - See Note 2)
INTEREST INCOME							
Loans and receivables	11	**P 19,442**	P 17,462	P 15,961	**P 13,219**	P 12,163	P 11,143
Trading and investment securities	10	**3,269**	3,880	4,026	**2,927**	3,455	3,578
Others	9, 24	**426**	178	213	**383**	145	190
		23,137	21,520	20,200	**16,529**	15,763	14,911
INTEREST EXPENSE							
Deposit liabilities	17	**3,269**	2,992	2,581	**2,021**	2,006	1,849
Bills payable and other borrowings	18, 19, 20, 24	**4,161**	2,951	2,652	**3,945**	2,832	2,519
		7,430	5,943	5,233	**5,966**	4,838	4,368
NET INTEREST INCOME		**15,707**	15,577	14,967	**10,563**	10,925	10,543
IMPAIRMENT LOSSES - Net	16	**1,770**	2,350	2,509	**856**	1,150	1,659
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**13,937**	13,227	12,458	**9,707**	9,775	8,884
OTHER OPERATING INCOME							
Service fees and commissions	2	**3,164**	3,473	2,794	**1,730**	1,793	1,663
Trading and securities gains - net	2, 10	**1,619**	1,327	2,511	**1,663**	1,232	1,835
Trust fees	27	**294**	286	297	**243**	232	255
Foreign exchange gains - net	2, 19	**276**	260	271	**244**	212	233
Share in net earnings of subsidiaries and associates	2, 12	**131**	93	24	**1,500**	1,535	1,582
Miscellaneous - net	25	**1,630**	1,216	1,205	**1,116**	839	567
		7,114	6,655	7,102	**6,496**	5,843	6,135
TOTAL OPERATING INCOME *(Forward)*		**P 21,051**	P 19,882	P 19,560	**P 16,203**	P 15,618	P 15,019

See Notes to Financial Statements.

	Notes	GROUP 2016	GROUP 2015	GROUP 2014	PARENT COMPANY 2016	PARENT COMPANY 2015 (As Restated - See Note 2)	PARENT COMPANY 2014 (As Restated - See Note 2)
TOTAL OPERATING INCOME		**P 21,051**	P 19,882	P 19,560	**P 16,203**	P 15,618	P 15,019
OTHER OPERATING EXPENSES							
Employee benefits	24	**5,408**	4,731	4,064	**3,666**	3,190	2,748
Occupancy and equipment-related	28, 29	**2,871**	2,607	2,528	**2,180**	1,917	1,863
Depreciation and amortization	13, 14, 15	**1,766**	1,611	1,577	**985**	1,030	911
Taxes and licenses	14	**1,840**	1,437	1,463	**1,287**	938	1,016
Miscellaneous	25	**5,470**	4,675	4,604	**4,556**	3,396	3,482
		17,355	15,061	14,236	**12,674**	10,471	10,020
PROFIT BEFORE TAX		**3,696**	4,821	5,324	**3,529**	5,147	4,999
TAX EXPENSE (INCOME)	26	**(174)**	(307)	914	**(339)**	18	588
NET PROFIT		**P 3,870**	P 5,128	P 4,410	**P 3,868**	P 5,129	P 4,411
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 3,868**	P 5,129	P 4,411			
NON-CONTROLLING INTERESTS		**2**	(1)	(1)			
		P 3,870	P 5,128	P 4,410			
Earnings Per Share							
Basic and diluted	30	**P 2.76**	P 3.07	P 3.11	**P 2.76**	P 3.07	P 3.11

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2016	GROUP 2015 (As Restated - See Note 2)	GROUP 2014 (As Restated - See Note 2)	PARENT COMPANY 2016	PARENT COMPANY 2015 (As Restated - See Note 2)	PARENT COMPANY 2014 (As Restated - See Note 2)
NET PROFIT		**P 3,870**	P 5,128	P 4,410	**P 3,868**	P 5,129	P 4,411
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**(325)**	(1,045)	35	**(349)**	(987)	80
Fair value gains (losses) on financial assets at fair value through other comprehensive income	10, 23	**1,442**	(140)	118	**1,395**	(220)	56
		1,117	(1,185)	153	**1,046**	(1,207)	136
Share in other comprehensive income of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12, 24	**-**	1	(34)	**24**	(57)	(79)
Fair value gains on financial assets at fair value through other comprehensive income	10, 12, 23	**-**	-	-	**47**	77	62
		-	1	(34)	**71**	20	(17)
Items that will be reclassified subsequently to profit or loss							
Share in other comprehensive income of the subsidiaries - Translation adjustments on foreign operations	23	**25**	(10)	(5)	**25**	(10)	(5)
Total Other Comprehensive Income (Loss)	23	**1,142**	(1,194)	114	**1,142**	(1,197)	114
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 5,012**	P 3,934	P 4,524	**P 5,010**	P 3,932	P 4,525
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 5,010**	P 3,932	P 4,525			
NON-CONTROLLING INTERESTS		**2**	2	(1)			
		P 5,012	P 3,934	P 4,524			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Millions of Philippine Pesos)

GROUP

	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
		ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS										
Balance at January 1, 2016		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
Transaction with owners	23											
Cash dividends		-	-	-	-	-	-	-	(1,008)	(1,008)	-	(1,008)
Total comprehensive income for the year	23	-	-	-	-	1,142	-	-	3,868	5,010	2	5,012
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	27	-	(27)	-	-	-
		-	-	-	-	1,139	27	-	3,844	4,002	2	4,004
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P -	P 621	P 415	(P 97)	P 24,531	P 62,107	P 26	P 62,133
Balance at January 1, 2015		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131
Transactions with owners	23											
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	-	7,729	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	-	(723)	(5,606)	-	(5,606)
Cash dividends		-	-	-	-	-	-	-	(1,059)	(1,059)	-	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	-	(1,782)	1,064	-	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,197)	-	-	5,129	3,932	2	3,934
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	22	-	(22)	-	-	-
		1,242	-	6,487	(4,883)	(1,200)	22	-	3,328	4,996	2	4,998
Balance at December 31, 2015		P 13,999	P 3	P 22,635	P -	(P 518)	P 388	(P 97)	P 21,695	P 58,105	P 24	P 58,129
Balance at January 1, 2014		P 12,757	P 3	P 16,148	P 4,883	P 540	P 348	(P 282)	P 15,905	P 50,302	P 23	P 50,325
Transactions with owners	23											
Effect of retirement of preferred shares		-	-	-	-	-	-	185	(185)	-	-	-
Cash dividends		-	-	-	-	-	-	-	(1,718)	(1,718)	-	(1,718)
Total transactions with owners		-	-	-	-	-	-	185	(1,903)	(1,718)	-	(1,718)
Total comprehensive income (loss) for the year	23	-	-	-	-	114	-	-	4,411	4,525	(1)	4,524
Transfer of fair value losses on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	28	-	-	(28)	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	18	-	(18)	-	-	-
		-	-	-	-	142	18	185	2,462	2,807	(1)	2,806
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131

See Notes to Financial Statements.

PARENT COMPANY

	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	SURPLUS	TOTAL EQUITY
Balance at January 1, 2016									
As previously reported		P 13,999	P 3	P 22,635	P -	(P 458)	P 356	P 14,282	P 50,817
Effect of adoption of PAS 27 (Amendments)	2	-	-	-	-	(60)	-	7,278	7,218
As restated		13,999	3	22,635	-	(518)	356	21,560	58,035
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,008)	(1,008)
Total comprehensive income for the year	23	-	-	-	-	1,142		3,868	5,010
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	22	(22)	-
		-	-	-	-	1,139	22	2,841	4,002
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P -	P 621	P 378	P 24,401	P 62,037
Balance at January 1, 2015									
As previously reported		P 12,757	P 3	P 16,148	P 4,883	P 749	P 341	P 11,811	P 46,692
Effect of adoption of PAS 27 (Amendments)		-	-	-	-	(67)	-	6,414	6,347
As restated		12,757	3	16,148	4,883	682	341	18,225	53,039
Transactions with owners	23								
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	(723)	(5,606)
Cash dividends		-	-	-	-	-	-	(1,059)	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	(1,782)	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,197)	-	5,129	3,932
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	(3)	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
		1,242	-	6,487	(4,883)	(1,200)	15	3,335	4,996
Balance at December 31, 2015		P 13,999	P 3	P 22,635	P -	(P 518)	P 356	P 21,560	P 58,035
Balance at January 1, 2014									
As previously reported		P 12,757	P 3	P 16,148	P 4,883	P 613	P 327	P 9,064	P 43,795
Effect of adoption of PAS 27 (Amendments)	2	-	-	-	-	(73)	-	6,510	6,437
As restated		12,757	3	16,148	4,883	540	327	15,574	50,232
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,718)	(1,718)
Total comprehensive income for the year	23	-	-	-	-	114	-	4,411	4,525
Transfer of fair value losses on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	28	-	(28)	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	14	(14)	-
		-	-	-	-	142	14	2,651	2,807
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 682	P 341	P 18,225	P 53,039

LARGE TAXPAYERS ASSISTANCE DIVISION
APR 10 2017
MELINA PRISCA

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2016	GROUP 2015	GROUP 2014	PARENT COMPANY 2016	PARENT COMPANY 2015 (As Restated - See Note 2)	PARENT COMPANY 2014 (As Restated - See Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 3,696	P 4,821	P 5,324	P 3,529	P 5,147	P 4,999
Adjustments for:							
Interest income		(23,137)	(21,520)	(20,200)	(16,529)	(15,763)	(14,911)
Interest received		23,570	21,149	19,980	16,962	15,593	14,757
Interest expense		7,430	5,943	5,233	5,966	4,838	4,368
Interest paid		(7,253)	(5,861)	(5,162)	(5,889)	(4,720)	(4,412)
Impairment losses - net	16	1,770	2,350	2,509	856	1,150	1,659
Depreciation and amortization	13, 14, 15	1,766	1,611	1,577	985	1,030	911
Dividend income	25	(449)	(237)	(285)	(307)	(87)	(107)
Share in net earnings of subsidiaries and associates	12	(131)	(93)	(24)	(1,500)	(1,535)	(1,582)
Gain on assets sold	14, 25	(120)	(281)	(333)	(139)	(162)	(18)
Operating profit before working capital changes		7,142	7,882	8,619	3,934	5,491	5,664
Decrease (increase) in financial assets at fair value through profit and loss		(12,967)	11,346	21,018	(13,082)	11,069	19,381
Decrease (increase) in financial assets at fair value through other comprehensive income		(1,471)	(493)	(76)	48	(339)	-
Decrease (increase) in loans and receivables		(7,263)	(39,323)	(28,046)	4,151	(27,179)	(17,819)
Decrease (increase) in investment properties		(212)	1,502	242	15	408	657
Decrease (increase) in other resources		(528)	(1,469)	942	354	(96)	(234)
Increase (decrease) in deposit liabilities		10,715	26,601	17,908	(3,905)	16,048	4,402
Increase (decrease) in accrued interest, taxes and other expenses		338	(89)	(59)	179	(15)	(2)
Increase (decrease) in other liabilities		(256)	232	(119)	(1,385)	(93)	1,940
Cash generated from (used in) operations		(4,502)	6,189	20,429	(9,691)	5,294	13,989
Cash paid for taxes		(574)	(602)	(792)	(501)	(540)	(593)
Net Cash From (Used in) Operating Activities		(5,076)	5,587	19,637	(10,192)	4,754	13,396
CASH FLOWS FROM INVESTING ACTIVITIES							
Increase (decrease) in investment securities at amortized cost		50,017	(21,428)	(20,993)	46,614	(21,200)	(20,577)
Acquisitions of bank premises, furniture, fixtures, and equipment	13	(2,782)	(1,961)	(912)	(1,129)	(1,411)	(573)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	834	461	98	344	242	185
Cash dividends received	12, 25	560	313	285	307	766	1,682
Acquisitions of intangible assets	15	(294)	(1,348)	(288)	(270)	(1,243)	(124)
Additional investments in and advances to subsidiaries and associates	12	-	-	(4)	-	(750)	(4)
Net Cash From (Used in) Investing Activities		48,335	(23,963)	(21,814)	45,866	(23,596)	(19,411)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from (payments of) bills payable	18	(11,761)	9,605	(96)	(14,104)	8,979	(230)
Dividends paid	23	(1,008)	(1,059)	(1,718)	(1,008)	(1,059)	(1,718)
Net proceeds from issuance of bonds payable	19	-	15,878	-	-	15,878	-
Issuance of common stock	23	-	7,729	-	-	7,729	-
Redemption of hybrid perpetual securities	23	-	(5,173)	-	-	(5,173)	-
Net proceeds from issuance of subordinated debt	20	-	-	9,921	-	-	9,921
Net Cash From (Used in) Financing Activities		(12,769)	26,980	8,107	(15,112)	26,354	7,973
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Forward)*		P 30,490	P 8,604	P 5,930	P 20,562	P 7,512	P 383

See Notes to Financial Statements.

	Note	GROUP 2016	GROUP 2015	GROUP 2014	PARENT COMPANY 2016	PARENT COMPANY 2015	PARENT COMPANY 2014
NET INCREASE IN CASH AND CASH EQUIVALENTS		**P 30,490**	P 8,604	P 5,930	**P 20,562**	P 7,512	P 383
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	**14,070**	13,085	9,826	**10,127**	9,539	7,563
Due from Bangko Sentral ng Pilipinas	9	**50,617**	46,099	52,491	**42,026**	37,763	48,679
Due from other banks	9	**19,701**	16,600	7,537	**18,196**	15,535	6,212
		84,388	75,784	69,854	**70,349**	62,837	62,454
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**15,176**	14,070	13,085	**11,000**	10,127	9,539
Due from Bangko Sentral ng Pilipinas	9	**66,520**	50,617	46,099	**50,871**	42,026	37,763
Due from other banks	9	**25,293**	19,701	16,600	**24,109**	18,196	15,535
Loans and receivables arising from reverse repurchase agreement	9	**7,889**	-	-	**4,931**	-	-
		P 114,878	P 84,388	P 75,784	**P 90,911**	P 70,349	P 62,837

Supplemental Information on Non-cash Investing and Financing Activities:

1. In 2014, the Parent Company reclassified a portion of RSB Corporate Center including the land where it is located with carrying amount of P1,985 and P419, respectively, from Bank Premises, Furniture, Fixtures, and Equipment to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is classified as part of the Investment Properties account in the 2014 statement of financial position. In 2015, building and land amounting to P71 and P12, respectively, were reverted to Bank Premises, Furniture, Fixtures and Equipment due to change in use (see Notes 13 and 14).

2. Prior to 2014, the Group received a 10-year note from Philippine Asset Growth One, Inc. with a face amount of P731 which formed part of the consideration received in relation to the Parent Company's disposal of non-performing assets (see Note 11).

See Notes to Financial Statements.

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

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. It also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

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

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

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Automated teller machines (ATMs)	**1,488**	1,342	**1,047**	906
Branches	**446**	420	**281**	259
Extension offices	**35**	36	**25**	26

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

The Parent Company's registered address, which is also its principal office, is located at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

1.2 Subsidiaries and Associates

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

Subsidiaries/Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2016	2015
Subsidiaries:				
RCBC Savings Bank, Inc. (RSB)	Consumer and retail banking		**100.00**	100.00
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	Remittance	(a)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(b)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.39**	99.39
Merchants Savings and Loan Association, Inc. (Rizal Microbank)	Thrift banking and microfinance		**98.03**	98.03
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**97.79**	97.79
RCBC Rental Corporation	Property leasing	(d)	**97.79**	97.79
Special Purpose Companies (SPCs):	Real estate buying and selling	(e)		
Best Value Property and Development Corporation (Best Value)			**100.00**	100.00
Cajel Realty Corporation (Cajel)			**100.00**	100.00
Crescent Park Property and Development Corporation (Crescent Park)			**100.00**	100.00
Crestview Properties Development Corporation (Crestview)			**100.00**	100.00
Eight Hills Property and Development Corporation (Eight Hills)			**100.00**	100.00
Fairplace Property and Development Corporation			**100.00**	100.00
Gold Place Properties Development Corporation (Gold Place)			**100.00**	100.00
Goldpath Properties Development Corporation (Goldpath)			**100.00**	100.00
Greatwings Properties Development Corporation (Greatwings)			**100.00**	100.00
Happyville Property and Development Corporation			**100.00**	100.00
Landview Property and Development Corporation			**100.00**	100.00
Lifeway Property and Development Corporation (Lifeway)			**100.00**	100.00
Niceview Property and Development Corporation (Niceview)			**100.00**	100.00
Niyog Property Holdings, Inc. (NPHI)		(f)	**100.00**	100.00

Subsidiaries/Associates	Line of Business	Effective Percentage of Ownership 2016	2015
SPCs:			
Princeway Properties Development Corporation (Princeway)		**100.00**	100.00
Stockton Realty Development Corporation		**100.00**	100.00
Top Place Properties Development Corporation (Top Place)		**100.00**	100.00
Associates:			
YGC Corporate Services, Inc. (YCS)	Support services for YGC	**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	**12.88**	12.88

Except for RCBC Telemoney (Italy), RCBC North America (USA), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines. RCBC Telemoney and RCBC North America were operational only until March 1, 2016 and March 31, 2014, respectively.

Explanatory Notes:

(a) The Parent Company has 83.97% direct ownership interest and 16.03% indirect ownership interest through RCBC IFL.
(b) A wholly-owned subsidiary of RCBC IFL.
(c) Wholly-owned subsidiaries of RCBC Capital.
(d) A wholly-owned subsidiary of RCBC LFC.
(e) Except for NPHI, the SPCs are wholly-owned subsidiaries of RSB; the SPCs except for NPHI and Cajel, will be liquidated in 2017 pursuant to BSP recommendation (see Note 15.1).
(f) The Parent Company has 48.11% direct ownership interest and 51.89% indirect ownership interest through RSB.

1.3 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the separate financial statements of RCBC as of and for the year ended December 31, 2016 (including the comparatives as of December 31, 2015 and for the years ended December 31, 2015 and 2014 and the corresponding figures as of January 1, 2015) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on February 27, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy.

These financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements.* The Group presents all items of income and expenses in two statements: a "statement of profit or loss" and a "statement of comprehensive income."

The Group presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Parent Company made material retrospective restatement in its separate financial statements as of and for the year ended December 31, 2015 and in the corresponding figures as of January 1, 2015 arising from the change in accounting of its investments in subsidiaries and associates from the cost method to the equity method. This is in line with the adoption of PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements,* effective on January 1, 2016, wherein it provides a third option which permits an entity to account for its investments in subsidiaries, associates and joint ventures under the equity method in its separate financial statements in addition to the current option of accounting those investments at cost or in accordance with PAS 39, *Financial Instruments: Recognition and Measurement,* or PFRS 9, *Financial Instruments* [see Note 2.2(a)(iv)].

While the amendment indicates that it is an option, the BSP, through its Circular No. 915, made it a mandatory requirement for banks and non-bank financial institutions to measure such investments using the equity method in their separate financial statements. As a result, the 2015 comparative financial statements and the January 1, 2015 corresponding figures of the Parent Company contained in these financial statements were restated. Accordingly, the Parent Company presents a third statement of financial position as of January 1, 2015 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* The effect of the restatement is presented in Note 2.2(a)(iv).

Moreover, the Group and the Parent Company made a retrospective reclassification in their statements of financial position as of December 31, 2015 by presenting the Deferred Tax Assets account with an amount of P1,222 and P443, respectively, as of December 31, 2015 (nil as of January 1, 2015) from the Other Resources account to conform with the current presentation. Also, the Group and the Parent Company made a retrospective reclassification in its 2015 and 2014 statements of profit or loss relating to certain accounts within the Other Operating Income account to conform also with the current presentation. These reclassifications did not result in any adjustment to the balances of total resources, total comprehensive income or total equity as previously reported, hence, did not require the presentation of a third statement of financial position. The effects of the reclassification in the specific accounts in the 2015 and 2014 statements of profit or loss, before the effects of the restatements arising from the use of the equity method of accounting under PAS 27 (Amendments) [see Note 2.2(a)(iv)], are as follows:

	December 31, 2015		
	As Previously Reported	Effects of Reclassification	As Restated
Changes in the Group's other operating income:			
Service fees and commissions	P 2,897	P 576	P 3,473
Trading and securities gains – net	1,406	(79)	1,327
Foreign exchange gains – net	181	79	260
Miscellaneous – net	1,885	(576)	1,309
Changes in the Parent Company's other operating income:			
Service fees and commissions	P 1,217	P 576	P 1,793
Trading and securities gains – net	1,311	(79)	1,232
Foreign exchange gains – net	133	79	212
Miscellaneous – net	2,054	(576)	1,478

	December 31, 2014		
	As Previously Reported	Effects of Reclassification	As Restated
Changes in the Group's other operating income:			
Service fees and commissions	P 2,297	P 497	P 2,794
Trading and securities gains – net	2,545	(34)	2,511
Foreign exchange gains – net	237	34	271
Miscellaneous – net	1,726	(497)	1,229
Changes in the Parent Company's other operating income:			
Service fees and commissions	P 1,166	P 497	P 1,663
Trading and securities gains – net	1,869	(34)	1,835
Foreign exchange gains – net	199	34	233
Miscellaneous – net	2,668	(497)	2,171

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.18). All amounts are in millions, except per share data or when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 *Adoption of New and Amended PFRS*

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	: Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	: Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and 41 (Amendments)	: Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 27 (Amendments)	: Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	: Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements	: Annual Improvements to PFRS (2012-2014 Cycle)

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

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative.* The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, these clarify that the materiality principle applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented in the statement of comprehensive income based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. These further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

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

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

(iv) PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements.* These amendments introduce a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9.

Relative to these amendments, the Parent Company changed its accounting for investment in subsidiaries and associates from the cost to the equity method [see Note 2.1(b)]. The Parent Company has applied PAS 27 (Amendments) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative separate financial statements for December 31, 2015 and the corresponding figures as of January 1, 2015. The effects of the restatement in the affected resources, liabilities and equity components are shown below and in the succeeding page.

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method	As Restated
Changes in resources:			
Investments in and advances to subsidiaries and associates – net	P 8,748	P 7,136	P 15,884
Other resources – net (including deferred tax assets)	6,201	22	6,223
		7,158	
Changes in liabilities –			
Other liabilities	(9.,247)	60	(9,156)
Net increase in equity		P 7,218	

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method	As Restated
Changes in components of equity:			
Revaluation reserves	(P 458)	(P 60)	(P 518)
Surplus	14,282	7,278	21,560
Net increase in equity		P 7,218	

	January 1, 2015		
	As Previously Reported	Effects of Using Equity Method	As Restated
Changes in resources:			
Investments in and advances to subsidiaries and associates – net	P 7,999	P 6,459	P 14,458
Other resources – net (including deferred tax assets)	5,027	57	5,084
		6,516	
Changes in liabilities –			
Other liabilities	(8,474)	(169)	(8,643)
Net increase in equity		P 6,347	
Changes in components of equity:			
Revaluation reserves	749	(67)	682
Surplus	11,811	6,414	18,225
Net increase in equity		P 6,347	

The effects of the adoption of PAS 27 (Amendments), including the retrospective reclassification in certain accounts [see Note 2.1(b)] in the Parent Company's statements of profit or loss, statements of comprehensive income, and earnings per share (EPS), for the years ended December 31, 2015 and 2014 are shown below and in the succeeding page.

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method and Retrospective Reclassification	As Restated
Changes in profit or loss:			
Service fees and commissions	P 1,217	P 576	P 1,793
Trading and securities gains – net	1,311	(79)	1,232
Foreign exchange gains – net	133	79	212
Share in net earnings of subsidiaries and associates	-	1,535	1,535
Miscellaneous income – net	2,054	(1,215)	839
Depreciation and amortization	(994)	(36)	(1,030)
Net increase in net profit		P 860	
Basic and diluted EPS	P 2.44	P 0.63	P 3.07

	December 31, 2015		
	As Previously Reported	Effects of Using Equity Method and Retrospective Reclassification	As Restated
Changes in other comprehensive income:			
Share in other comprehensive income of subsidiaries and associates:			
Actuarial losses on defined benefit plan	P -	(P 57)	(P 57)
Fair value gains on financial assets at fair value through other comprehensive income (FVOCI)	-	77	77
Translation adjustments on foreign operations	-	(10)	(10)
Net decrease in other comprehensive losses		P 10	

	December 31, 2014		
	As Previously Reported	Effects of Using Equity Method and Retrospective Reclassification	As Restated
Changes in profit or loss:			
Impairment losses – net	P 1,663	P 4	P 1,659
Service fees and commissions	1,166	497	1,663
Trading and securities gains – net	1,869	(34)	1,835
Foreign exchange gains – net	199	34	233
Share in net earnings of subsidiaries and associates	-	1,582	1,582
Miscellaneous income – net	2,668	(2,101)	567
Depreciation and amortization	(860)	(51)	(911)
Net decrease in net profit		(P 69)	
Basic and diluted EPS	P 3.16	(P 0.05)	P 3.11
Changes in other comprehensive income:			
Share in other comprehensive income of subsidiaries and associates:			
Actuarial losses on defined benefit plan	P -	(P 79)	(P 79)
Fair value gains on financial assets at FVOCI		62	62
Translation adjustments on foreign operations	-	(5)	(5)
Net decrease in other comprehensive income		(P 22)	

The adoption of PAS 27 (Amendments) did not have a material impact on the Parent Company's statement of cash flows for the years ended December 31, 2015 and 2014.

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

(vi) PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*. These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRS, except for those principles that conflict with the guidance in PFRS 11.

(vii) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group:

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

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

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

(b) *Effective in 2016 that is not Relevant to the Group*

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's financial statements:

PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
PAS 34 (Amendment)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"

(c) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, the amendments suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions – herein referred to as PFRS 9). In addition to the principal classification categories for financial assets and financial liabilities, which were early adopted by the Group on January 1, 2014, PFRS 9 (2014) includes the following major provisions:

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

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

In view of the Group's early adoption of PFRS 9, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group. In 2015, the management formed a project team to conduct a comprehensive study on the potential impact of this standard prior to its mandatory adoption. This includes the formulation and review of applicable expected credit loss models and methodologies covering the Group's credit exposures.

(iv) PFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishe~ a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is currently assessing the impact of this standard on the Group's financial statements.

(v) PFRS 16, Leases (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

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

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

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

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.2, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

The Parent Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and, it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method [see Note 2.2(a)(iv)]. Under the equity method, all subsequent changes to the ownership interest in the equity of the subsidiaries are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the subsidiaries are credited or charged against the Share in Net Earnings of Subsidiaries and Associates account in the statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Dividends received are accounted for as reduction in the carrying value of the investment.

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

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

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

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

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

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. On the other hand, negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at the date of acquisition over acquisition cost and is recognized directly in profit or loss.

(ii) *Pooling of interest method* is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in a separate reserve account under equity.

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in joint venture. In the consolidated financial statements, investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Under the equity method, the Group recognizes in profit or loss its share in the net earnings or losses of the associates. The cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the associates since the date of acquisition. Dividends received are accounted for as reduction in the carrying value of the investment.

Acquired investments in associates are subject to purchase method of accounting as described in Note 2.3(a)(i). However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates. All subsequent changes to the ownership of interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited against Share in Net Earnings of Subsidiaries and Associates account in the Group's statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

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

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

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

(c) Interest in Jointly Controlled Operation

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

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

(d) *Transactions with Non-controlling Interests*

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

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

In the Parent Company's financial statements, impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered (see Note 2.19).

2.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's operations are structured according to the nature of the services provided (primary segment) and different geographical markets served (secondary segment). Financial information on business segments is presented in Note 8.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification, Measurement and Reclassification of Financial Assets*

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

(i) Financial Assets at Amortized Cost

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

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

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

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Receivables Arising from Reverse Repurchase Agreement, Investment securities at amortized cost under Trading and Investment Securities, Loans and Receivables and certain Other Resources accounts.

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

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2016 and 2015, the Group has not made such designation.

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

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

A financial asset is considered as held for trading if:

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

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

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

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

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

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

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

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

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

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

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

(iii) the Group granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or,

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Financial Assets Carried at Amortized Cost

For financial assets classified and measured at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

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

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

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

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

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

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

(ii) Financial Assets Carried at Fair Value Through Other Comprehensive Income

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

In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss. If, in a subsequent period, the fair value of such debt instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(c) Derecognition of Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, interest rate swaps, debt warrants, options and credit default swap. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are categorized as Financial Assets at FVPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

2.7 Offsetting Financial Instruments

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

2.8 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

Buildings	20-50 years
Furniture, fixtures and equipment	3-15 years

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

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

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

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

2.9 Investment Properties

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

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

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

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

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

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

2.10 Assets Held-for-Sale and Disposal Group

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

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell.

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

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

2.11 Intangible Assets

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

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

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

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

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

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

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

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

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

2.12 Other Resources

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

2.13 Financial Liabilities

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

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

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

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

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

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

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

2.14 Provisions and Contingencies

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

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

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

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

2.15 Equity

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

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

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

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI;

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

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

(d) Share in other comprehensive income of subsidiaries and associates.

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

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

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

NCI represents the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statement of profit or loss and comprehensive income and within equity in the consolidated statement of financial position and changes in equity.

2.16 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably.

The following specific recognition criteria must also be met before a revenue or expense is recognized:

(a) *Interest Income and Expenses*

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

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

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

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

These are recognized when the ownership of the securities is transferred to the buyer and is computed at the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains as a result of the mark-to-market valuation of investment securities classified as FVPL.

(c) *Service Fees and Commissions*

These are recognized as follows:

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

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

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

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

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

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

(d) Gains on Assets Sold

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

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

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

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

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

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

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

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

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

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

2.18 Foreign Currency Transactions and Translations

(a) Transactions and Balances

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

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

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

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

(b) Translation of Financial Statements of Foreign Subsidiaries

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

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

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

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

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

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

2.19 Impairment of Non-financial Assets

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

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

Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading rights) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

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

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

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

2.20 Employee Benefits

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

(a) *Post-employment Defined Benefit Plan*

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

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

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

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

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

(b) *Post-employment Defined Contribution Plan*

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

(c) Termination Benefits

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

(d) Bonus Plans

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

(e) Compensated Absences

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

2.21 Borrowing Costs

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

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

2.22 Income Taxes

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

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

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

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

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

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

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

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

2.23 Related Party Relationships and Transactions

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

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

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

2.24 Earnings Per Share

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

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

In cases of redemption of preference shares, the net income used in the computation of basic and diluted EPS is decreased by the excess of the fair value of consideration paid to holders of the instruments over the carrying amount of such repurchased the instruments.

2.25 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

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

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

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

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

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

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

(c) Evaluation of Impairment of Financial Assets at FVOCI

The determination when a financial asset at FVOCI is other-than-temporarily impaired requires the Group to make judgment. In making this judgment with respect to the Group's outstanding financial assets at FVOCI as of December 31, 2016 (see Note 10.2), the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. For investments issued by counterparty under bankruptcy, the Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quotes prices for distressed securities) since current bid prices are no longer available.

(d) Distinction Between Investment Properties and Owner-occupied Properties

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

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

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

(e) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities. As of December 31, 2016 and 2015, most of the Group's lease arrangements qualify as operating leases except for the various lease agreements of RCBC LFC which are accounted for under finance lease.

(f) Classification and Determination of Fair Value of Acquired Properties

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

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group's and the Parent Company's legal cases and are based upon the analysis of probable results. Although the Group does not believe that its on-going proceedings as disclosed in Note 29 will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

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

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

Moreover, the Group holds debt securities measured at amortized cost as of December 31, 2016 and 2015. The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

The Group carries certain financial assets at fair value which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss and other comprehensive income.

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

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

(c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties, Computer Software, Branch Licenses and Trading Rights

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's branch licenses and trading rights were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 15. Based on management's assessment as of December 31, 2016 and 2015, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2016 and 2015 are disclosed in Note 26.1.

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

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

(f) Determination of Fair Value of Investment Properties

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

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

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

(g) Valuation of Post-employment Defined Benefits

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

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

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

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

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

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

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

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

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

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

- The Related Party Transactions Management Committee (RPT ManCom), composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed RPT below the materiality threshold for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances unless the transaction requires board approval. On favorable review, the RPT ManCom endorses the transaction for BOD confirmation.

- The Anti-Money Laundering Committee (AMLCom) was created through an order of the Senior Management Committee on June 24, 2002, for the evaluation of the suspicious transaction reports (STR) reported by different units before submission to the Anti-Money Laundering Council (AMLC). The AMLCom exercises authority over all accounts considered suspicious under the Anti-Money Laundering Act (AMLA), with the principal purpose of assisting the BOD in fulfilling the following oversight responsibilities:

  (i) Preventing the Bank from being used as a conduit for money laundering;
  (ii) Reviewing filed AML cases;
  (iii) Reviewing tagged frozen accounts;
  (iv) Approving/disapproving the filing of an STR escalated by the Compliance Office;
  (v) Monitoring filed STR through the Compliance Office;
  (vi) Adopting an internal guideline on filing of STR and AMLCom disposition; and,
  (vii) Ensuring compliance with BSP rules and regulations relating to anti-money laundering.

  The AMLCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Operational Risk Management Group, Legal Affairs Division as members, and AML Division as the Rapporteur. The AML Division, through the Chief Compliance Officer, reports to the Audit Committee and the BOD its monthly activities including the AMLCom meetings.

The Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure the consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the risk profile group-wide. In 2016, CRISMS was divided into two sub-groups, the Business Risk Group (BRG) and the Operational Risk Group (ORG), for a more focused and dedicated management of risks. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's ROC. It participates in the CRECOL and ALCO meetings.

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

4.1 Group's Strategy in Using Financial Instruments

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

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

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

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

4.2 Liquidity Risk

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

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

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

The gap analyses as of December 31, 2016 and 2015 are presented below.

	Group 2016					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash and cash equivalents	P 46,866	P -	P -	P -	P 68,012	P 114,878
Investments - net	18,729	4,683	9,699	37,347	5,547	76,005
Loans and receivables - net	26,578	52,035	83,224	88,427	55,903	306,167
Other resources - net	7,305	232	1,063	34	15,509	24,143
Total resources	99,478	56,950	93,986	125,808	144,971	521,193
Liabilities:						
Deposit liabilities	51,586	15,147	10,523	-	275,821	353,077
Bills payable	9,552	5,628	20,970	1,493	-	37,643
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	8,260	24	-	-	8,509	16,793
Total liabilities	83,070	20,799	69,368	1,493	284,330	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	83,070	20,799	69,368	1,493	346,463	521,193
On-book gap	16,408	36,151	24,618	124,315	(201,492)	-
Cumulative on-book gap	16,408	52,559	77,177	201,492	-	-
Contingent resources	14,727	2,032	2,138	-	-	18,897
Contingent liabilities	21,275	2,032	2,138	-	-	25,445
Off-book gap	(6,548)	-	-	-	-	(6,548)
Cumulative off-book gap	(6,548)	(6,548)	(6,548)	(6,548)	(6,548)	-
Periodic gap	9,860	36,151	24,618	124,315	(201,492)	(6,548)
Cumulative total gap	P 9,860	P 46,011	P 70,629	P 194,944	(P 6,548)	P -

	Group 2015					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 25,761	P -	P -	P -	P 58,627	P 84,388
Investments - net	20,331	2,246	13,571	71,683	3,733	111,564
Loans and receivables - net	26,051	43,676	63,011	117,598	48,783	299,119
Other resources - net	7,783	283	1,209	48	11,667	20,990
Total resources	79,926	46,205	77,791	189,329	122,318	516,061
Liabilities:						
Deposit liabilities	51,332	16,800	19,202	-	255,028	342,362
Bills payable	20,731	565	17,339	10,769	-	49,404
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	9,422	40	-	-	7,404	16,866
Total liabilities	81,485	17,405	70,820	25,790	262,432	457,932
Equity	-	-	-	-	58,129	58,129
Total liabilities and equity	81,485	17,405	70,820	25,790	320,561	516,061
On-book gap	(1,559)	28,800	6,971	163,539	(197,751)	-
Cumulative on-book gap	(1,559)	27,241	34,212	197,751	-	-
Contingent resources	23,434	2,527	2,353	-	-	28,314
Contingent liabilities	23,605	2,545	2,353	-	-	28,503
Off-book gap	(171)	(18)	-	-	-	(189)
Cumulative off-book gap	(171)	(189)	(189)	(189)	(189)	-
Periodic gap	(1,730)	28,782	6,971	163,539	(197,751)	(189)
Cumulative total gap	(P 1,730)	P 27,052	P 34,023	P 197,562	(P 189)	P -

	Parent Company 2016					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 41,639	P -	P -	P -	P 49,272	P 90,911
Investments - net	16,044	3,378	8,099	33,477	21,832	82,830
Loans and receivables - net	15,271	38,062	47,400	77,804	49,895	228,432
Other resources - net	3,440	5	497	6	11,661	15,609
Total resources	76,394	41,445	55,996	111,287	132,660	417,782
Liabilities:						
Deposit liabilities	40,186	10,418	9,786	-	199,775	260,165
Bills payable	9,552	1,197	19,470	1,493	-	31,712
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	4,698	-	-	-	7,623	12,321
Total liabilities	68,108	11,615	67,131	1,493	207,398	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	68,108	11,615	67,131	1,493	269,435	417,782
On-book gap	8,286	29,830	(11,135)	109,794	(136,775)	-
Cumulative on-book gap	8,286	38,116	26,981	136,775	-	-
Contingent resources	14,557	2,032	2,138	-	-	18,727
Contingent liabilities	20,911	2,032	2,138	-	-	25,081
Off-book gap	(6,354)	-	-	-	-	(6,354)
Cumulative off-book gap	(6,354)	(6,354)	(6,354)	(6,354)	(6,354)	-
Periodic gap	1,932	29,830	(11,135)	109,794	(136,775)	(6,354)
Cumulative total gap	P 1,932	P 31,762	P 20,627	P 130,421	(P 6,354)	P -

	Parent Company 2015 [As Restated – See Note 2.2(a)(iv)]					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 21,285	P -	P -	P -	P 49,064	P 70,349
Investments - net	17,558	1,433	11,862	63,904	18,917	113,674
Loans and receivables - net	19,256	31,124	29,326	108,175	43,827	231,708
Other resources - net	5,857	4	623	20	7,577	14,081
Total resources	63,956	32,561	41,811	172,099	119,385	429,812
Liabilities:						
Deposit liabilities	35,911	9,185	18,802	-	200,172	264,070
Bills payable	18,228	-	16,819	10,769	-	45,816
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	11,788	-	-	-	803	12,591
Total liabilities	65,927	9,185	69,900	25,790	200,975	371,777
Equity	-	-	-	-	58,035	58,035
Total liabilities and equity	65,927	9,185	69,900	25,790	259,010	429,812
On-book gap	(1,971)	23,386	(28,089)	146,309	(139,635)	-
Cumulative on-book gap	(1,971)	21,415	(6,674)	139,635	-	-
Contingent resources	23,182	2,527	2,353	-	-	28,062
Contingent liabilities	23,182	2,545	2,353	-	-	28,080
Off-book gap	-	(18)	-	-	-	(18)
Cumulative off-book gap	-	(18)	(18)	(18)	(18)	-
Periodic gap	(1,971)	23,368	(28,089)	146,309	(139,625)	(18)
Cumulative total gap	(P 1,971)	P 21,397	(P 6,692)	P 139,617	(P 18)	P -

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

4.2.1 Foreign Currency Liquidity Management

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

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

4.2.2 Liquidity Risk Stress

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

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Group							
	At December 31		Average		Maximum		Minimum	
2016:								
Foreign currency risk	P	15	P	10	P	28	P	3
Interest rate risk		201		232		425		166
Overall	**P**	**216**	**P**	**242**	**P**	**453**	**P**	**169**
2015:								
Foreign currency risk	P	15	P	7	P	17	P	2
Interest rate risk		279		245		360		167
Overall	P	294	P	252	P	377	P	169

	Parent Company							
	At December 31		Average		Maximum		Minimum	
2016:								
Foreign currency risk	P	15	P	9	P	27	P	3
Interest rate risk		83		102		217		70
Overall	**P**	**98**	**P**	**111**	**P**	**244**	**P**	**73**
2015:								
Foreign currency risk	P	15	P	7	P	16	P	2
Interest rate risk		118		114		190		64
Overall	P	133	P	121	P	206	P	66

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	Foreign Currencies	Philippine Pesos	Total
2016:			
Resources:			
Cash and other cash items	P 5,242	P 9,934	P 15,176
Due from BSP	-	66,520	66,520
Due from other banks	23,775	1,518	25,293
Loans and receivables arising from reverse repurchase agreement	-	7,889	7,889
Financial assets at FVPL	15,679	2,400	18,079
Financial assets at FVOCI	1,744	3,935	5,679
Investment securities at amortized cost	40,542	11,322	51,864
Loans and receivables - net	55,148	251,019	306,167
Other resources	112	669	781
	P 142,242	P 355,206	P 497,448
Liabilities:			
Deposit liabilities	P 92,284	P 260,793	P 353,077
Bills payable	31,709	5,934	37,643
Bonds payable	41,595	-	41,595
Subordinated debt	-	9,952	9,952
Accrued interest and other expenses	1,103	3,427	4,530
Other liabilities	802	8,466	9,268
	P 167,493	P 288,572	P 456,065
2015:			
Resources:			
Cash and other cash items	P 830	P 13,240	P 14,070
Due from BSP	-	50,617	50,617
Due from other banks	18,977	724	19,701
Financial assets at FVPL	2,040	3,072	5,112
Financial assets at FVOCI	23	4,185	4,208
Investment securities at amortized cost	88,134	13,747	101,881
Loans and receivables - net	42,729	256,390	299,119
Other resources	95	529	624
	P 152,828	P 342,504	P 495,332

	Group					
	Foreign Currencies		Philippine Pesos		Total	
2015:						
Liabilities:						
Deposit liabilities	P	73,214	P	269,148	P	342,362
Bills payable		39,141		10,263		49,404
Bonds payable		39,364		-		39,364
Subordinated debt		-		9,936		9,936
Accrued interest and other expenses		770		3,428		4,198
Other liabilities		789		7,955		8,744
	P	153,278	P	300,730	P	454,008

	Parent Company					
	Foreign Currencies		**Philippine Pesos**		**Total**	
2016:						
Resources:						
Cash and other cash items	P	1,066	P	9,934	P	11,000
Due from BSP		-		50,871		50,871
Due from other banks		23,561		548		24,109
Loans and receivables arising from reverse repurchase agreement		-		4,931		4,931
Financial assets at FVPL		14,675		2,400		17,075
Financial assets at FVOCI		1,744		1,991		3,735
Investment securities at amortized cost		40,542		4,300		44,842
Loans and receivables - net		55,148		173,284		228,432
Other resources		89		474		563
	P	**136,825**	**P**	**248,733**	**P**	**385,558**
Liabilities:						
Deposit liabilities	P	65,959	P	194,206	P	260,165
Bills payable		31,709		3		31,712
Bonds payable		41,595		-		41,595
Subordinated debt		-		9,952		9,952
Accrued interest and other expenses		750		2,717		3,467
Other liabilities		802		5,677		6,479
	P	**140,815**	**P**	**212,555**	**P**	**353,370**

	Parent Company Foreign Currencies	Parent Company Philippine Pesos	Total
2015:			
Resources:			
Cash and other cash items	P 706	P 9,421	P 10,127
Due from BSP	-	42,026	42,026
Due from other banks	17,794	402	18,196
Financial assets at FVPL	2,040	1,953	3,993
Financial assets at FVOCI	23	2,318	2,341
Investment securities at amortized cost	82,979	8,477	91,456
Loans and receivables - net	42,729	188,979	231,708
Advances to RCBC LFC	-	500	500
Other resources	95	384	479
	P 146,366	P 254,460	P 400,826
Liabilities:			
Deposit liabilities	P 66,720	P 197,350	P 264,070
Bills payable	39,141	6,675	45,816
Bonds payable	39,364	-	39,364
Subordinated debt	-	9,936	9,936
Accrued interest and other expenses	750	2,538	3,288
Other liabilities	788	5,119	5,907
	P 146,763	P 221,618	P 368,381

4.3.2 Interest Rate Risk

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

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

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, are not re-priced;
- Debt securities at amortized cost are bucketed based on their re-pricing profile;
- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,
- For resources and liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

	Group 2016					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 41,866	P -	P -	P -	P 73,012	P 114,878
Investments - net	3,359	4,512	9,196	37,347	21,591	76,005
Loans and receivables - net	142,654	32,138	74,189	33,388	23,798	306,167
Other resources - net	3,165	42	726	587	19,623	24,143
Total resources	191,044	36,692	84,111	71,322	138,024	521,193
Liabilities:						
Deposit liabilities	106,462	27,579	14,055	1	204,980	353,077
Bills payable	17,650	3,933	16,060	-	-	37,643
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	625	24	-	-	16,144	16,793
Total liabilities	138,409	31,536	67,990	1	221,124	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	138,409	31,536	67,990	1	283,257	521,193
On-book gap	52,635	5,156	16,121	71,321	(145,233)	-
Cumulative on-book gap	52,635	57,791	73,912	145,233	-	-
Contingent resources	21,063	2,032	2,138	-	-	25,233
Contingent liabilities	21,093	2,032	2,138	-	182	25,445
Off-book gap	(30)	-	-	-	(182)	(212)
Cumulative off-book gap	(30)	(30)	(30)	(30)	(212)	-
Periodic gap	52,605	5,156	16,121	71,321	(1[illegible],415)	(212)
Cumulative total gap	P 52,605	P 57,761	P 73,882	P 145,203	(P 212)	P -

	Group 2015					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 25,641	P -	P -	P -	P 58,747	P 84,388
Investments - net	18,876	2,246	12,106	71,683	6,653	111,564
Loans and receivables - net	138,082	29,671	57,941	51,794	21,631	299,119
Other resources - net	262	34	782	659	19,253	20,990
Total resources	182,861	31,951	70,829	124,136	106,284	516,061
Liabilities:						
Deposit liabilities	86,735	14,311	18,809	-	222,507	342,362
Bills payable	47,197	570	1,637	-	-	49,404
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	472	40	-	-	16,354	16,866
Total liabilities	134,404	14,921	54,725	15,021	238,861	457,932
Equity	-	-	-	-	58,129	58,129
Total liabilities and equity	134,404	14,921	54,725	15,021	296,990	516,061
On-book gap	48,457	17,143	16,228	109,130	(190,958)	-
Cumulative on-book gap	48,457	65,600	81,828	190,958	-	-
Contingent resources	23,434	2,527	2,353	-	-	28,314
Contingent liabilities	23,605	2,545	2,353	-	-	28,503
Off-book gap	(171)	(18)	-	-	-	(189)
Cumulative off-book gap	(171)	(189)	(189)	(189)	(189)	-
Periodic gap	48,286	17,012	16,104	109,115	(190,706)	(189)
Cumulative total gap	P 48,286	P 65,298	P 81,402	P 190,517	(P 189)	P -

	Parent Company 2016 One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 41,628	P -	P -	P -	P 49,283	P 90,911
Investments - net	674	3,207	7,596	33,477	37,876	82,830
Loans and receivables - net	132,387	21,221	22,475	30,813	21,536	228,432
Other resources - net	3	5	497	17	15,087	15,609
Total resources	174,692	24,433	30,568	64,307	123,782	417,782
Liabilities:						
Deposit liabilities	61,105	15,326	9,786	-	173,948	260,165
Bills payable	16,301	-	15,411	-	-	31,712
Bonds payable	13,672	-	27,923	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	514	-	-	-	11,807	12,321
Total liabilities	91,592	15,326	63,072	-	185,755	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	91,592	15,326	63,072	-	247,792	417,782
On-book gap	83,100	9,107	(32,504)	64,307	(124,010)	
Cumulative on-book gap	83,100	92,207	59,703	124,010	-	
Contingent resources	14,557	2,032	2,138	-	-	18,727
Contingent liabilities	20,911	2,032	2,138	-	-	25,081
Off-book gap	(6,354)	-	-	-	-	(6,354)
Cumulative off-book gap	(6,354)	(6,354)	(6,354)	(6,354)	(6,354)	-
Periodic gap	76,746	9,107	(32,504)	64,307	(124,010)	(6,354)
Cumulative total gap	P 76,746	P 85,853	P 53,349	P 117,656	(P 6,354)	P -

	Parent Company 2015 [As Restated – See Note 2.2(a)(iv)]					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 21,285	P -	P -	P -	P 49,064	P 70,349
Investments - net	16,103	1,433	10,397	55,162	30,579	113,674
Loans and receivables - net	132,403	20,006	13,367	49,256	16,676	231,708
Other resources - net	-	4	623	28	13,426	14,081
Total resources	169,791	21,443	24,387	104,446	109,745	429,812
Liabilities:						
Deposit liabilities	51,812	6,372	17,555	-	188,331	264,070
Bills payable	44,695	-	1,121	-	-	45,816
Bonds payable	-	-	24,343	15,021	-	39,364
Subordinated debt	-	-	9,936	-	-	9,936
Other liabilities	393	-	-	-	12,198	12,591
Total liabilities	96,900	6,372	52,955	15,021	200,529	371,777
Equity	-	-	-	-	58,035	58,035
Total liabilities and equity	96,900	6,372	52,955	15,021	258,564	429,812
On-book gap	72,891	15,071	(28,568)	89,425	(148,819)	-
Cumulative on-book gap	72,891	87,962	59,394	148,819	-	-
Contingent resources	23,182	2,527	2,353	-	-	28,062
Contingent liabilities	23,182	2,545	2,353	-	-	28,080
Off-book gap	-	(18)	-	-	-	(18)
Cumulative off-book gap	-	(18)	(19)	(18)	(18)	-
Periodic gap	72,891	15,053	(28,568)	89,425	(148,819)	-
Cumulative total gap	P 72,891	P 87,944	P 59,376	P 148,801	(P 18)	P -

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

	Changes in Interest Rates (in basis points)			
	- 100	**- 200**	**+ 100**	**+ 200**
December 31, 2016				
Group	**(P 667)**	**(P 1,335)**	**P 667**	**P 1,335**
Parent Company	**(906)**	**(1,811)**	**906**	**1,811**
December 31, 2015				
Group	(P 558)	(P 1,116)	P 558	P 1,116
Parent Company	(789)	(1,578)	789	1,578

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVPL or financial assets at FVOCI as of December 31, 2016 and 2015 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI, estimate the potential loss and determines the market and position risk requirement on equity securities at FVPL in the computation of the market and position risk requirement for all equity positions.

RCAP uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. RCAP uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

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

The Credit and Group Risk Division (CGRD) of CRISMS assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (CMG) on the other hand is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits is effectively exercised collectively; (b) business center managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter.

Impairment provisions are recognized for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in particular industry segments that represent a concentration in the Group's financial instrument portfolio could result in losses that are different from those provided for at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts the Group's exposure to such credit risk, as necessary.

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Parent Company uses its internal credit risk rating system (ICRRS) to determine any evidence of impairment. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks, i.e., Especially Mentioned, Substandard, Doubtful or Loss.

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

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

Risk Rating	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.

Risk Rating	Rating Description/Criteria
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless

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

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

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

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

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

4.4.1 Exposure to Credit Risk

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

	Group			
	2016		2015	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
B to B-	P -	P -	P -	P -
CCC+ and below	-	-	-	-
Especially Mentioned	4,055	-	4,091	-
Sub-standard	1,318	-	1,561	-
Doubtful	59	-	106	-
Loss	903	-	1,063	-
Gross amount	6,335	-	6,821	-
Allowance for impairment	(1,373)	-	(1,902)	-
Carrying amount	4,962	-	4,918	-
Collectively Assessed for Impairment				
Unrated	88,390	-	79,685	-
AAA to AA-	-	-	975	-
A+ to A-	-	-	1	-
BBB+ to BBB-	22,632	-	36,364	-
BB+ to BB	40,278	-	35,237	-
BB- to BB	62,455	-	65,349	-
B to B-	80,706	-	73,615	-
CCC+ and below	5,198	-	160	-
Especially Mentioned	154	-	163	-
Sub-standard	794	-	252	-
Doubtful	668	-	547	-
Loss	122	-	131	-
Gross amount	301,397	-	292,479	-
Unearned interest and discount	(243)	-	(351)	-
Allowance for impairment	(4,932)	-	(3,666)	-
Carrying amount	296,222	-	288,462	-
Unquoted debt securities classified as loans	1,256	-	1,270	-
Other receivables	4,893	-	5,940	-
Allowance for impairment	(1,106)	-	(1,472)	-
Carrying amount	5,043	-	5,738	-
Neither Past Due Nor Impaired	-	68,378	-	105,397
Total Carrying Amount	P 306,167	P 68,378	P 299,119	P 105,397

	Parent Company			
	2016		2015	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
B to B-	P -	P -	P -	P -
CCC+ and below	-	-	-	-
Especially Mentioned	-	-	-	-
Sub-standard	115	-	191	-
Doubtful	59	-	99	-
Loss	310	-	389	-
Gross amount	484	-	679	-
Allowance for impairment	(384)	-	(491)	-
Carrying amount	100	-	188	-
Collectively Assessed for Impairment				
Unrated	15,023	-	17,513	-
AAA to AA-	-	-	975	-
A+ to A-	-	-	1	-
BBB+ to BBB-	22,632	-	36,364	-
BB+ to BB	40,278	-	35,237	-
BB- to B+	62,455	-	65,349	-
B to B-	80,706	-	73,615	-
CCC+ and below	5,198	-	160	-
Especially Mentioned	154	-	163	-
Sub-standard	794	-	252	-
Doubtful	668	-	547	-
Loss	121	-	131	-
Gross amount	228,030	-	230,307	-
Unearned interest and discount	(226)	-	(240)	-
Allowance for impairment	(3,426)	-	(3,075)	-
Carrying amount	224,378	-	226,992	-
Unquoted debt securities classified as loans	1,196	-	1,210	-
Other receivables	3,740	-	4,577	-
Allowance for impairment	(982)	-	(1,259)	-
Carrying amount	3,954	-	4,528	-
Neither Past Due Nor Impaired	-	61,228	-	94,909
Total Carrying Amount	P 228,432	P 61,228	P 231,708	P 94,909

The credit risk for cash and cash equivalents such as Due from BSP, Due from Other Banks and Loans and Receivables Arising from Reverse Repurchase Agreement are considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Advances to RCBC LFC in 2015 is not subjected to impairment testing as the amount was transferred for the purpose of additional capital infusion into a consolidated subsidiary (see Note 12.1).

4.4.2 Collateral Held as Security and Other Credit Enhancements

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

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2016 and 2015.

An estimate of the fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2016 and 2015 is shown below.

	Group	
	2016	2015
Against individually impaired		
Real property	P **129**	P 129
Chattels	**20**	49
Hold-out deposits	**454**	1,432
Against classified accounts but not impaired		
Real property	**55,097**	62,132
Chattels	**3,041**	7,968
Equity securities	**55**	4,003
Others	**603**	545
Against neither past due nor impaired		
Real property	**146,575**	183,761
Chattels	**71,345**	97,434
Hold-out deposits	**15,925**	16,202
Others	**19,661**	30,895
	P 312,905	P 404,550

	Parent Company	
	2016	2015
Against individually impaired		
Real property	P **129**	P 129
Chattels	**15**	-
Against classified accounts but not impaired		
Real property	**54,987**	55,361
Chattels	**2,993**	3,797
Equity securities	**55**	4,003
Others	**587**	232
Against neither past due nor impaired		
Real property	**12,503**	4,387
Hold-out deposits	**15,925**	16,202
Others	**19,638**	29,213
	P 106,832	P 113,324

4.4.3 Concentrations of Credit Risk

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

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

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

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

4.4.4 Credit Risk Stress Test

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

4.5 Operational Risk

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

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

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

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

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

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

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

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

Operational Risk Management, as it relates to Capital Adequacy, is currently under Basic Indicator Approach (see Note 5.2). In 2014, the Parent Bank's BOD approved the acquisition of an Operational Risk System which was implemented across the Group in 2015.

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

4.5.1 Reputation Risk

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

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

4.5.2 Legal Risk and Regulatory Risk Management

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

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

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Meanwhile, the Terrorism Financing Prevention and Suppression Act (CFT) passed in June 2012 by virtue of RA No. 10168.

Under the AMLA, as amended, the Group is required to submit Covered Transaction Reports (CTRs). CTRs involve single transactions in cash or other equivalent monetary instruments in excess of P0.5 within one banking day. The Group is also required to submit STRs to the AMLC. STRs are reports involving transactions where specific circumstances exist and there are reasonable grounds to believe that the transactions are suspicious.

The AMLA requires the Group to safe keep, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record their true and full identity. In addition, transactional documents are required to be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be retained for five years after their closure. Meanwhile, all records of accounts with court cases must be preserved until resolved with finality.

On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding prior rules and regulations on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile. In compliance with the risk-based approach mandated by the Circular, the Group profiles its clients based on their level of risk, specifically, Low, Normal, or High. These risk levels have their corresponding level of due diligence, specifically, Reduced, Average or Enhanced.

The Group's MLPP is revised annually to ensure that its KYC policies and guidelines are updated. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records prior to account opening. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, a Group Head's approval is necessary.

The Group's Chief Compliance Officer, through the Anti-Money Laundering Division, monitors AML/CFT compliance by conducting regular compliance testing of the head office and business units. Results of its AML/CFT activities and compliance monitoring are regularly reported to the AMLCom, Senior Management Committee and the BOD to ensure that all AML/CFT matters are appropriately escalated.

In 2016, the Group instituted reforms aimed to reinforce its AML/CFT controls. The Group significantly lowered the thresholds for remittances, required more posting reviews during the day, and strengthened the process for escalation, fraud and unusual transactions. In addition, the Group has embarked on a re-engineering of its settlements and business center operations, and the consolidation and strengthening of its fraud management framework.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

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

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

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

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

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

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P2,000, P400, P300 and P300, respectively.

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

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

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;
(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iii) deposit for subscription of Tier 2 capital;
(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB);
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

Calculation of Risk-based Capital Adequacy Ratio. The total Qualifying Capital is expressed as a percentage of Total Risk Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by credit risk mitigation (CRM).

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular 538.

The Group's and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as of December 31, 2016 and 2015 follows:

	Group		Parent Company	
2016:				
Tier 1 Capital				
CET 1	P	49,842	P	37,659
AT1		3		3
		49,845		37,662
Tier 2 Capital		12,622		12,048
Total Qualifying Capital	P	62,467	P	49,710
Total Risk – Weighted Assets	P	386,663	P	306,268
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk weighted assets		**16.16%**		**16.23%**
Tier 1 Capital Ratio		**12.89%**		**12.30%**
Total CET 1 Ratio		**12.89%**		**12.30%**
2015:				
Tier 1 Capital				
CET 1	P	48,779	P	37,940
AT1		3		3
		48,782		37,943
Tier 2 Capital		12,325		11,894
Total Qualifying Capital	P	61,107	P	49,837
Total Risk – Weighted Assets	P	388,804	P	318,935
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk weighted assets		15.72%		15.63%
Tier 1 Capital Ratio		12.55%		11.90%
Total CET 1 Ratio		12.55%		11.90%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 *Carrying Amounts and Fair Values by Category*

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

	Group			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 114,878	P 114,878	P 84,388	P 84,388
Investment securities	51,864	49,698	101,881	99,715
Loans and receivables - net	306,167	306,167	299,119	299,119
Other resources	781	781	624	624
	473,690	471,524	486,012	483,846
At FVPL	18,079	18,079	5,112	5,112
At FVOCI	5,679	5,679	4,208	4,208
	P 497,448	P 495,282	P 495,332	P 493,116
Financial Liabilities				
At amortized cost:				
Deposit liabilities	P 353,077	P 353,077	P 342,362	P 342,362
Bills payable	37,643	37,643	49,404	49,404
Bonds payable	41,595	43,929	39,364	42,961
Subordinated debt	9,952	10,746	9,936	10,730
Accrued interest and other expenses	4,584	4,584	4,198	4,198
Other liabilities	8,883	8,883	8,479	8,479
	455,680	458,808	457,962	458,134
Derivative financial liabilities	385	385	265	265
	P 456,065	P 459,193	P 454,008	P 458,399

	Parent Company			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and cash equivalents	P 90,911	P 90,911	P 70,349	P 70,349
Investment securities	44,842	43,931	91,456	89,781
Advances to RCBC LFC	-	-	500	500
Loans and receivables - net	228,432	228,432	231,708	231,708
Other resources	466	466	479	479
	364,651	363,740	394,492	392,817
At FVPL	17,075	17,075	3,993	3,993
At FVOCI	3,735	3,735	2,341	2,341
	P 385,461	P 384,550	P 400,826	P 399,151
Financial Liabilities				
At amortized cost:				
Deposit liabilities	P 260,165	P 260,165	P 264,070	P 264,070
Bills payable	31,712	31,712	45,816	45,816
Bonds payable	41,595	44,175	39,364	42,961
Subordinated debt	9,952	10,653	9,936	10,730
Accrued interest and other expenses	3,515	3,515	3,288	3,288
Other liabilities	6,094	6,094	5,642	5,642
	352,985	356,266	368,116	372,507
Derivative financial liabilities	385	385	265	265
	P 353,370	P 356,651	P 368,381	P 372,772

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

6.2 Offsetting Financial Assets and Financial Liabilities

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

	Group				
			Related amounts not set off in the statements of financial position		
	Notes	Gross amounts recognized in the statements of financial position	Financial instruments	Cash received	Net amount
December 31, 2016					
Loans and receivables – Receivable from customers	11	P 305,659	(P 16,379)	P -	P 289,280
Other resources – Margin deposits	15	20	-	(20)	-

	Notes	Group 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					
Loans and receivables – Receivable from customers	11	P 296,891	(P 17,634)	P -	P 279,257
Other resources – Margin deposits	15	42	-	(42)	-

	Notes	**Parent Company** **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, 2016					
Loans and receivables – Receivable from customers	11	**P 227,724**	**(P 15,925)**	**P -**	**P 211,799**
Other resources – Margin deposits	15	**20**	**-**	**(20)**	**-**
December 31, 2015					
Loans and receivables – Receivable from customers	11	P 230,070	(P 16,202)	P -	P 213,868
Other resources – Margin deposits	15	42	-	(42)	-

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

	Notes	**Group** **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, 2016					
Deposit liabilities	17	**P 353,077**	**(P 16,379)**	**P -**	**P 336,698**
Other liabilities – Derivative financial liabilities	22	**385**	**-**	**(20)**	**365**
December 31, 2015					
Deposit liabilities	17	P 342,362	(P 17,634)	P -	P 212,507
Other liabilities – Derivative financial liabilities	22	265	-	(42)	223

	Notes	**Parent Company** **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, 2016					
Deposit liabilities	17	**P 260,165**	**(P 15,925)**	**P -**	**P 244,240**
Other liabilities – Derivative financial liabilities	22	**385**	**-**	**(20)**	**365**

		Parent Company			
		Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		
	Notes		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

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

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

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurements*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2016 and 2015.

	Group			
	Level 1	Level 2	Level 3	Total
2016:				
Financial assets at FVPL:				
Government securities	P 14,822	P -	P -	P 14,822
Corporate debt securities	514	-	-	514
Equity securities	979	-	586	1,565
Derivative assets	31	1,147	-	1,178
	16,346	1,147	586	18,079
Financial assets at FVOCI –				
Equity securities	2,015	192	3,472	5,679
Total Resources at Fair Value	P 18,361	P 1,339	P 4,058	P 23,758
Derivative liabilities	P -	P 385	P -	P 385

	Group							
	Level 1		Level 2		Level 3		Total	
2015:								
Financial assets at FVPL:								
Government securities	P	1,093	P	163	P	-	P	1,256
Corporate debt securities		522		-		-		522
Equity securities		1,229		-		367		1,596
Derivative assets		57		1,681		-		1,738
		2,901		1,844		367		5,112
Financial assets at FVOCI – Equity securities		1,867		176		2,165		4,208
Total Resources at Fair Value	P	4,768	P	2,020	P	2,532	P	9,320
Derivative liabilities	P	-	P	265	P	-	P	265

	Parent Company							
	Level 1		**Level 2**		**Level 3**		**Total**	
2016:								
Financial assets at FVPL:								
Government securities	P	14,790	P	-	P	-	P	14,790
Corporate debt securities		418		-		-		418
Equity securities		103		-		586		689
Derivative assets		31		1,147		-		1,178
		15,342		1,147		586		17,075
Financial assets at FVOCI – Equity securities		2,015		185		1,535		3,735
Total Resources at Fair Value	**P**	**17,357**	**P**	**1,332**	**P**	**2,121**	**P**	**20,810**
Derivative liabilities	**P**	**-**	**P**	**385**	**P**	**-**	**P**	**385**
2015:								
Financial assets at FVPL:								
Government securities	P	1,093	P	100	P	-	P	1,193
Corporate debt securities		522		-		-		522
Equity securities		173		-		367		540
Derivative assets		57		1,681		-		1,738
		1,845		1,781		367		3,993
Financial assets at FVOCI – Equity securities		-		176		2,165		2,341
Total Resources at Fair Value	P	1,845	P	1,957	P	2,532	P	6,334
Derivative liabilities	P	-	P	265	P	-	P	265

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) Government and Corporate Debt Securities

The fair value of the Group's government securities and corporate papers categorized within Level 1 is determined directly based on published closing prices available from the electronic financial data service providers which had been based on price quoted or actually dealt in an active market at the end of each of the reporting period. On the other hand, government securities with fair value categorized within Level 2 is determined based on the prices of benchmark government securities which are also quoted in an active market or bond exchange (i.e., PDEx).

The fair value of the Group's government securities categorized under Level 2 of the hierarchy is estimated and determined based on pricing model developed by applying benchmark pricing curves which are derived using the yield of benchmark security with similar maturities (i.e., government bonds or notes). In applying this pricing methodology, the yield of the underlying securities is interpolated between the observable yields to consider any gaps in the maturities of the benchmark securities used to develop a benchmark curve.

(b) Equity Securities

The fair values of equity securities classified as financial assets at FVPL and FVOCI as of December 31, 2016 and 2015 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

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

For equity securities which are not traded in an active market and categorized within Level 3, their fair value is determined through the net asset value or a market-based approach valuation technique (price-to-book value method) using current market values of comparable listed entities. The price-to-book value method uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value of the Group's equity securities adjusted by a certain valuation discount. The price-to-book ratio used by the Group in the fair value measurement of its level 3 equity securities as of December 31, 2016 ranges from 0.746:1 to 2.797:1 for financial assets at FVPL.

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

A reconciliation of the carrying amounts of level 3 equity securities at the beginning and end of 2016 and 2015 is shown below.

	Group		
	Financial Assets at FVOCI	**Financial Assets at FVPL**	**Total**
2016:			
Balance at beginning of year	P 2,165	P 367	P 2,532
Additions	3,573	-	3,573
Fair value gains (losses)	(251)	219	(32)
Transfer to level 1	(2,015)	-	(2,015)
Balance at end of year	**P 3,472**	**P 586**	**P 4,058**
2015:			
Balance at beginning of year	P 2,099	P 329	P 2,428
Additions	326	-	326
Fair value gains (losses)	(260)	38	(222)
Balance at end of year	P 2,165	P 367	P 2,532

	Parent Company		
	Financial Assets at FVOCI	**Financial Assets at FVPL**	**Total**
2016:			
Balance at beginning of year	P 2,165	P 367	P 2,532
Additions	-	-	-
Fair value gains	1,385	219	1,789
Transfer to level 1	(2,015)	-	(2,015)
Balance at end of year	**P 1,535**	**P 586**	**P 2,121**
2015:			
Balance at beginning of year	P 2,099	P 329	P 2,428
Additions	-	-	-
Fair value gains	66	38	104
Balance at end of year	P 2,165	P 367	P 2,532

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

The transfer to level 1 in 2016 pertains to a certain equity investment in an entity which shares of stock were publicly listed in the PSE in November 2016.

(c) *Derivative Assets and Liabilities*

The fair value of the Group's derivative assets categorized within Level 1 is determined directly based on published price quotation available for an identical instrument in an active market at the end of each of the reporting period.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

7.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's and Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Group			
	Level 1	Level 2	Level 3	Total
2016:				
Financial Assets:				
Cash and other cash items	P 15,176	P -	P -	P 15,176
Due from BSP	66,520	-	-	66,520
Due from other banks	25,293	-	-	25,293
Loans and receivables arising from reverse repurchase agreement	7,889	-	-	7,889
Investment securities at amortized cost	49,698	-	-	49,698
Loans and receivables - net	-	-	306,167	306,167
Other resources	-	-	781	781
	P 164,576	P -	P 306,948	P 471,524
2016:				
Financial Liabilities:				
Deposit liabilities	P 353,077	P	P -	P 353,077
Bills payable	-	37,643	-	37,643
Bonds payable	-	43,929	-	43,929
Subordinated debt	-	10,746	-	10,746
Accrued interest, taxes and other expenses	-	-	4,530	4,530
Other liabilities	-	-	8,883	8,883
	P 353,077	P 92,318	P 13,413	P 458,808
2015:				
Financial Assets:				
Cash and other cash items	P 14,070	P -	P -	P 14,070
Due from BSP	50,617	-	-	50,617
Due from other banks	19,701	-	-	19,701
Investment securities at amortized cost	99,715	-	-	99,715
Loans and receivables - net	-	-	299,119	299,119
Other resources	-	-	624	624
	P 184,103	P -	P 299,743	P 483,846
Financial Liabilities:				
Deposit liabilities	P 342,362	P -	P -	P 342,362
Bills payable	-	49,404	-	49,404
Bonds payable	-	42,961	-	42,961
Subordinated debt	-	10,730	-	10,730
Accrued interest, taxes and other expenses	-	-	4,198	4,198
Other liabilities	-	-	8,479	8,479
	P 342,362	P 103,095	P 12,677	P 458,134

	Parent Company			
	Level 1	Level 2	Level 3	Total
2016:				
Financial Assets:				
Cash and other cash items	P 11,000	P -	P -	P 11,000
Due from BSP	50,871	-	-	50,871
Due from other banks	24,109	-	-	24,109
Loans and receivables arising from reverse repurchase agreement	4,931	-	-	4,931
Investment securities at amortized cost	43,931	-	-	43,931
Loans and receivables - net	-	-	228,432	228,432
Other resources	-	-	466	466
	P 134,842	P -	P 228,898	P 363,740
Financial Liabilities:				
Deposit liabilities	P 260,165	P -	P -	P 260,165
Bills payable	-	31,712	-	31,712
Bonds payable	-	44,175	-	44,175
Subordinated debt	-	10,653	-	10,653
Accrued interest, taxes and other expenses	-	-	3,467	3,467
Other liabilities	-	-	6,094	6,094
	P 260,165	P 86,540	P 9,561	P 356,266
2015:				
Financial Assets:				
Cash and other cash items	P 10,127	P -	P -	P 10,127
Due from BSP	42,026	-	-	42,026
Due from other banks	18,196	-	-	18,196
Investment securities at amortized cost	89,781	-	-	89,781
Loans and receivables - net	-	-	231,708	231,708
Advances to RCBC LFC	-	-	500	500
Other resources	-	-	479	479
	P 160,130	P -	P 232,687	P 392,817
Financial Liabilities:				
Deposit liabilities	P 264,070	P -	P -	P 264,070
Bills payable	-	45,816	-	45,816
Bonds payable	-	42,961	-	42,961
Subordinated debt	-	10,730	-	10,730
Accrued interest, taxes and other expenses	-	-	3,288	3,288
Other liabilities	-	-	5,642	5,642
	P 264,070	P 99,507	P 8,930	P 372,507

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) *Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreement*

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreement pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Investment Securities at Amortized Cost*

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

(c) *Loans and Receivables and Advances to RCBC LFC*

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables and Advances to RCBC LFC, except in 2016 (see Note 12), represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) *Deposits Liabilities and Borrowings*

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

(e) *Other Resources and Other Liabilities*

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

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P4,700 and P4,635 in the Group's financial statements and P5,799 and P5,702 in the Parent Company's financial statements as of December 31, 2016 and 2015, respectively. The fair value hierarchy of these properties as of December 31, 2016 and 2015 is categorized as Level 3.

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

(a) *Fair Value Measurement for Land*

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

(b) *Fair Value Measurement for Buildings*

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

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

8. SEGMENT INFORMATION

8.1 Business Segments

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

(a) *Retail* – principally handles the business centers offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products.

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

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

(d) *Others* – consists of the Parent Company's various support groups and consolidated subsidiaries, except for RSB and Rizal Microbank which are presented as part of Retail.

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

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

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

There were no changes in the Group's operating segments in 2016 and 2015.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2016, 2015 and 2014 follow:

	Retail	Corporate	Treasury	Others	Total
2016:					
Revenues					
From external customers					
Interest income	P 17,075	P 13,064	P 3,946	P 385	P 34,471
Interest expense	(3,199)	(7,598)	(2,960)	(204)	(13,961)
Net interest income	13,876	5,466	986	182	20,510
Non-interest income	3,624	1,328	1,960	1,172	8,084
	17,500	6,794	2,946	1,354	28,595
Intersegment revenues					
Interest income	-	2,235	-	4	2,239
Non-interest income	-	-	-	460	460
	-	2,235	-	464	2,699
Total revenues	17,500	9,029	2,946	1,818	31,294
Expenses					
Operating expenses excluding depreciation and amortization	10,889	1,756	546	1,187	14,378
Depreciation and amortization	797	83	9	286	1,175
	11,686	1,839	555	1,473	15,552
Segment operating income	P 5,815	P 7,190	P 2,391	P 345	P 15,742
Total resources and liabilities					
Total resources	P 122,617	P 227,502	P 98,302	P 12,899	P 461,320
Total liabilities	P 363,468	P 155,872	P 28,297	P 7,264	P 554,901

income	P 2,005	P 6,032	P 1,345	P 691	P 10,073

	Retail	Corporate	Treasury	Others	Total
2015:					
Revenues					
From external customers					
Interest income	P 13,372	P 11,280	P 2,715	P 285	P 27,651
Interest expense	(2,716)	(4,078)	(2,740)	(130)	(9,663)
Net interest income (expense)	10,656	7,202	(25)	155	17,988
Non-interest income	3,940	1,559	1,606	1,253	8,355
	14,596	8,761	1,581	1,408	26,342
Intersegment revenues					
Interest income	-	2,169	-	6	2,175
Non-interest income	-	3	-	410	413
	-	2,172	-	416	2,588
Total revenues	14,596	10,930	1,581	1,824	28,930
Expenses					
Operating expenses, excluding depreciation and amortization	11,066	2,071	433	1,520	15,089
Depreciation and amortization	671	95	9	133	908
	11,737	2,166	442	1,654	15,998
Segment operating Income	P 2,859	P 8,764	P 1,139	P 170	P 12,933
Total resources and liabilities					
Total resources	P 366,155	P 283,356	P 93,941	P 10,582	P 754,034
Total liabilities	P 366,155	P 283,356	P 93,941	P 10,582	P 754,034
2014:					
Revenues					
From external customers					
Interest income	P 11,474	P 7,455	P 3,234	P 291	P 22,454
Interest expense	(2,718)	(3,275)	(3,071)	(137)	(9,201)
Net interest income	8,756	4,180	163	154	13,253
Non-interest income	3,578	1,141	1,677	1,411	7,807
	12,334	5,322	1,840	1,565	21,060
Intersegment revenues					
Interest income	-	1,939	-	11	1,949
Non-interest income	-	237	-	392	629
	-	2,175	-	403	2,578
Total revenues	12,334	7,497	1,840	1,968	23,639
Expenses					
Operating expenses excluding depreciation and amortization	9,535	1,317	489	1,100	12,441
Depreciation and amortization	794	148	6	176	1,124
	10,329	1,465	495	1,276	13,565
Segment operating income	P 2,005	P 6,032	P 1,345	P 691	P 10,073

	Retail	Corporate	Treasury	Others	Total
2014:					
Total resources and liabilities					
Total resources	P 329,231	P 198,852	P 98,490	P 10,180	P 637,203
Total liabilities	P 329,231	P 198,852	P 98,490	P 10,180	P 637,203

8.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2016	2015	2014
Revenue			
Total segment revenues	P **31,294**	P 28,930	P 23,639
Unallocated income	(**5,587**)	(3,932)	1,151
Elimination of intersegment revenues	(**2,886**)	(2,766)	(2,721)
Revenues as reported in profit or loss	P **22,821**	P 22,232	P 22,069
Profit or loss			
Total segment operating income	P **15,742**	P 12,933	P 10,073
Unallocated profit	(**9,633**)	(5,627)	(3,530)
Elimination of intersegment profit	(**2,239**)	(2,178)	(2,133)
Group net profit as reported in profit or loss	P **3,870**	P 5,128	P 4,410
Resources			
Total segment resources	P **461,320**	P 754,034	P 637,203
Unallocated assets	**62,291**	(235,675)	(176,376)
Elimination of intersegment assets	(**2,418**)	(2,297)	(2,922)
Total resources	P **521,193**	P 516,061	P 457,905
Liabilities			
Total segment liabilities	P **554,901**	P 754,034	P 637,203
Unallocated liabilities	(**5,587**)	(298,804)	(229,507)
Elimination of intersegment liabilities	(**2,886**)	(2,297)	(2,922)
Total liabilities	P **459,060**	P 457,932	P 404,774

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2016, 2015 and 2014 follow:

	Philippines	United States	Asia and Europe	Total
2016:				
Statement of profit or loss				
Total income	P 30,225	P -	P 28	P 30,253
Total expenses	26,306	2	75	26,383
Net profit (loss)	P 3,919	(P 2)	(P 47)	P 3,870

	Philippines	United States	Asia and Europe	Total
2016:				
Statement of financial position				
Total resources	**P 521,018**	**P 1**	**P 174**	**P 521,193**
Total liabilities	**P 458,967**	**P -**	**P 93**	**P 459,060**
Other segment Information – Depreciation and amortization	**P 1,766**	**P -**	**P -**	**P 1,766**
2015:				
Statement of profit or loss				
Total income	P 28,299	P -	P 183	P 28,482
Total expenses	23,176	4	174	23,354
Net profit (loss)	P 5,123	(P 4)	P 9	P 5,128
Statement of financial position				
Total resources	P 515,602	P 3	P 456	P 516,061
Total liabilities	P 457,599	P -	P 333	P 457,932
Other segment information – Depreciation and amortization	P 1,609	P -	P 2	P 1,611
2014:				
Statement of profit or loss				
Total income	P 27,105	P 3	P 194	P 27,302
Total expenses	22,692	17	183	22,892
Net profit (loss)	P 4,413	(P 14)	P 11	P 4,410
Statement of financial position				
Total resources	P 457,454	P 7	P 444	P 457,905
Total liabilities	P 404,448	P 8	P 318	P 404,774
Other segment Information – Depreciation and amortization	P 1,575	P -	P 2	P 1,577

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		Parent Company	
	2016	2015	2016	2015
Cash and other cash items	P 15,176	P 14,070	P 11,000	P 10,127
Due from BSP	66,520	50,617	50,871	42,026
Due from other banks	25,293	19,701	24,109	18,196
Loans and receivables arising from reverse repurchase agreement	7,889	-	4,931	-
	P 114,878	P 84,388	P 90,911	P 70,349

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

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Notes 17 and 27), to serve as clearing account for interbank claims and to comply with existing trust regulations. The balance of Due from BSP also includes Overnight Deposit and Term Deposit Account amounting to P7,005 and P13,500 for the Group and P3,800 and P9,000 for the Parent Company, respectively, which bear annual interest at 2.5% and 3.3% as of December 31, 2016. For December 31, 2015 and 2014, the balance of Due from BSP also includes special deposit account amounting to P4,505 and P5,999 for the Group and P3,000 and P3,301 for the Parent Company, which bear annual interest at 2.50% in 2015, and annual interest range of 2.00% to 2.50% in 2014. The balance of Due from Other Banks account represents regular deposits with the following:

	Group		Parent Company	
	2016	2015	2016	2015
Foreign banks	P 23,232	P 18,295	P 23,043	P 17,732
Local banks	2,061	1,406	1,066	464
	P 25,293	P 19,701	P 24,109	P 18,196

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

	Group		Parent Company	
	2016	2015	2016	2015
Foreign currencies	P 23,775	P 18,977	P 23,561	P 17,794
Philippine peso	1,518	724	548	402
	P 25,293	P 19,701	P 24,109	P 18,196

Interest rates per annum on these deposits range from 0.35% to 1.00% in 2016, and 0.00% to 0.30% in 2015, and 0.00% to 1.00% in 2014.

The Group has loans and receivables from BSP as of December 31, 2016 (nil as of December 31, 2015) arising from overnight lending from excess liquidity which earn effective interest of 3.00% in 2016. These loans normally mature within 30 days. Interest income earned from these financial assets is presented under Interest Income in the 2016 statement of profit or loss.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2016	2015	**2016**	2015
Financial assets at FVPL	**P 18,079**	P 5,112	**P 17,075**	P 3,993
Financial assets at FVOCI	**5,679**	4,208	**3,735**	2,341
Investment securities at amortized cost	**51,864**	101,881	**44,842**	91,456
	P 75,622	P 111,201	**P 65,652**	P 97,790

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVPL is composed of the following:

	Group		Parent Company	
	2016	2015	**2016**	2015
Government securities	**P 14,822**	P 1,256	**P 14,790**	P 1,193
Corporate debt securities	**514**	522	**418**	522
Equity securities	**1,565**	1,596	**689**	540
Derivative financial assets	**1,178**	1,738	**1,178**	1,738
	P 18,079	P 5,112	**P 17,075**	P 3,993

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Held-for-trading	**P 15,336**	P 1,778	**P 15,209**	P 1,715
Designated as at FVPL	**1,565**	1,596	**689**	540
Derivatives	**1,178**	1,738	**1,178**	1,738
	P 18,079	P 5,112	**P 17,075**	P 3,993

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

	2016	2015	2014
Peso denominated	**1.63% - 12.13%**	2.63% - 8.44%	1.63% - 12.38%
Foreign currency denominated	**1.30% - 11.63%**	3.45% - 9.63%	0.05% - 10.63%

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

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

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

	Notional Amount	Fair Values Assets	Fair Values Liabilities
2016:			
Currency swaps and forwards	P 27,155	P 1,023	P 288
Interest rate swaps and futures	22,346	106	92
Debt warrants	6,224	31	-
Options	3,604	15	5
Credit default swap	99	3	-
	P 59,428	P 1,178	P 385
2015:			
Currency swaps and forwards	P 33,269	P 392	P 179
Interest rate swaps and futures	19,111	66	84
Debt warrants	5,891	57	-
Options	4,653	8	2
Credit linked notes	-	979	-
Principal-protected notes	-	236	-
	P 62,924	P 1,738	P 265

Derivative liabilities amounting to P385 and P265 as of December 31, 2016 and 2015, respectively, are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The bulk of such derivative liabilities have maturity periods of less than a year.

In 2008, the Parent Company reclassified its CLNs that are linked to Republic of the Philippines bonds and certain collateralized debt obligation (CDOs), with an aggregate carrying value of P5,691 from AFS Securities to Loans and Receivables. On January 1, 2014, the Parent Company reclassified its CLNs with an aggregate value of P2,665 from Loans and Receivables to Financial Assets at FVPL as a result of the initial application of PFRS 9. As of December 31, 2016 and 2015, the carrying value of the remaining CLNs amounted to nil and P979, respectively.

The Group recognized the fair value changes in financial assets at FVPL resulting in an increase of P104 in 2016, P107 in 2015 and increase of P614 in 2014 in the Group's financial statements; and increase of P152 in 2016, P127 in 2015 and P455 in 2014 in the Parent Company's financial statements, which were included as part of Trading and Securities Gains account in the statements of profit or loss.

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

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31, 2016 and 2015 consist of:

	Group		Parent	
2016:				
Quoted equity securities	P	3,920	P	2,015
Unquoted equity securities		1,759		1,720
	P	5,679	P	3,735
2015:				
Quoted equity securities	P	2,043	P	-
Unquoted equity securities		2,165		2,341
	P	4,208	P	2,341

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

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2016 and 2015 are unquoted equity securities with fair value determined using the net asset value or a market-based approach (price-to-book value method); hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

The fair value changes in FVOCI amounted to an increase of P1,442 in 2016, a decrease of P143 in 2015, and an increase of P118 in 2014, in the Group's financial statements, and, an increase of P1,395 in 2016, a decrease of P220 in 2015 and an increase of P56 in 2014, in the Parent Company's financial statements, which are recognized as an adjustment in other comprehensive income and presented in the statements of comprehensive income under items that will not be reclassified subsequently to profit or loss. In addition, as a result of RCBC Capital's disposal of certain financial asset at FVOCI, the related fair value gain of P3 in 2016 and 2015 and fair value loss of P28 in 2014 previously recognized in other comprehensive income was transferred from Revaluation Reserves to Surplus account during those years.

In 2016, 2015 and 2014, dividends on these equity securities were recognized amounting to P449, P237 and P285 by the Group and, P307, P87 and P107 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 25.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31, 2016 and 2015 consist of:

	Group		Parent	
2016:				
Government securities	P	25,990	P	21,866
Corporate debt securities		25,874		22,976
	P	**51,864**	**P**	**44,842**
2015:				
Government securities	P	56,093	P	48,441
Corporate debt securities		45,788		43,015
	P	101,881	P	91,456

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

	Group		Parent	
2016:				
Philippine peso	P	11,322	P	4,300
Foreign currencies		40,542		40,542
	P	**51,864**	**P**	**44,842**
2015:				
Philippine peso	P	13,747	P	8,477
Foreign currencies		88,134		82,979
	P	101,881	P	91,456

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

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

As of December 31, 2016 and 2015, investment securities of both the Group and the Parent Company with an aggregate amortized cost of P185 and P547, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 18).

11. LOANS AND RECEIVABLES

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Receivables from customers:				
Loans and discounts	**P 281,025**	P 272,344	**P 205,390**	P 206,965
Credit card receivables	**12,760**	10,987	**12,760**	10,987
Customers' liabilities on acceptances, import bills and trust receipts	**7,675**	9,950	**7,675**	9,950
Bills purchased	**2,128**	2,420	**2,125**	2,408
Lease contract receivables	**2,085**	1,409	**-**	-
Receivables financed	**229**	132	**-**	-
	305,902	297,242	**227,950**	230,310
Unearned discount	**(243)**	(351)	**(226)**	(240)
	305,659	296,891	**227,724**	230,070
Other receivables:				
Accrued interest receivables	**2,784**	3,217	**2,075**	2,508
Sales contract receivables	**1,770**	2,058	**564**	675
Accounts receivables [see Note 28.5 (a) and (b)]	**1,594**	2,660	**1,150**	2,070
Unquoted debt securities classified as loans	**1,256**	1,270	**1,196**	1,210
Accrued rental receivables	**-**	63	**-**	-
Interbank loans receivables	**515**	-	**515**	-
	7,919	9,268	**5,500**	6,463
	313,578	306,159	**233,224**	236,533
Allowance for impairment (see Note 16)	**(7,411)**	(7,040)	**(4,792)**	(4,825)
	P 306,167	P 299,119	**P 228,432**	P 231,708

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

	2016	2015	2014
Loans and discounts:			
Philippine peso	**5.15%**	5.05%	5.04%
Foreign currencies	**3.15%**	2.95%	2.80%
Credit card receivables	**26.12% - 30.40%**	23.88% - 42.00%	24.24% - 58.00%
Lease contract receivables	**8.00% - 20.00%**	8.00% - 26.88%	8.00% - 21.00%
Receivable financed	**10.00% - 12.00%**	10.00% - 25.00%	10.00% - 25.00%

Included in unquoted debt securities classified as loans and receivable as of December 31, 2016 and 2015 is a 10-year note from Philippine Asset Growth One, Inc. (PAGO) with a face amount of P731 which is part of the consideration received in relation to the Parent Company's disposal in February 2013 of its non-performing assets (NPAs), consisting of non-performing loans (NPLs) with a carrying amount of P507 and non-performing investment properties with a carrying amount of P1,236 (see Note 14.1). This note receivable carries a variable interest rate of 1.0% per annum during the first five years, 7.0% per annum in the sixth to seventh year, and 7.5% per annum in the last three years. This note receivable was initially recognized in 2013 at fair value resulting in the recognition of day-one loss of P181 which is included as part of allowance for impairment.

Accounts receivables include claim from the Bureau of Internal Revenue (BIR) relating to the 20% final withholding tax on Poverty Eradication and Alleviation Certificates (PEACe) bonds amounting to P199. On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. Subsequently, on March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration (the Motion) and reiterated its arguments with the Supreme Court. On October 5, 2016, the Supreme Court partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCBC Capital which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. In November 2016, the Supreme Court denied the Motion filed by the OSG (see Note 29.2). Accordingly, in 2016, the Parent Company reversed the related allowance for impairment.

Also included in Parent Company's accounts receivables is the amount due from RCBC JPL which was acquired from Rizal Microbank in 2015 amounting to P222. As of December 31, 2016, the outstanding balance amounted to P202. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 28).

11.1 Credit Concentration, Security and Maturity Profile of Receivables from Customers

The concentration of credit of receivables from customers as to industry follows:

	Group		Parent Company	
	2016	2015	2016	2015
Real estate, renting and other related activities	P 70,532	P 76,052	P 42,853	P 42,374
Electricity, gas and water	52,062	51,148	51,480	50,814
Other community, social and personal activities	19,231	24,737	14,910	24,413
Manufacturing (various industries)	41,689	39,497	41,067	39,469
Consumer	44,174	37,855	13,003	13,211
Wholesale and retail trade	26,279	23,993	23,522	22,773
Transportation and communication	18,270	18,425	14,509	18,364
Diversified holding companies	11,910	2,058	11,910	2,058
Agriculture, fishing and forestry	4,090	3,796	3,770	3,715
Financial intermediaries	6,873	7,822	5,363	7,779
Hotels and restaurants	3,260	3,018	3,260	3,018
Mining and quarrying	1,984	1,934	1,901	1,934
Others	5,305	6,556	176	148
	P 305,659	P 296,891	P 227,724	P 230,070

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable. The Group and the Parent Company are in compliance with this loan concentration limit of the BSP as of the end of each reporting period.

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2016	2015	2016	2015
Secured:				
Real estate mortgage	P 78,707	P 79,505	P 41,034	P 41,914
Chattel mortgage	31,831	23,259	454	206
Hold-out deposit	16,379	17,634	15,925	16,202
Other securities	29,294	35,212	29,294	33,216
	156,211	155,610	86,707	91,538
Unsecured	149,448	141,281	141,017	138,532
	P 305,659	P 296,891	P 227,724	P 230,070

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

	Group		Parent Company	
	2016	2015	2016	2015
Due within one year	P 78,613	P 69,727	P 53,333	P 45,663
Due beyond one year	227,046	227,164	174,391	184,407
	P 305,659	P 296,891	P 227,724	P 230,070

11.2 Non-performing Loans and Impairment

Non-performing loans included in the total loan portfolio of the Group and the Parent Company as of December 31, 2016 and 2015 are presented below, net of allowance for impairment in compliance with the BSP Circular 772.

	Group		Parent Company	
	2016	2015	2016	2015
Gross NPLs	P 6,350	P 5,427	P 1,913	P 2,200
Allowance for impairment	(3,285)	(3,122)	(1,523)	(1,600)
	P 3,065	P 2,305	P 391	P 600

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

A reconciliation of the allowance for impairment of loans and receivables at the beginning and end of 2016 and 2015 is shown below (see Note 16).

	Group		Parent Company	
	2016	2015	2016	2015
Balance at beginning of year	P 7,040	P 6,457	P 4,825	P 4,605
Impairment losses during the year – net	1,736	2,067	841	1,137
Accounts written off and others – net	(1,365)	(1,484)	(874)	(917)
Balance at end of year	P 7,411	P 7,040	P 4,792	P 4,825

12. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATES

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

		Group	
	Note	2016	2015
Acquisition costs of associates:			
HCPI		P 91	P 91
LIPC		57	57
YCS		4	4
		152	152
Accumulated equity in net earnings:			
Balance at beginning of year		211	193
Share in net earnings for the year		131	93
Share in actuarial gains on defined benefit plan	23.6	-	1
Cash dividends		(111)	(76)
Balance at end of year		231	211
Carrying amount		P 383	P 363

		Parent Company	
	Note	2016	2015 (As Restated - see Note 2)
Acquisition costs of subsidiaries:			
RSB		P 3,190	P 3,190
RCBC Capital		2,231	2,231
Rizal Microbank		1,242	1,242
RCBC LFC		1,187	687
RCBC JPL		375	375
RCBC Forex		150	150
RCBC North America		134	134
RCBC Telemoney		72	72
RCBC IFL		58	58
		8,639	8,139
Accumulated equity in net earnings:			
Balance at beginning of year		6,482	5,645
Share in net earnings for the year		1,364	1,400
Share in actuarial gains (losses) on defined benefit plan	23.6	24	(58)
Share in fair value gains on financial assets at FVOCI	23.6	47	77
Share in translation adjustments on foreign operations	23.6	25	(10)
Others		40	-
Cash dividends		(165)	(572)
Balance at end of year		7,817	6,482
Carrying amount *(Forward)*		P 16,456	P 14,621

	Note	Parent Company 2016	Parent Company 2015 (As Restated - see Note 2)
Carrying amount		P 16,456	P 14,621
Acquisition costs of associates:			
NPHI		388	388
HCPI		91	91
LIPC		57	57
YCS		4	4
		540	540
Accumulated equity in net earnings:			
Balance at beginning of year		223	193
Share in net earnings for the year		136	135
Share in actuarial gains on defined benefit plan	23.6	-	1
Cash dividends		(177)	(106)
Balance at end of year		182	223
Advances – RCBC LFC		-	500
Carrying amount		P 17,178	P 15,884

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

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

The Parent Company received dividends from its subsidiaries and associates amounting to P191 and P111, respectively, in 2016, P602 and P76, respectively, in 2015, and P1,568 and P6, respectively, in 2014.

12.1 Changes in Investments in Subsidiaries

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

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

12.2 Information About Investments in Associates

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

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

	Resources	Liabilities	Revenues	Profit
2016:				
HCPI	**P 5,921**	**P 3,090**	**P 16,231**	**P 718**
2015:				
HCPI	P 4,914	P 2,097	P 14,276	P 705

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2016 and 2015 are shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2016					
Cost	P 1,289	P 3,315	P 9,858	P 1,125	P 15,587
Accumulated depreciation and amortization	-	(1,226)	(5,460)	(25)	(6,711)
Net carrying amount	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876
December 31, 2015					
Cost	P 1,297	P 3,239	P 7,946	P 1,015	P 12,638
Accumulated depreciation and amortization	-	(1,131)	(4,764)	-	(5,606)
Net carrying amount	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602
January 1, 2015					
Cost	P 1,297	P 3,070	P 7,291	P 979	P 12,637
Accumulated depreciation and amortization	-	(1,032)	(4,574)	-	(5,606)
Net carrying amount	P 1,297	P 2,038	P 2,717	P 979	P 7,031

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2016					
Cost	P 777	P 2,381	P 5,882	P 816	P 9,855
Accumulated depreciation and amortization	-	(933)	(3,731)	-	(4,664)
Net carrying amount	P 777	P 1,449	P 2,151	P 816	P 5,192
December 31, 2015					
Cost	P 786	P 2,308	P 5,378	P 748	P 9,220
Accumulated depreciation and amortization	-	(865)	(3,380)	-	(4,245)
Net carrying amount	P 786	P 1,443	P 1,998	P 748	P 4,975
January 1, 2015					
Cost	P 779	P 2,172	P 4,766	P 695	P 8,412
Accumulated depreciation and amortization	-	(798)	(3,127)	-	(3,925)
Net carrying amount	P 779	P 1,374	P 1,639	P 695	P 4,487

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2016 and 2015 is shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602
Additions	-	84	2,302	396	2,782
Reclassification from Investment Properties (see Note 14)	10	36	-	-	46
Disposals	(18)	(44)	(192)	(39)	(293)
Depreciation and amortization charges for the year	-	(95)	(894)	(272)	(1,261)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 1,297	P 2,038	P 2,717	P 979	P 7,031
Additions	4	143	1,515	299	1,961
Reclassification from Investment Properties (see Note 14)	12	71	-	-	83
Disposals	(16)	(9)	(220)	(26)	(271)
Depreciation and amortization charges for the year	-	(135)	(830)	(237)	(1,202)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602

	Parent Company				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 786	P 1,443	P 1,998	P 748	P 4,974
Additions	-	75	780	274	1,129
Reclassification from Investment Properties (see Note 14)	-	-	-	-	-
Disposals	(9)	(2)	(146)	(36)	(193)
Depreciation and amortization charges for the year	-	(68)	(481)	(170)	(719)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 777	P 1,449	P 2,151	P 816	P 5,192
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 779	P 1,374	P 1,639	P 695	P 4,487
Additions	1	124	1,075	211	1,411
Reclassification from Investment Properties (see Note 14)	12	71	-	-	83
Disposals	(6)	(8)	(171)	-	(185)
Depreciation and amortization charges for the year	-	(118)	(545)	(158)	(821)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 786	P 1,443	P 1,998	P 748	P 4,975

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

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2016 and 2015, the Parent Company and its bank subsidiaries have satisfactorily complied with this BSP requirement.

The cost of the Group's and the Parent Company's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P4,174 and P3,637, respectively, as of December 31, 2016 and P3,825 and P3,342, respectively, as of December 31, 2015.

14. INVESTMENT PROPERTIES

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

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2016 and 2015 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2016						
Cost	P 1,389	P 2,492	P 3,881	P 1,000	P 2,019	P 3,019
Accumulated depreciation	-	(618)	(618)	-	(203)	(203)
Accumulated impairment (see Note 16)	(34)	-	(34)	-	-	-
Net carrying amount	**P 1,355**	**P 1,874**	**P 3,229**	**P 1,000**	**P 1,816**	**P 2,816**
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
January 1, 2015						
Cost	P 3,418	P 2,880	P 6,298	P 1,620	P 2,034	P 3,654
Accumulated depreciation	-	(615)	(615)	-	(82)	(82)
Accumulated impairment (see Note 16)	(319)	(9)	(328)	(146)	-	(146)
Net carrying amount	P 3,099	P 2,256	P 5,355	P 1,474	P 1,952	P 3,426

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2016 and 2015 follow:

	Notes	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Balance at January 1, net of accumulated depreciation and impairment		P 3,370	P 5,355	P 2,883	P 3,426
Additions		559	1,631	46	13
Reclassification from (to) Bank Premises	13	(46)	(83)	-	(83)
Reclassification to Assets Held-for-Sale and Disposal Group	15.1	-	(1,688)	-	(337)
Disposals/transfers		(384)	(1,445)	(71)	(84)
Impairment losses		(34)	(225)	-	-
Depreciation charges for the year		(236)	(175)	(42)	(52)
Balance at December 31, net of accumulated depreciation and impairment		P 3,229	P 3,370	P 2,816	P 2,883

As of December 31, 2016 and 2015, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totaling to P559 and P46, respectively, in 2016 and P1,631 and P13, respectively, in 2015 in settlement of certain loan accounts.

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

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P120 and P139, respectively, in 2016, P281 and P162, respectively, in 2015, and P333 and P18, respectively, in 2014, which is presented as Gain on assets sold under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 *Income and Expenses from Investment Properties Held for Rental*

The Group and Parent Company earned rental income from investment properties amounting to P400 and P399, respectively, in 2016, P310 and P330, respectively, in 2015, and P237 and P192, respectively, in 2014 [see Notes 25.1 and 28.5(a)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P25 and P18, respectively, in 2016, P17 and P15, respectively, in 2015, and P23 and P21, respectively, in 2014.

14.3 *Valuation and Measurement of Investment Properties*

In 2015, certain investment properties of the Group were written down to their carrying amount of P362 based on management's latest evaluation of recoverable amount computed based on fair value less costs of disposal. The recoverable amount of these properties were computed based on the latest available appraisal reports adjusted for the costs of disposal of 4% of the appraised amounts and/or estimated selling price.

The fair value of investment properties as of December 31, 2016 and 2015, based on the available appraisal reports, amounted to P9,658 and P7,994, respectively, for the Group; and, P5,799 and P5,702, respectively, for the Parent Company (see Note 7.4).

15. OTHER RESOURCES

Other resources consist of the following:

		Group		Parent Company	
	Notes	2016	2015	2016	2015 (As Restated - see Note 2.2)
Assets held-for-sale and disposal group	15.1	P 3,888	P 3,263	P 1,515	P 1,426
Creditable withholding taxes		1,569	1,219	1,532	1,191
Branch licenses	15.5	1,005	1,022	1,005	1,022
Software – net	15.2	960	936	850	786
Goodwill	15.3	426	426	-	-
Prepaid expenses		457	302	295	217
Refundable deposits		304	271	198	169
Inter-office float items		112	224	123	263
Sundry debits		6	176	-	148
Returned checks and other cash items		220	164	203	155
Unused stationery and supplies		202	158	154	109
Foreign currency notes		52	147	45	113
Margin deposits	15.4	20	42	20	42
Miscellaneous		928	686	377	147
		10,149	9,036	6,317	5,788
Allowance for impairment	15.3, 16	(288)	(240)	(1)	(8)
		P 9,861	P 8,796	P 6,316	P 5,780

15.1 Assets Held-for-Sale and Disposal Group

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

In 2015, RSB classified portion of its Investment properties amounting to P1,351 as assets held-for-sale (see Note 14) since the carrying amount of this properties will be recovered principally through a sale transaction. The properties are readily available for immediate sale in its present condition and that management believes that the sale is highly probable at the time of reclassification. In January 2017, the sale of such properties to a third party materialized, which resulted in a gain from sale amounting to P11.0 million.

In 2013, the Parent Company entered into a joint venture agreement to develop certain investment properties (see Note 14) for the purpose of recovering the cost through the eventual sale. Management reclassified these properties amounting to P337 as assets held-for-sale. This type of joint arrangement is accounted for as a jointly controlled operation. There was no separate entity created under this joint venture agreement. The joint venture agreement stipulates that the Parent Company shall contribute parcels of land and the co-venturer shall be responsible for the planning, conceptualization, design, construction, financing and marketing of units to be constructed on the properties. The Parent Company does not have outstanding commitments over the joint venture agreement as of December 31, 2016 and 2015.

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

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

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

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

In relation to the SPCs disposal plan and to fully comply with the requirements of the BSP, the BOD of RSB has approved in its meeting held on May 30, 2014 the shortening of the corporate life of these SPCs until December 31, 2015 which was approved by the SEC in various dates during the last quarter of 2014. As the Group is in the process of liquidating the operations of those SPCs, which is expected to be completed within 2017, the carrying amounts of the real properties of those SPCs subject for liquidation are accounted for under PFRS 5; hence, classified as assets held-for-sale.

15.2 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2016 and 2015 is shown below.

	Group		Parent Company	
	2016	2015	2016	2015
Balance at beginning of year	P 936	P 822	P 786	P 664
Additions	294	348	270	243
Amortization	(269)	(234)	(206)	(121)
Balance at end of year	P 960	P 936	P 850	P 786

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Goodwill

The goodwill recognized by the Group as of December 31, 2016 and 2015 pertains to the following:

	2016	2015
RSB	P 268	P 268
Rizal Microbank	158	158
	426	426
Allowance for impairment	(158)	(158)
	P 268	P 268

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

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2016 and 2015, RSB engaged a third party consultant to perform an independent impairment testing of goodwill.

On the basis of the report of the third party consultant dated January 30, 2017 and January 15, 2016 with valuation date as of the end of 2016 and 2015, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss.

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

15.4 Margin Deposits

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

15.5 Branch Licenses

Branch licenses represent the rights given to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country. This account also includes the excess of the total cost of investment over the allocated net assets acquired by the Parent Company from RCBC JPL.

16. ALLOWANCE FOR IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized as follows:

		Group		Parent Company	
	Notes	2016	2015	2016	2015
Balance at beginning of year					
Loans and receivables	11	P **7,040**	P 6,457	P **4,825**	P 4,605
Investment properties	14	**70**	328	**-**	146
Other resources	15	**240**	209	**8**	21
		7,350	6,994	**4,833**	4,772
Impairment losses during the year		**1,770**	2,350	**856**	1,150
Charge-offs and other adjustments during the year		**(1,387)**	(1,994)	**(1,327)**	(1,089)
		P 383	P 356	**(P 471)**	P 61

Forward

	Notes	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Balance at end of year					
Loans and receivables	11	P 7,411	P 7,040	P 4,792	P 4,825
Investment properties	14	34	70	-	-
Other resources	15	288	240	1	8
		P 7,733	P 7,350	P 4,793	P 4,833

17. DEPOSIT LIABILITIES

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

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Demand	P 42,053	P 44,311	P 33,027	P 34,963
Savings	162,926	178,197	140,921	153,369
Time	148,098	119,854	86,217	75,738
	P 353,077	P 342,362	P 260,165	P 264,070

Included in the time deposits are the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of December 31, 2016 and 2015 as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2016	Outstanding Balance 2015
December 19, 2014	June 19, 2020	4.13%	P 2,100	P 2,100
November 14, 2013	May 14, 2019	3.25%	2,860	2,860
November 14, 2013	May 14, 2019	0.00%	1,970	1,903
May 7, 2012	November 7, 2017	5.25%	1,150	1,150
December 29, 2011	June 29, 2017	5.25%	2,033	2,033
December 29, 2011	June 29, 2017	0.00%	1,768	1,674
			P 11,881	P 11,720

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

The maturity profile of the deposit liabilities follows:

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Within one year	P 66,733	P 68,132	P 50,604	P 45,096
Beyond one year but within five years	10,523	19,202	9,786	18,802
Non-maturing	275,821	255,028	199,775	200,172
	P 353,077	P 342,362	P 260,165	P 264,070

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.13% to 1.38% in 2016, 0.15% to 1.00% in 2015, and 0.25% to 0.88% in 2014. Deposit liabilities are stated at amounts they are to be paid which approximate the market value.

Under existing BSP regulations, non-FCDU deposit liabilities, including long-term tax exempt Negotiable Certificate of Time Deposits, of the Parent Company is subject to reserve requirement equivalent to 20% in 2016 and 2015, while RSB and Rizal Microbank are subject to reserve requirement equivalent to 8% in 2016 and 2015. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 6% in 2016 and 2015. As of December 31, 2016 and 2015, the Group is in compliance with such regulatory reserve requirements.

Under BSP Circular No. 753, cash in vault and regular reserve deposit accounts with BSP are excluded as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P54,069 and P46,112 for the Group and P38,071 and P39,026 for the Parent Company as of December 31, 2016 and 2015, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2016	2015	**2016**	2015
Foreign banks	**P 26,985**	P 33,965	**P 26,985**	P 33,965
Local banks	**10,548**	15,392	**4,723**	11,847
Others	**110**	47	**4**	4
	P 37,643	P 49,404	**P 31,712**	P 45,816

The maturity profile of bills payable follows:

	Group		Parent Company	
	2016	2015	**2016**	2015
Within one year	**P 15,180**	P 21,296	**P 10,748**	P 18,228
Beyond one year but within five years	**20,969**	17,339	**19,470**	16,819
More than five years	**1,494**	10,769	**1,494**	10,769
	P 37,643	P 49,404	**P 31,712**	P 45,816

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

	2016	2015	2014
Group			
Peso denominated	**0.88% - 2.98%**	0.02% - 2.00%	0.08% - 5.00%
Foreign currency denominated	**0.10% - 2.86%**	0.02% - 2.67%	0.08% - 3.13%
Parent Company			
Foreign currency denominated	**0.10% - 2.86%**	0.02% - 2.67%	0.08% - 3.13%

19. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)	Outstanding Balance 2016	Outstanding Balance 2015
November 2, 2015	February 2, 2021	3.45%	$ 320	P 15,869	P 15,020
January 21, 2015	January 22, 2020	4.25%	243	12,053	11,398
January 30, 2012	January 31, 2017	5.25%	275	13,673	12,946
			$ 838	P 41,595	P 39,364

In November 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$320 bearing an interest of 3.45% per annum, payable semi-annually in arrears every May 2 and November 2 of each year. The Senior Notes, unless redeemed, will mature on February 2, 2021. As of December 31, 2016 and 2015, the peso equivalent of this outstanding bond issue amounted to P15,869 and P15,020, respectively.

In January 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$243 bearing an interest of 4.25% per annum, payable semi-annually in arrears every January 21 and July 21 of each year, which commenced on July 21, 2015. The Senior Notes, unless redeemed, will mature on January 22, 2020. As of December 31, 2016 and 2015, the peso equivalent of this outstanding bond issue amounted to P12,053 and P11,398, respectively.

In January 2012, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$275 bearing an interest of 5.25% per annum, payable semi-annually in arrears every January 18 and July 18 of each year, which commenced on July 18, 2012. As of December 31, 2016 and 2015, the peso equivalent of this outstanding bond issue amounted to P13,673 and P12,946, respectively. The Senior Notes matured on January 31, 2017.

In February 2010, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$250 bearing an interest of 6.25% per annum, payable semi-annually in arrears every February 9 and August 9 of each year, which commenced on August 9, 2010. The Senior Notes matured on February 9, 2015.

The interest expense incurred on these bonds payable amounted to P1,715 in 2016, P1,262 in 2015, and P1,333 in 2014. The Group recognized foreign currency exchange losses in relation to these bonds payable amounting to P516 in 2016, P24 in 2015, and P171, which are netted against Foreign exchange gains under Other Operating Income in the statements of profit or loss.

20. SUBORDINATED DEBT

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

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

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

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

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

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

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

The total interest expense incurred by the Group on the notes amounted to P553 in 2016 and 2015.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2016	2015	2016	2015
Accrued expenses	P 3,321	P 3,112	P 2,492	P 2,342
Accrued interest	1,263	1,086	1,023	946
Taxes payable	239	255	118	116
	P 4,823	P 4,453	P 3,633	P 3,404

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

22. OTHER LIABILITIES

Other liabilities consist of the following:

		Group		Parent Company	
	Notes	2016	2015	2016	2015 (As Restated - see Note 2.2)
Accounts payable	28.5(a), 28.5(c)	P 5,210	P 6,124	P 3,089	P 3,951
Post-employment defined benefit obligation	24.2	1,735	1,274	1,557	1,139
Manager's checks		1,108	1,278	586	789
Outstanding acceptances payable		822	418	822	418
Bills purchased – contra		721	1,358	718	1,346
Derivative financial liabilities	10.1	385	265	385	265
Other credits		342	281	232	193
Deposit on lease contracts		167	161	-	-
Withholding taxes payable		205	166	142	110
Payment orders payable		167	117	144	104
Sundry credits		82	78	80	78
Guaranty deposits		58	156	58	156
Due to BSP		33	28	30	28
Miscellaneous		935	709	845	610
		P 11,970	P 12,413	P 8,688	P 9,187

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

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

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock are as follows:

	Number of Shares		
	2016	2015	2014
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Balance at beginning of year	**310,145**	338,291	342,082
Conversion of shares during the year	**(16,158)**	(28,146)	(3,791)
Balance at end of year	**293,987**	310,145	338,291
Common stock – P10 par value			
Authorized – 1,400,000,000 shares			
Balance at beginning of year	**1,399,908,746**	1,275,659,728	1,275,658,638
Conversion of shares during the year	**3,718**	6,746	1,090
Issuances during the year	**-**	124,242,272	-
Balance at end of year	**1,399,912,464**	1,399,908,746	1,275,659,728

As of December 31, 2016 and 2015, there are 779 and 780 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% of the Parent Company's total issued and outstanding shares. Such listed shares closed at P33.55 per share and P33.00 per share as of December 31, 2016 and 2015, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505
Private placement	Cathay Life Insurance Corp.	April 2015	124,242,272

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE. Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month London Interbank Offered Rate (LIBOR) plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

Common shares may be transferred to local and foreign nationals and shall, at all times, not be less than 60% and not more than 40% of the voting stock, be beneficially owned by local nationals and by foreign nationals, respectively.

23.2 Purchase and Reissuance of Treasury Shares and Issuance of Common Shares

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

Also, on September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

In 2015, the Parent Company issued common shares to Cathay Life Insurance Corporation at P64 per share for a total issue price of P7,951. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709 reduced by the total issuance cost of P222. The acquisition involves Cathay: (i) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares at P64 per share, pursuant to a Sale and Purchase Agreement; (ii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund also at P64 per share, pursuant to a Sale and Purchase Agreement; and, (iv) entering into a shareholders agreement with PMMIC and the Parent Company.

23.3 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date	Dividend			Date Approved		Date
Declared	Per Share	Total Amount	Record Date	by BOD	by BSP	Paid/Payable
October 29, 2013	0.0569	0.02	December 21, 2013	October 29, 2013	January 13, 2014	January 15, 2014
October 29, 2013	*	224.01	*	October 29, 2013	February 25, 2014	April 25, 2014
October 29, 2013	*	212.01	*	October 29, 2013	September 15, 2014	October 24, 2014
January 27, 2014	0.0562	0.02	March 21, 2014	January 27, 2014	February 25, 2014	March 27, 2014
March 31, 2014	1.0000	1,275.66	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
March 31, 2014	1.0000	0.34	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
April 28, 2014	0.0570	0.02	June 21, 2014	April 28, 2014	July 25, 2014	July 30, 2014
July 28, 2014	0.0536	0.02	September 30, 2014	July 28, 2014	September 15, 2014	October 10, 2014
October 27, 2014	0.0564	0.02	December 21, 2014	October 27, 2014	December 19, 2014	January 28, 2015
October 27, 2014	*	221.57	*	October 27, 2014	March 20, 2015	April 27, 2015
January 26, 2015	0.0564	0.02	March 21, 2015	January 26, 2015	March 20, 2015	March 27, 2015
March 30, 2015	0.6000	839.95	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
March 30, 2015	0.6000	0.19	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
April 27, 2015	0.0567	0.02	June 21, 2015	April 27, 2015	September 11, 2015	September 22, 2015
July 27, 2015	0.0583	0.02	September 21, 2015	July 27, 2015	September 11, 2015	September 24, 2015
November 4, 2015	0.0593	0.02	December 21, 2015	November 4, 2015	**	December 22, 2015
January 25, 2016	0.6495	0.02	March 21, 2016	January 25, 2016	**	March 23, 2016
April 25, 2016	0.0660	0.02	June 21, 2016	April 25, 2016	June 16, 2016	June 21, 2016
April 25, 2016	0.7200	1,007.94	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
April 25, 2016	0.7200	0.21	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
July 25, 2016	0.0676	0.02	September 21, 2016	July 25, 2016	September 16, 2016	October 11, 2016
November 2, 2016	0.0724	0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017

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

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

A portion of the Parent Company's surplus corresponding to the equity in net earnings of certain subsidiaries and associates totalling P7,999 and P6,705 as of December 31, 2016 and 2015, respectively, is not currently available for distribution as dividends.

23.4 Other Reserves

On December 23, 2013, the SPCs' BOD approved the redemption of the SPCs' respective preferred shares for a total consideration of P1,555. As a result thereof, the Group incurred a redemption loss amounting to P185 and is presented as part of Other Reserves account in the 2013 statement of financial position. On May 30, 2014 and on October 16, 2014, the BOD and SEC approved the execution of the retirement of the preferred shares resulting from the SPC's redemption on December 31, 2014. Consequently, the amount of the redemption loss of P185 previously recognized in the 2013 consolidated statement of changes in equity of the Group, as part Other Reserves account, was transferred directly to Surplus (see Note 15.1).

As of December 31, 2016 and 2015, this account consists of reserves arising from the acquisition of RCBC LFC and Rizal Microbank for a total of P86 and P11, respectively.

23.5 Hybrid Perpetual Securities

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

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

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

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

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

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

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

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

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

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

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

23.6 Revaluation Reserves

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

	Group			
	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustment on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance as of January 1, 2016	P 689	P 61	(P 1,268)	(P 518)
Fair value gain on financial assets at FVOCI	1,442	-	-	1,442
Translation adjustments on foreign operation	-	25	-	25
Actuarial losses on defined benefit plan	-	-	(325)	(325)
Other comprehensive income (loss)	1,442	25	(325)	1,142
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2016	P 2,128	P 86	(P 1,593)	P 621

	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	-	-	(1,045)	(1,045)
Share in actuarial gains on defined benefit plan of associates	-	-	1	1
Other comprehensive loss	(143)	(10)	(1,044)	(1,197)
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2015	P 689	P 61	(P 1,268)	(P 518)
Balance at January 1, 2014	P 689	P 98	(P 225)	P 540
Fair value gains on financial assets at FVOCI	118		-	118
Translation adjustments on foreign operation	-	(5)	-	(5)
Actuarial gains on defined benefit plan	-	-	(35)	(35)
Share in actuarial losses on defined benefit plan of associates	-	-	(34)	(34)
Other comprehensive income (loss)	118	(5)	1	114
Transfer from fair value losses on financial asset at FVOCI to Surplus	28	-	-	28
Balance as of December 31, 2014	P 835	P 71	(P 224)	P 682

	Parent Company			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustment on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2016	P 581	P 61	(P 1,160)	(P 518)
Fair value gains on financial assets at FVOCI	1,442	-	-	1,442
Actuarial losses on defined benefit plan	-	-	(325)	(325)
Translation adjustments on foreign operation	-	25	-	25
Other comprehensive income (loss)	1,442	25	(325)	1,142
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(- 3)
Balance as of December 31, 2016	**P 2,020**	**P 86**	**(P 1,485)**	**P 621**
Balance at January 1, 2015	P 727	P 71	(P 116)	P 682
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
Actuarial losses on defined benefit plan	-	-	(1,044)	(1,044)
Translation adjustments on foreign operation	-	(10)	-	(10)
Other comprehensive loss	(143)	(10)	(1,044)	(1,197)
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2015	P 581	P 61	(P 1,160)	(P 518)

	Parent Company			
	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustment on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2014	P 581	P 76	(P 117)	P 540
Fair value gains on financial assets at FVOCI	118	-	-	118
Actuarial gains on defined benefit plan	-	-	1	1
Translation adjustments on foreign operation	-	(5)	-	(5)
Other comprehensive income (loss)	118	(5)	1	114
Transfer from fair value losses on financial asset at FVOCI to Surplus	28	-	-	28
Balance as of December 31, 2014	P 727	P 71	(P 116)	P 682

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

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

	Group		
	2016	2015	2014
Short-term employee benefits	**P 5,039**	P 4,370	P 3,731
Post-employment defined benefits	**369**	361	333
	P 5,408	P 4,731	P 4,064

	Parent Company		
	2016	2015	2014
Short-term employee benefits	**P 3,386**	P 2,924	P 2,494
Post-employment defined benefits	**280**	266	254
	P 3,666	P 3,190	P 2,748

24.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by the Parent Company's and RSB's Trust Departments, covering all regular full-time employees. The Parent Company's and RSB's Trust Departments manage the fund in coordination with the Parent Company's Retirement Committee, Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to 1.25 to 2 months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2016 and 2015.

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

	Group		Parent Company	
	2016	2015	2016	2015
Present value of the obligation	P 4,953	P 4,859	P 4,156	P 4,037
Fair value of plan assets	3,218	3,585	2,599	2,898
Deficiency of plan assets	P 1,735	P 1,274	P 1,557	P 1,139

The Group's and Parent Company's post-employment defined benefit obligation as of December 31, 2016 and 2015 are included as part of Other Liabilities account in the statements of financial position (see Note 22).

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

	Group		Parent Company	
	2016	2015	2016	2015
Balance at beginning of year	P 4,859	P 4,525	P 4,037	P 3,813
Current service cost	369	361	280	266
Interest expense	241	227	208	181
Remeasurements – actuarial losses (gains) arising from changes in:				
Financial assumptions	(73)	(73)	(63)	(68)
Demographic assumptions	(6)	(22)	-	-
Experience adjustments	2	127	18	57
Benefits paid by the plan	(439)	(286)	(324)	(212)
Balance at end of year	P 4,953	P 4,859	P 4,156	P 4,037

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

	Group		Parent Company	
	2016	2015	2016	2015
Balance at beginning of year	P 3,585	P 4,228	P 2,898	P 3,667
Interest income	179	278	148	176
Return on plan assets (excluding amounts included in net interest)	(402)	(1,013)	(394)	(998)
Contributions paid into the plan	295	378	271	265
Benefits paid by the plan	(439)	(286)	(324)	(212)
Balance at end of year	P 3,218	P 3,585	P 2,599	P 2,898

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	Group		Parent Company	
	2016	2015	2016	2015
Cash and cash equivalents	P 226	P 379	P 72	P 153
Debt securities:				
Government bonds	114	84	4	11
Corporate debt securities	291	269	51	51
Equity securities:				
Quoted equity securities				
Financial intermediaries	1,900	1,863	1,900	1,863
Transportation and communication	194	315	192	290
Electricity, gas and water	119	112	115	97
Diversified holding companies	31	19	16	19
Others	58	113	1	3
Unquoted long-term equity investments	171	330	168	330
UITF	94	17	76	74
Loans and receivables	15	77	-	1
Investment properties	4	1	4	6
Other investments	1	6	-	-
	P 3,218	P 3,585	P 2,599	P 2,898

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

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

The returns on plan assets are as follows:

	Group		Parent Company	
	2016	2015	2016	2015
Interest income	P 179	P 278	P 148	P 176
Actuarial losses	(402)	(1,013)	(394)	(998)
Actual returns	(P 223)	(P 1,291)	(P 246)	(P 824)

The amounts of post-employment benefit expense recognized in the statements of profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined as follows:

	Group		
	2016	2015	2014
Reported in profit or loss:			
Current service cost	P 369	P 361	P 333
Net interest expense (income)	62	(51)	4
	P 431	P 310	P 337

	Group 2016	Group 2015	Group 2014
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 73**	P 73	P 5
Demographic assumptions	**6**	22	-
Experience adjustments	**(2)**	(127)	(6)
Effect of asset ceiling test	**-**	-	1
Return on plan assets (excluding amounts included in net interest)	**(402)**	(1,013)	35
	(P 325)	(P 1,045)	P 35

	Parent Company 2016	Parent Company 2015	Parent Company 2014
Reported in profit or loss:			
Current service costs	**P 280**	P 266	P 254
Net interest expense	**60**	5	4
	P 340	P 271	P 258
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 63**	P 68	P 32
Experience adjustments	**(18)**	(57)	4
Changes in effect of asset ceiling	**-**	-	2
Return on plan assets (excluding amounts included in net interest)	**(394)**	(998)	42
	(P 349)	(P 987)	P 80

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

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

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

	2016	2015	2014
Group			
Discount rates	**5.00% - 5.60%**	5.05% - 5.15%	4.52% - 4.98%
Expected rate of salary increases	**3.00% - 11.00%**	5.00% - 10.00%	5.00% - 8.00%
Parent Company			
Discount rates	**5.53%**	5.15%	4.76%
Expected rate of salary increases	**5.00%**	5.00%	5.00%

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

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Rate Risks

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

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2016 and 2015:

	Group		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2016:			
Discount rate	**+/- 1%**	**(P 166)**	**P 92**
Salary growth rate	**+/- 1%**	**186**	**(71)**
2015:			
Discount rate	+/- 1%	(P 311)	P 359
Salary growth rate	+/- 1%	322	(285)

	Parent Company		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2016:			
Discount rate	**+/- 1%**	**(P 153)**	**P 172**
Salary growth rate	**+/- 1%**	**147**	**(133)**
2015:			
Discount rate	+/- 1%	(P 161)	P 181
Salary growth rate	+/- 1%	152	(138)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation at the end of each reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Retirement Plan Committee in coordination with the Group's Trust Departments, ensures that the investment positions are managed considering the computed retirement obligations under the retirement plan. This strategy aims to match the plan assets to the retirement obligations due by investing in assets that are easy to liquidate (i.e., government securities, corporate bonds, equities with high value turnover). As the Group's retirement obligations are in Philippine peso, all assets are invested in the same currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, various investments are made in a portfolio that may be liquidated within a reasonable period of time.

A large portion of the plan assets as of December 31, 2016 and 2015 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P1,735 and P1,557 for the Group and Parent Company based on the latest funding actuarial valuations in 2016 and 2015.

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Less than one year	**P 139**	P 204	**P 75**	P 162
More than one year to five years	**1,068**	773	**888**	770
More than five years to ten years	**1,970**	1,698	**1,752**	1,598
	P 3,177	P 2,675	**P 2,715**	P 2,530

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.8 years to 22 years for the Group and 5.8 years for the Parent Company.

The Group and Parent Company expects to contribute P479 and P395, respectively, to the plan in 2017.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group 2016	Group 2015 (As Restated - see Note 2.2)	Group 2014 (As Restated - see Note 2.2)
Rentals	14.2	P **614**	P 355	P 243
Dividend income	10.2	**449**	237	285
Recoveries from written-off assets		**161**	169	137
Gains on assets sold	14.1	**120**	281	333
Others		**286**	174	207
		P **1,630**	P 1,216	P 1,205

	Notes	Parent Company 2016	Parent Company 2015 (As Restated - see Note 2)	Parent Company 2014 (As Restated - see Note 2)
Rentals	14.2, 28.5(a)	P **407**	P 375	P 197
Dividend income	10.2, 12	**307**	87	107
Gains on assets sold	14.1	**139**	162	18
Others		**263**	215	245
		P **1,116**	P 839	P 567

25.2 Miscellaneous Expenses

	Notes	Group 2016	Group 2015	Group 2014
Insurance		P **738**	P 656	P 614
Credit card-related expenses		**667**	600	524
Communication and information services		**450**	443	463
Management and other professional fees		**408**	529	444
Litigation/assets acquired expenses		**385**	247	222
Advertising and publicity		**276**	289	269
Transportation and travel		**206**	295	404
Banking fees		**194**	190	176
Stationery and office supplies		**132**	129	127
Other outside services		**126**	112	104
Representation and entertainment		**45**	94	152
Donations and charitable contributions		**38**	61	55
Membership fees		**21**	19	18
Commissions		**-**	45	27
Others	14.1, 29.6	**1,750**	966	1,005
		P **5,470**	P 4,675	P 4,604

	Notes	Parent Company 2016	2015	2014
Credit card related expenses		**P 663**	P 584	P 511
Service processing fees	28.5(c)	**594**	527	479
Insurance		**501**	511	484
Communication and information services		**281**	258	288
Management and other professional fees		**217**	175	220
Advertising and publicity		**206**	191	182
Litigation/assets acquired expense		**181**	81	73
Banking fees		**144**	141	133
Other outside services		**113**	100	92
Transportation and travel		**93**	159	238
Stationery and office supplies		**86**	81	85
Donations and charitable contributions		**35**	56	50
Membership fees		**18**	15	14
Representation and entertainment		**13**	41	72
Others	29.6	**1,411**	476	561
		P 4,556	P 3,396	P 3,482

The Group's other expenses are composed of freight, employee activities expenses, fines and penalties, and seasonal giveaways. The Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P52, P54 and P48 in 2016, 2015 and 2014, respectively (see Note 28.5).

26. INCOME AND OTHER TAXES

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST). In 2003, the Parent Company and its financial intermediary subsidiaries were subjected to VAT instead of GRT. However, effective January 1, 2004 as prescribed under RA No. 9238, the Parent Company and certain subsidiaries were again subjected to GRT instead of VAT.

RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

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

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

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

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

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

In 2016, 2015 and 2014, the Group opted to continue claiming itemized deductions.

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

26.1 Current and Deferred Taxes

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

	Group		
	2016	2015	2014
Current tax expense:			
Final tax	**P 156**	P 326	P 434
RCIT	**435**	459	382
Excess MCIT over RCIT	**190**	46	122
	781	831	938
Application of MCIT	**-**	-	1
	781	831	937
Deferred tax income relating to origination and reversal of temporary differences	**(955)**	(1,138)	(23)
	(P 174)	(P 307)	P 914

	Parent Company		
	2016	2015	2014
Current tax expense:			
Final tax	**P 173**	P 254	P 391
RCIT	**140**	161	77
Excess MCIT over RCIT	**190**	46	120
	503	461	588
Deferred tax income relating to origination and reversal of temporary differences	**(842)**	(443)	-
	(P 339)	P 18	P 588

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

	Group		
	2016	2015	2014
Tax on pretax profit at 30%	**P 1,109**	P 1,446	P 1,597
Adjustments for income subjected to lower income tax rates	**(180)**	(142)	(174)
Tax effects of:			
Recognition of previously unrecognized deferred tax asset	**(865)**	(992)	-
Non-taxable income	**(845)**	(539)	(967)
Utilization of NOLCO	**374**	(443)	-
Non-deductible expenses	**520**	356	202
Unrecognized temporary differences	**97**	129	456
FCDU income	**(388)**	(125)	(214)
Utilization of MCIT	**-**	-	(1)
Others	**4**	3	15
Tax expense (income)	**(P 174)**	(P 307)	P 914

	Parent Company		
	2016	2015	2014
Tax on pretax profit at 30%	**P 1,059**	P 1,544	P 1,500
Adjustments for income subjected to lower income tax rates	**(118)**	(108)	(118)
Tax effects of:			
Recognition of previously unrecognized deferred tax asset	**(797)**	(443)	-
Utilization of NOLCO	**374**	(443)	-
Non-deductible expenses	**420**	423	130
Non-taxable income	**(889)**	(548)	(796)
Unrecognized temporary differences	**-**	(282)	86
FCDU income	**(388)**	(125)	(214)
Tax expense	**(P 339)**	P 18	P 588

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2016 and 2015 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		Statements of Profit or Loss	
	2016	2015	2016	2015
Allowance for impairment	**P 1,619**	P 752	**P 867**	P 695
Excess MCIT	**356**	-	**356**	-
Provision for credit card reward payments	**105**	-	**105**	-
Post-employment benefit obligation	**60**	21	**39**	-
Deferred rent – PAS 17	**17**	1	**16**	-
NOLCO	**-**	443	**(443)**	443
Others	**20**	5	**15**	-
Deferred tax assets	**P 2,177**	P 1,222		
Deferred tax income – net			**P 955**	P 1,138

In 2015, the Parent Company recognized deferred tax asset amounting to P443 on a portion of its unutilized NOLCO amounting to P1,476. The total unutilized NOLCO amounted to P1,823 as of December 31, 2015. In 2016, the Parent Company utilized a portion of the remaining NOLCO amounting to P1,246, while the balance of P577 expired. The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2016 and 2015 relate to the operations of the Parent Company as shown below.

	Statements of Financial Position		Statements of Profit or Loss	
	2016	2015	**2016**	2015
Allowance for impairment	P **780**	P -	P **780**	P -
Excess MCIT	**356**	-	**356**	-
Provision for credit card reward payments	**105**	-	**105**	-
Post-employment benefit obligation	**18**	-	**18**	-
Deferred rent – PAS 17	**17**	-	**17**	-
NOLCO	**-**	443	(**443)**	443
Others	**9**	-	**9**	
Deferred tax assets	P **1,285**	P 443		
Deferred tax income – net			P **842**	P 443

The Parent Company and certain subsidiaries have not recognized deferred tax assets on certain temporary differences since management believes that the Parent Company and certain subsidiaries may not be able to generate sufficient taxable profit in the future against which the tax benefits arising from those deductible temporary differences, NOLCO and other tax credits can be utilized.

The unrecognized deferred tax assets relate to the following:

	Group		Parent Company	
	2016	2015	**2016**	2015
Allowance for impairment	P **2,169**	P 1,538	P **629**	P 1,450
Excess MCIT	**6**	314	**-**	310
NOLCO	**77**	137	**-**	104
Post-employment benefit obligation	**18**	45	**-**	25
Advance rental	**2**	2	**-**	2
	P **2,272**	P 2,036	P **629**	P 1,891

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

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

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2016	P 190	P -	P -	P 190	2019
2014	67	-	-	67	2017
2013	1,865	1,246	619	-	
	P 2,122	P 1,246	P 619	P 257	

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

Inception Year	Amount	Utilized	Expired	Balance
2013	P 3,299	P 2,722	P 577	P -

As of December 31, 2016 and 2015, the Group has MCIT of P356 and P314, respectively, that can be applied against RCIT for the next three consecutive years after the MCIT was incurred.

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2016	P 194	P -	P -	P 194	2019
2015	46	-	-	46	2018
2014	122	-	-	122	2017
2013	147	(1)	(146)	-	
	P 509	(P 1)	(P 146)	P 362	

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2016	P 190	P -	P -	P 190	2019
2015	46	-	-	46	2018
2014	120	-	-	120	2017
2013	144	-	(144)	-	
	P 451	P -	(P 144)	P 356	

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

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

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

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company and RSB in fiduciary or agency capacities for their respective customers are not included in the financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P84,804 and P86,963 as of December 31, 2016 and 2015, respectively. The Parent Company's total trust resources amounted to P61,260 and P65,841 as of December 31, 2016 and 2015, respectively (see Note 29.1).

In connection with the trust operations of the Parent Company and RSB, time deposit placements and government securities with a total face value of P953 (Group) and P704 (Parent Company); and P930 (Group) and P685 (Parent Company) as of December 31, 2016 and 2015, respectively, are deposited with the BSP in compliance with existing trust regulations. The time deposit placements and government securities are presented in the statements of financial position under Due from BSP (see Note 9) and Trading and Investment Securities (see Note 10), respectively.

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

The Group and the Parent Company transferred from Surplus to Reserve for Trust Business P27 and P22, respectively, in 2016; P22 and P15, respectively, in 2015; and, P18 and P14, respectively, in 2014.

28. RELATED PARTY TRANSACTIONS

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

A summary of the Group's and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2016 and 2015 is presented below.

		Group			
		2016		2015	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Stockholders					
Loans and receivables	28.1	**(P 426)**	**P -**	(P 537)	P 426
Deposit liabilities	28.2	**(1,785)**	**1,231**	1,545	3,018
Issuance of shares of stock	23.2	**-**	**-**	7,729	-
Interest income from loans and receivables	28.1	**21**	**-**	29	-
Interest expense on deposits	28.2	**6**	**-**	5	-
Associates					
Deposit liabilities	28.2	**(53)**	**11**	(60)	65
Interest expense on deposits	28.2	**5**	**-**	3	-
Dividend	12	**124**	**-**	76	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	**(541)**	**-**	(1,966)	541
Deposit liabilities	28.2	**(2,124)**	**156**	(596)	2,282
Interest income from loans and receivables	28.1	**19**	**-**	35	-
Interest expense on deposits	28.2	**15**	**-**	10	-
Occupancy and equipment-related expense	28.5(a)	**926**	**-**	829	9
Miscellaneous expenses – others	25.2	**52**	**-**	54	-
Key Management Personnel					
Loans and receivables	28.1	**(1)**	**1**	(3)	4
Deposit liabilities	28.2	**67**	**243**	(287)	176
Interest income from loans and receivables	28.1	**-**	**-**	-	-
Interest expense on deposits	28.2	**1**		3	-
Salaries and employee benefits	28.5(d)	**376**	**-**	356	-
Other Related Interests					
Loans and receivables	28.1	**2,855**	**4,541**	(249)	1,686
Deposit liabilities	28.2	**(361)**	**115**	78	601
Interest income from loans and receivables	28.1	**567**	**-**	103	-
Interest expense from deposits	28.2	**3**	**-**	2	-

Related Party Category	Notes	Parent Company 2016 Amount of Transaction	Parent Company 2016 Outstanding Balance	Parent Company 2015 Amount of Transaction	Parent Company 2015 Outstanding Balance
Stockholders					
Loans and receivables	28.1	(P 426)	P -	(P 537)	P 426
Deposit liabilities	28.2	(1,785)	1,231	1,545	3,018
Issuance of shares of stock	23.2	-	-	7,729	-
Interest income from loans and receivables	28.1	21	-	29	-
Interest expense on deposits	28.2	6	-	5	-
Subsidiaries					
Loans and receivables	28.1	-	222	142	222
Deposit liabilities	28.2	533	2,598	26	2,065
Interest income from Loans and receivables	28.1	-	-	3	-
Interest expense on deposits	28.2	5	-	6	-
Dividend	12	1,406	-	602	-
Rental income	28.5(a), 28.5(b)			175	6
Occupancy and equipment-related expense	28.5(a)	186	-	153	3
Service processing fees	28.5(c)	460	29	410	33
Sale of investments securities	28.3	912	-	1,287	-
Purchase of investments securities	28.3	1,151	-	751	-
Capital subscriptions	12.1	-	-	750	500
Assignment of receivables	11, 28.1	(20)	202	222	222
Associates					
Deposit liabilities	28.2	(53)	11	(60)	65
Interest expense on deposits	28.2	5	-	3	-
Dividend	12	124	-	76	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	(541)	-	(1,966)	541
Deposit liabilities	28.2	(2,124)	156	(596)	2,282
Interest income from loans and receivables	28.1	19	-	35	-
Interest expense on deposits	28.2	15	-	10	-
Occupancy and equipment-related expense	28.5(b)	926	-	829	9
Miscellaneous expenses – others	25.2	52	-	54	-
Key Management Personnel					
Loans and receivables	28.1	(1)	1	(5)	2
Deposit liabilities	28.2	67	243	(287)	176
Interest income from loans and receivables	28.1	-	-	-	-
Interest expense on deposits	28.2	1		3	-
Salaries and employee benefits	28.5(d)	271	-	221	-
Other Related Interests					
Loans and receivables	28.1	2,855	4,541	63	1,686
Deposit liabilities	28.2	(361)	115	-	476
Interest income from loans and receivables	28.1	567	-	103	-
Interest expense from deposits	28.2	3	-	2	-

28.1 Loans and Receivables

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2016 and 2015 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2016:				
Stockholders	P -	P 426	P 21	P -
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,332	4,476	567	4,541
	P 7,333	**P 5,445**	**P 607**	**P 4,542**
2015:				
Stockholders	P -	P 537	P 29	P 426
Related parties under common ownership	40	2,006	35	541
Key management personnel	2	5	-	4
Other related interests	400	649	103	1,686
	P 442	P 3,197	P 167	P 2,657

	Parent Company			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2016:				
Stockholders	P -	P 426	P 21	P -
Subsidiaries	1,276	1,276	-	202
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,332	4,476	567	4,541
	P 8,609	**P 6,721**	**P 607**	**P 4,764**
2015:				
Stockholders	P -	P 536	P 29	P 426
Subsidiaries	5,754	5,612	3	222
Related parties under common ownership	40	2,006	35	541
Key management personnel	-	5	-	2
Other related interests	400	337	103	1,686
	P 5,972	P 8,496	P 170	P 2,877

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRIs). Under existing policies of the Group, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Group and Parent Company and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Group and Parent Company. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2016 and 2015, the Group and the Parent Company is in compliance with these regulatory requirements.

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

	Group		Parent Company	
	2016	2015	**2016**	2015
Total outstanding DOSRI loans	**P 587**	P 1,143	**P 553**	P 1,125
Unsecured DOSRI	**60**	62	**49**	62
Past due DOSRI	**-**	1	**-**	1
Non-accruing DOSRI	**-**	1	**-**	1
Percent of DOSRI loans to total loan portfolio	**0.23%**	0.44%	**0.24%**	0.49%
Percent of unsecured DOSRI loans to total DOSRI loans	**10.22%**	5.46%	**8.86%**	5.51%
Percent of past due DOSRI loans to total DOSRI	**0.05%**	0.08%	**0.04%**	0.08%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.05%**	0.08%	**0.04%**	0.08%

The Group and Parent Company did not recognize any impairment loss on these loans in 2016 and 2015.

28.2 Deposit Liabilities

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2016 and 2015 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Associates	35,592	35,645	9	11
Related parties under common ownership	1,287,730	1,289,854	15	156
Key management personnel	4,365	4,298	1	243
Other related interests	1,054,105	1,036,476	3	115
	P 2,418,310	**P 2,404,576**	**P 34**	**P 1,754**

Related Party Category	Group Deposits	Group Withdrawals	Group Interest Expense	Group Outstanding Balance
2015:				
Stockholders	P 49,928	P 48,383	P 5	P 3,018
Associates	20,098	20,158	3	65
Related parties under common ownership	121,273	121,869	10	2,282
Key management personnel	4,635	4,922	3	176
Other related interests	54,586	54,508	3	601
	P 250,520	P 249,840	P 24	P 6,142

Related Party Category	**Parent Company Deposits**	**Parent Company Withdrawals**	**Parent Company Interest Expense**	**Parent Company Outstanding Balance**
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Subsidiaries	974,281	973,748	5	2,598
Associates	35,592	35,645	9	11
Related parties under common ownership	1,287,730	1,289,854	15	156
Key management personnel	4,365	4,298	1	243
Other related interests	1,036,115	1,036,476	3	115
	P 3,374,601	**P 3,378,324**	**P 38**	**P 4,356**
2015:				
Stockholders	P 49,928	P 48,383	P 5	P 3,018
Subsidiaries	1,342,248	1,342,222	6	2,065
Associates	20,098	20,158	3	65
Related parties under common ownership	121,273	121,869	10	2,282
Key management personnel	4,635	4,922	3	176
Other related interests	54,508	54,508	2	476
	P 1,592,690	P 1,592,062	P 29	P 8,082

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

28.3 Sale and Purchase of Securities

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

28.4 Retirement Fund

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

The retirement funds have transactions with the Group and Parent Company as of December 31, 2016 and 2015 as follows:

Nature of Transactions	Group		Parent Company	
	Net Amount of Transaction	Outstanding Balance	Net Amount of Transaction	Outstanding Balance
2016:				
Investment in common shares of Parent Company	P -	P 1,863	P -	P 1,863
Investment in corporate debt securities	(5)	50	-	49
Deposits with the Parent Company	75	201	72	72
Fair value gains	31	-	31	-
Interest income	3	-	3	-
2015:				
Investment in common shares of Parent Company	(P 853)	P 1,863	(P 853)	P 1,863
Investment in corporate debt securities	(5)	50	-	49
Deposits with the Parent Company	19	126	-	-
Fair value losses	(849)	-	(849)	-
Interest income	5	-	3	-

The carrying amount and the composition of the plan assets as of December 31, 2016 and 2015 are disclosed in Note 24.2. Investment in corporate debt securities include long-term negotiable certificates of deposit issued by the Parent Company.

The information on the Group's and Parent Company's contributions to the retirement fund and benefit payments through the fund are disclosed in Note 24.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.

28.5 Other Related Party Transactions

(a) Lease Contracts with RRC and Sublease Agreement with Subsidiaries

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC [see Note 29.7(b)]. Rental expense incurred by the Group related to this lease arrangement is included as part of Occupancy and Equipment-related account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2015. The agreement was renewed for another five years until December 31, 2020. The outstanding payable on the lease contract is presented as part of Accounts payable under Other Liabilities in the 2016 and 2015 statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

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

(b) Lease Contract on RSB Corporate Center

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

(c) Service Agreement with RBSC

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

(d) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2016	2015	2014
Short-term employee benefits	P **361**	P 338	P 313
Post-employment defined benefits	**15**	18	14
	P **376**	P 356	P 327

	Parent Company		
	2016	2015	2014
Short-term employee benefits	P **271**	P 221	P 193
Post-employment defined benefits	**-**	-	-
	P **271**	P 221	P 193

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from off-statement of financial position items at their equivalent peso contractual amounts as of December 31, 2016 and 2015:

	Group		Parent Company	
	2016	2015	**2016**	2015
Trust department accounts	**P 84,804**	P 86,963	**P 61,260**	P 65,841
Derivative liabilities	**27,256**	32,102	**27,256**	32,102
Derivative assets	**32,172**	30,822	**32,172**	30,822
Outstanding guarantees issued	**31,828**	29,210	**31,828**	29,210
Unused commercial letters of credit	**10,783**	12,574	**10,724**	12,508
Spot exchange sold	**5,455**	2,346	**5,452**	2,346
Spot exchange bought	**5,452**	2,343	**5,455**	2,343
Inward bills for collection	**540**	1,861	**540**	1,861
Late deposits/payments received	**2,169**	511	**2,048**	477
Outward bills for collection	**84**	84	**84**	84
Others	**17**	5	**17**	5

29.2 Poverty Eradication and Alleviation Certificates Bonds

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

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

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

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

In a Resolution dated October 5, 2016, the Supreme Court partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCBC Capital which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. On the other hand, in November 2016, the Supreme Court denied the Motion for Reconsideration and Clarification filed by the OSG. The Supreme Court likewise held that due to the continued refusal of the Bureau of Treasury to release the amount of P4,966 million which it withheld upon maturity of the PEACe Bonds, even as it could have deposited the said amount in escrow as early as October 19, 2011, in compliance with the orders it had issued, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of P4,966 million counted from the aforesaid date of October 19, 2011, until full paid.

29.3 Sale of National Steel Corporation (NSC) Plant Asset

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

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

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

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

The Parent Company's exposure is approximately P263 in terms of estimated property taxes and transfer costs due on the Plant Assets, while it has a receivable from GSPI and GIHI of P486 taking into consideration the P49 installment payment it had received from the funds previously in escrow. The Parent Company has fully provisioned the receivable, which is classified in the books of the Parent Company as UDSCL with zero net book value. The Parent Company's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries), now that all pre-closing taxes on the Plant Assets sold to GSPI and GIHI, covering the period 1999 to October 14, 2004, are deemed paid, following the denial with finality of the City of Iligan's Petition for Review by the Supreme Court and the issuance of an Entry of Judgment on March 16, 2016.

In defiance, however, of the aforesaid final and executory ruling, the City of Iligan (a) issued a Notice of Delinquency against NSC, seeking to collect the tax arrears covering the period 1999 to 2016, (b) levied the NSC properties, and (c) set the same for public auction on October 19, 2016, which proceeded even as the LGU received the October 18, 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57, directing it to (a) comply with the valid and binding Tax Amnesty Agreement dated 13 October 2004, and (b) afford NSC relief from the payment of interests and penalties. On November 3, 2016, the Iligan City police took possession of the NSC Plant compound. On November 4, 2016, the NSC, through the Liquidator, filed an Omnibus Motion praying that (a) the City of Iligan, the Sangguniang Panlunsod and City Treasurer be directed to show cause why they should not be held in contempt, and (b) the Auction Sale of the NSC properties held on October 19, 2016 be nullified.

29.4 Verotel Merchant Services B. V. Case

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

On December 4, 2014, Judge Bruguera of the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive or clearance from her court. The case was subsequently raffled to Judge Mitchell Beckloff, who heard and denied the Parent Company and Bankard's Motion to Vacate the orders of Judge Bruguera, who had earlier denied the Parent Company and Bankard's motions for summary judgment. Judge Beckloff ruled that there are material facts in dispute which will require a full-blown trial. Due to the reassignment of Judge Beckloff to another court county effective September 14, 2015, the case was heard in January 2016 by a new judge, Judge Michael J. Raphael.

Trial before Judge Raphael transpired from January 13 to 26, 2016, where the issues on prescription, VII's lack of capacity to sue and VMS's lack of standing to sue were reserved for Judge Raphael's disposition. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. However, recognizing that his disposition of the Parent Company and Bankard's pending motion for nonsuit (which cited, among others, the ruling of the California Supreme Court in the case of *Greb v. Diamond International Corp.* (56 Cal. 4[th] 243 [2013]), will impact the jury verdict, Judge Raphael, on his own, deferred the entry of such jury verdict until after the March 10, 2016 hearing on the Parent Company and Bankard's motion for nonsuit.

On March 10, 2016, the Parent Company and Bankard informed Judge Raphael that they will, instead, be filing a motion for judgment notwithstanding verdict (JNOV) and motion for new trial, as these are more appropriate to address the fact that, not only was the litigated claim time-barred, and VII/VMS do not have the capacity and standing to sue, respectively, the very evidence presented by VII/VMS showed that (a) the monetary claim arose from transactions involving websites not owned by VII/VMS, (b) these have been registered under another merchant, and (c) therefore, the website are not covered by VII's Tripartite Merchant Agreement with Bankard. On April 11, 2016, the Parent Company and Bankard timely filed their motions for JNOV and new trial where they likewise assailed the many misleading statements made by the counsel for VII/VMS in his closing argument, which incited the passion and prejudice of the jurors. On April 27, 2016, the Parent Company and Bankard likewise timely filed their Reply to the Oppositions filed by VII/VMS.

On May 12, 2016, Judge Raphael heard, and partially granted, the Parent Company and Bankard's Motion for JNOV by deleting the US$7.5 million punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Parent Company/Bankard knew of, authorized, or ratified Janet Conway's fraudulent acts, and (b) Conway was a managing agent of the Parent Company/Bankard within the meaning of the California Civil Code Section 3294(b). However, Judge Raphael ruled that Conway was an agent of the Parent Company/Bankard for some purposes. Thus, he deemed the statute of limitation equitably tolled during that time Conway represented that she was negotiating to recover the funds from the defendants, as an alternative to filing a lawsuit, and sustained the award of US$1.5 million. Judge Raphael likewise deemed the issue of VII's lack of capacity to sue mooted as the jury did not award any damages thereto, and held that VMS has standing to bring its tort claims as it was allegedly established that VMS had a business relationship with the Parent Company/Bankard. As for the Motion for New Trial, Judge Raphael ruled that (a) he cannot conclude that the conduct of plaintiffs and their counsel during the trial resulted in a miscarriage of justice, and (b) at any rate, the deletion of the punitive damages mooted the issue. Judge Raphael likewise heard, and partially granted, plaintiffs' motion for interest and awarded VMS prejudgment interest in the amount of US$0.5 million.

On July 11, 2016, the Parent Company and Bankard (a) timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and (b) received a copy of the Notice of Appeal solely filed by VMS on July 8, 2016. On July 21, 2016, the Parent Company/Bankard timely posted the amount of US$3.1 million, as and by way of security to stay the enforcement of the Amended Judgment rendered by Judge Raphael.

On July 29, 2016, VMS filed an Application to File Certificate of Interested Parties Under Seal, which the Parent Company and Bankard opposed, pointing out that the identities subject of the disclosure were publicly disclosed in the trial proceedings and was, in fact, a central issue in this case and appeal as it relates to whether VMS has standing in this case and is entitled to any damages. In an Order dated August 30, 2016, the California Court of Appeals sustained the Parent Company and Bankard and directed VMS to file its Certificate of Interested Persons, not under seal; which VMS complied with on September 8, 2016. In an Order dated November 16, 2016 and filed on the same date, the California Court of Appeals adopted the briefing sequence of the Parent Company and Bankard. As such, the Parent Company/Bankard's deadline for the filing of their Opening Brief is set on March 6, 2017.

29.5 Applicability of RR 4-2011

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

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

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

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

On June 10, 2015, Makati City RTC issued a Confirmatory Order which confirms the effects of the TRO and WPI, that the writ of preliminary injunction currently in effect includes a prohibition against the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as Petitioner-Banks are concerned. The Pre-Trial Conference of the case began on August 2, 2016.

29.6 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, there was an alleged unauthorized transfer of funds from the Bank of Bangladesh to four accounts in the Parent Company, which were eventually transferred to various accounts outside of the Parent Company. In August 2016, the Monetary Board of the BSP approved the imposition of supervisory action on the Parent Company to pay the amount of P1.0 billion in relation to the completed special examination. There may be other cases arising from these events. The Parent Company has fully recognized in the 2016 statement of profit or loss the P1.0 billion supervisory action as part of Miscellaneous Expenses under Other Operating Expenses (see Note 25.2). On August 12, 2016, the Parent Company already paid the BSP P500 million of the penalty with the remaining balance due in August 2017, in accordance with the terms set by the BSP. The Parent Company does not expect this imposition of supervisory action to affect its ability to perform its existing obligations or unduly hamper its operations.

There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Parent Company's operational performance and ability to service obligations.

Except for the above-mentioned proceedings, the Parent Company is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely would have a material effect on its financial position or operating results.

29.7 Lease Commitments

(a) Parent Company as a Lessor

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

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

		2016		2015
Within one year	**P**	**294**	P	280
After one year but not more than five years		**1,331**		1,267
	P	**1,625**	P	1,547

(b) Group as Lessee

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices [see Note 28.5(a)] and branches/business centers. The Group's rental expense (included as part of Occupancy and Equipment-related account in the statements of profit or loss) amounted to P977, P742 and P754 in 2016, 2013 and 2014, respectively. The lease periods are from one to 25 years. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

As of December 31, 2016, future minimum rental payables under these non-cancellable operating leases follow:

	Group	Parent Company
Within one year	P 853	P 605
After one year but not more than five years	2,600	2,246
More than five years	228	193
	P 3,681	P 3,044

30. EARNINGS PER SHARE

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

	Group		
	2016	2015	2014
Basic and Diluted EPS			
a. Net profit attributable to Parent Company's shareholders	**P 3,868**	P 5,129	P 4,411
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends	**-**	(219)	(442)
b. Adjusted net profit before capital redemption	**3,868**	4,910	3,969
Redemption premium on HT1	**-**	(723)	-
c. Adjusted net profit	**P 3,868**	P 4,187	P 3,969
d. Weighted average number of outstanding common stocks	**1,400**	1,362	1,276
EPS before capital redemption (b/d)	**P 2.76**	P 3.60	P 3.11
Basic and diluted EPS (c/d)	**P 2.76**	P 3.07	P 3.11

	Parent Company		
	2016	2015 (As Restated - see Note 2.2)	2014 (As Restated - see Note 2.2)
Basic and Diluted EPS			
a. Net profit attributable to Parent Company's shareholders	**P 3,868**	P 5,129	P 4,411
Allocated for preferred and HT 1 dividends	**-**	(219)	(442)
b. Adjusted net profit before capital redemption	**3,868**	4,910	3,969
Redemption premium on HT1	**-**	(723)	-
c. Adjusted net profit	**P 3,868**	P 3,326	P 3,969
d. Weighted average number of outstanding common stocks	**1,400**	1,362	1,276
EPS before capital redemption (b/d)	**P 2.76**	P 3.60	P 3.11
Basic and diluted EPS (c/d)	**P 2.76**	P 3.07	P 3.11

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

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2016	2015	2014
Return on average equity:			
$\frac{\text{Net profit}}{\text{Average total equity}}$	**6.42%**	9.33%	9.23%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	**0.77%**	1.09%	1.04%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	**4.06%**	4.15%	4.30%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	**16.95%**	23.07%	19.98%
Debt-to-equity ratio:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	**7.39**	7.88	7.62
Resources-to-equity ratio:			
$\frac{\text{Total resources}}{\text{Total equity}}$	**8.39**	8.88	8.62
Interest rate coverage:			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	**1.50**	1.81	2.02

	Parent Company		
	2016	2015 (As Restated - see Note 2.2)	2014 (As Restated - see Note 2.2)
Return on average equity:			
Net profit / Average total equity	**6.43%**	9.34%	9.26%
Return on average resources:			
Net profit / Average total resources	**0.93%**	1.30%	1.23%
Net interest margin:			
Net interest income / Average interest earning resources	**3.47%**	3.62%	3.71%
Profit margin:			
Net profit / Revenues	**22.67%**	32.32%	26.41%
Debt-to-equity ratio:			
Total liabilities / Total equity	**5.73**	6.40	6.22
Resources-to-equity ratio:			
Total resources / Total equity	**6.73**	7.40	7.23
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**1.60**	2.06	2.14

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Report of Independent Auditors to Accompany the Securities and Exchange Commission Schedules Filed Separately from the Basic Financial Statements

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, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rizal Commercial Banking Corporation and subsidiaries (the Group) for the year ended December 31, 2016, on which we have rendered our report dated February 27, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see SEC Supplementary Schedules) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 5908622, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-3 (until Dec. 22, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-21-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 27, 2017

Rizal Commercial Banking Corporation and Subsidiaries
SEC Supplementary Schedules
December 31, 2016

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Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A
Financial Assets

Instrument		*Number of shares or principal amount of bonds or notes*		*Amount shown on the balance sheet*		*Valued based on the market quotation at balance sheet date*		*Income received and accrued*
Financial Assets at Fair Value Through Profit or Loss								
Government securities	P	14,804,715,584	P	14,822,122,532	P	14,822,122,532	P	66,933,846
Corporate debt securities	P	370,491,326		513,898,202		513,898,202		32,344,031
Equity securities		37,524,161 shares		1,565,254,171		1,565,254,171		-
Derivative financial assets	P	1,209,108,401		1,177,855,792		1,177,855,792		839,247,100
				18,079,130,697		18,079,130,697		938,524,977
Financial Assets at Fair Value Through Other Comprehensive Income								
Quoted equity securities		59,855,050 shares		3,919,966,575		3,919,966,575		130,741,366
Unquoted equity securities		226,970,711 shares		1,758,713,714		1,758,713,714		318,177,218
				5,678,680,289		5,678,680,289		448,918,584
Investment Securities at Amortized Cost								
Government securities	P	21,833,946,988		25,989,611,342		24,862,846,778		1,028,179,278
Corporate debt securities	P	25,393,381,871		25,874,211,697		24,834,950,128		1,302,660,831
				51,863,823,039		49,697,796,906		2,330,840,109
			P	**75,621,634,025**	**P**	**73,455,607,892**	**P**	**3,718,283,670**

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
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Schedule B
DOSRI and Receivable from Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Rizal Commercial Banking Corporation							
Loans Receivable							
RCBC Realty Corp.	P 312,500,000	P -	P 312,500,000	P -	*Not applicable*		P -
Pan Malayan Management and Investment Corp.	426,250,000	-	55,000,000	-	*Not applicable*		371,250,000
Malayan Colleges Inc.	188,500,000	-	188,500,000	-	*Not applicable*		-
Credit Card Receivables							
Bankard (Officers)	904,119	-	635,811	-	*Not applicable*		268,307
RCBC Savings Bank							
Loans Receivable							
Employee loans	46,881,983	-	1,437,796	-	*Not applicable*		45,444,187
RCBC Capital Corporation							
Loans Receivable							
Employee Loans	2,406,026	-	1,343,412	-	*Not applicable*		1,062,614
RCBC Leasing and Finance Corp.							
Loans Receivable							
Employee Loans	409,804	-	255,252	-	*Not applicable*		154,552

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule C
DOSRI Eliminated During the Consolidation of Financial Statements

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Classification		Balance at end of period
			Amounts collected	Amounts written off	Current	Not Current	

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule D
Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Deductions			Ending Balance
			Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	
Goodwill	P 425,985,979	P -	P -	P -	P -	P 425,985,979
Branch licenses	1,022,309,562	-	17,608,601	-	-	1,004,700,961
Software	935,693,072	293,055,329	269,013,274	-	-	959,735,127
Trading rights	570,349	-	-	-	-	570,349

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule E
Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Rizal Commercial Banking Corporation			
US$ 275,000,000 Senior Notes Interest Rate: 5.25% Fixed Rate Maturity Date: 1/31/2017 Number of periodic installments: Not applicable	US$ 275,000,000	Not applicable	P 13,673,253,426
US$ 243,000,000 Senior Notes Interest Rate: 4.25% Fixed Rate Maturity Date: 1/22/2020 Number of periodic installments: Not applicable	US$ 243,000,000	Not applicable	P 12,052,475,164
US$ 320,000,000 Senior Notes Interest Rate: 3.45% Fixed Rate Maturity Date: 2/2/2021 Number of periodic installments: Not applicable	US$ 320,000,000	Not applicable	P 15,869,143,839

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Schedule F
Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule G
Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

Not applicable

Schedule H
Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees
Preferred Shares[1] *voting, non-cumulative, non-redeemable, participating convertible into common shares*	200,000,000	293,987	-	-	-
Common Shares[2]	1,400,000,000	1,399,912,464	-	990,866,615	59,271,876

[1] On July 8, 2011, preferred shares amounting to P180,823,110 or 18,082,311 shares were converted to 5,820,000 common shares in 2011.

On September 30, 2011, an additional 28,011 preferred shares with P10 par value from unissued portion were converted into 9,018 common shares having P10 par value, and accounting the difference as additional paid in capital in the amount of P190,000.

On February 21, 2012, preferred shares amounting to P1,830 or 183 shares were converted to 58 common shares.

On March 7, 2012, preferred shares amounting to P21,756,450 or 2,175,645 shares were converted to 700,441 common shares.

On March 30, 2012, preferred shares amounting to P666,240 or 66,624 shares were converted to 21,449 common shares.

[2] On June 28, 2010, the Parent Company's stockholders owning or representing more than 2/3 of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or purchase any shares of any class, by amending its Articles of Incorporation. The increase in authorized capital stock of the Parent Company was approved by BSP and SEC on August 24, 2011 and September 16, 2011, respectively, totalling 1,600,000,000 shares.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprised of 50,427,931 treasury shares (with total cost of P771,207,492) and 23,020,344 unissued shares (with total par value of P230,203,440), to International Finance Corporation for a total consideration of P2,130,000,000 representing 7.2% ownership interest. The issuance resulted to recognition of APIC amounting to P1,128,589,043.

Also, on July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27.

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On March 15, 2013, the Parent Company issued 63,650,000 comoon shares from the unissued capital stock (with total cost of P636,500,000) to Pan Malayan Management that is equivalent to approximately 5.3% The issuance resulted to recogntiion of APIC amounting to P3,437,100,000.

On April 26, 2013, the Parent Company issued 71,151,505 common shares from the unissued capital stock (with total cost of P711,515,050) to International Finance Corporation that is equivalent to approximately 5.6%. The issuance resulted to recognition of APIC amounting to P3,415,272,250.

On September 30, 2014 preferred shares amounting to P37,910 or 3,791 shares were converted to 1,090 common shares.

On May 25, 2015 preferred shares amounting to P281,460 or 28,146 shares were converted to 6,746 common shares.

On April 20, 2015, the Parent Company issued 124,242,272 common shares to Cathay Life Insurance Corporation at P64 per share for a total issue price of P7,951,505,408. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709,082,688 reduced by the total issuance cost of P1,463,697,230.

RIZAL COMMERCIAL BANKING CORPORATION
Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen Gil Puyat Avenue, Makati City

Parent Company Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2016
(Amounts in Millions of Philippine Pesos)

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, As Restated		P 21,560
Prior Years' Outstanding Reconciling Items, net of tax		
Effects of adoption of PAS 27 (Amendments)		(7,278)
Deferred tax income		(443)
Fair value gain on financial assets at fair value through profit or loss		(127)
Unappropriated Retained Earnings at Beginning of Year, Dividend Declaration at Beginning of Year, As Adjusted		13,712
Net Profit Realized during the Year		
Net profit per audited financial statements		3,868
Non-actual/unrealized income		
Share in net earnings of subsidiaries and associates		(1,500)
Deferred tax income		(842)
Fair value gain on financial assets at fair value through profit or loss		(152)
		1,374
Other Transactions During the Year		
Dividends declared	(P 1,008)	
Appropriation of retained earnings to trust reserves	(22)	(1,030)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		P 14,056

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Schedule of Recent Public Offerings

2011 - P3,850,000,000 Long Term Negotiable Certificates of Time Deposit

Net Proceeds: P3,389,382,206 (Issue Price: 100.00% for P2,033,210,000 notes and 74.05% for P1,816,790,000 notes)

Use of Proceeds: To be used for general banking and re-lending purposes.

2012 - US$ 275,000,000 Senior Note

Gross Proceeds: US$275,000,000 (Issue Price: US$200,000,000 @ 100.00% and US$75,000,000 @ P102)

Related Expenses: US$1,193,825

Use of Proceeds: To be used for general banking and re-lending purposes.

2013 - P5,000,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Net Proceeds: P4,626,797,247.90 (Issue Price: 100.00% for P2,860,260,000 Fixed Rate LTNCDs and 82.5585% for P2,139,740,000 Zero Coupon LTNCDs)

Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P2,100,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Gross Proceeds: P2,100,000,000 (Issue Price: 100.00%)

Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P10,000,000,000 Tier 2 Unsecured Subordinated Notes

Gross Proceeds: P10,000,000,000 (Issue Price: 100.00%)

Use of Proceeds: To strengthen the Bank's capital base and capital adequacy ratio (CAR) and support asset growth as well as expand the bank's long-term funding base

2015 - US$ 243,000,000 Senior Note

Gross Proceeds: US$243,000,000 (Issue Price: US$ 200,000,000 @ 100.00% and US$43,000,000 @ P102)

Related Expenses: US$1,400,857

Use of Proceeds: To be used for general banking and re-lending purposes.

2015 - US$ 320,000,000 Senior Note

Gross Proceeds: US$320,000,000 (Issue Price: US$ 320,000,000 @ 100.00%)

Related Expenses: US$1,042,758

Use of Proceeds: To be used for general banking and re-lending purposes.

RIZAL COMMERCIAL BANKING CORPORATION
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments[a] (2009, 2010 and 2013 versions)	✓		
	Financial Instruments (2014)[b] *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[b] *(effective date deferred indefinitely)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		

PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers[(b)] *(effective January 1, 2018)*			✓
PFRS 16	Leases[(b)] *(effective January 1, 2019)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative[(b)] *(effective January 1, 2017)*			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the End of the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses[(b)] *(effective January 1, 2017)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
	Amendment to PAS 19: Defined Benefit Plans - Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[(b)] *(effective date deferred indefinitely)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39(d)	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds(c)	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9(d)	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction(c)	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners(c)	✓		

IFRIC 18	Transfers of Assets from Customers(c)	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments(c)	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine(c)	✓		
IFRIC 21	Levies	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders(c)	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services(c)	✓		
SIC-32	Intangible Assets - Web Site Costs(c)	✓		

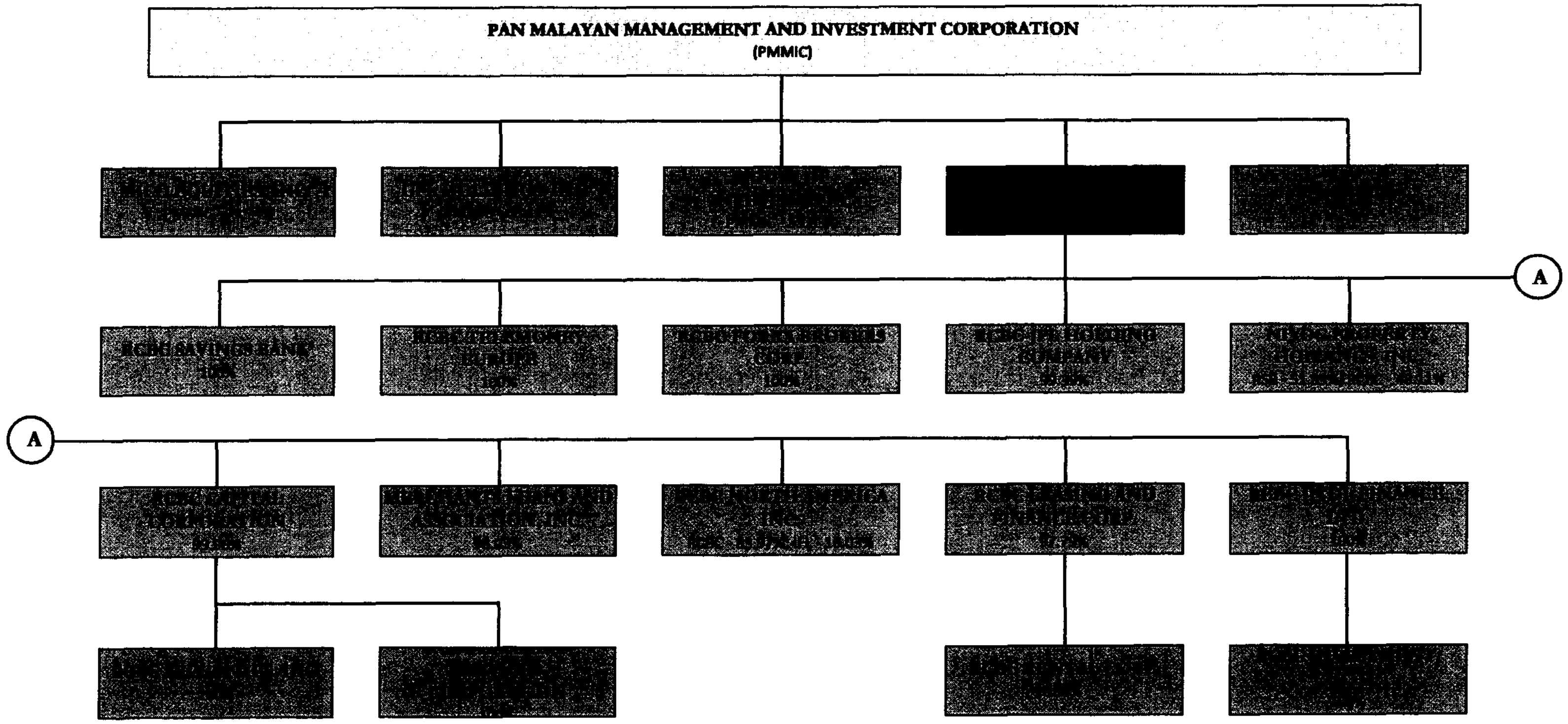
(a) PFRS 9 (2009, 2010 and 2013 versions) is effective January 1, 2018 but the Group opted to early adopt with January 1, 2014 as the date of initial application.

(b) These standards will be effective for periods subsequent to 2016 and are not early adopted by the Group.

(c) These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

(d) PAS 39 and all related amendments, improvements and interpretations thereto were applied by the Group prior to January 1, 2014. These were superseded by PFRS 9 (2009, 2010 and 2013 versions) effective January 1, 2014 except for the principles relating to impairment and hedge accounting.

Rizal Commercial Banking Corporation and Subsidiaries
Map Showing the Relationships Between and Among the RCBC and Its Related Parties
December 31, 2016



Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Schedule of Financial Indicators

	2016	2015	2014
Return on average equity	**6.42%**	9.33%	9.23%
Return on average resources	**0.77%**	1.09%	1.04%
Net interest margin	**4.06%**	4.15%	4.30%
Profit margin	**16.95%**	23.07%	19.98%
Capital adequacy ratio	**16.16%**	15.72%	15.37%
Cost to income ratio	**76.05%**	67.74%	64.51%
Liquidity ratio	**0.56**	0.41	0.49
Debt-to-equity ratio	**7.39**	7.88	7.62
Resources-to-equity ratio	**8.39**	8.88	8.62
Interest rate coverage ratio	**1.50**	1.81	2.02

SUBSIDIARIES:

Company	Country of Incorporation	RCBC's Effective Ownership
A. RCBC Savings Bank, Inc. (RSB) and Subsidiaries		
Stockton Realty Development Corporation	Philippines	**100.00**
Top Place Properties Development Corporation	Philippines	**100.00**
Goldpath Properties Development Corporation	Philippines	**100.00**
Best Value Property and Development Corporation	Philippines	**100.00**
Crescent Park Property and Development Corporation	Philippines	**100.00**
Crestview Properties Development Corporation	Philippines	**100.00**
Eight Hills Property and Development Corporation	Philippines	**100.00**
Fairplace Property and Development Corporation	Philippines	**100.00**
Gold Place Properties Development Corporation	Philippines	**100.00**
Greatwings Properties Development Corporation	Philippines	**100.00**
Happyville Property and Development Corporation	Philippines	**100.00**
Landview Property and Development Corporation	Philippines	**100.00**
Lifeway Property and Development Corporation	Philippines	**100.00**
Niceview Property and Development Corporation	Philippines	**100.00**
Princeway Properties Development Corporation	Philippines	**100.00**

Company	Country of Incorporation	MICO's Effective Ownership
B. MICO Equities, Inc. and Subsidiaries		
Malayan International Insurance Corporation Limited (Malayan International) and Subsidiaries	Bahamas	**100.00**
Malayan Insurance Company (U.K.) Limited	United Kingdom	**100.00**
Malayan Insurance Company (H.K.) Limited	Hongkong	**100.00**
ASIA-PAC Reinsurance Company, Limited	British Virgin Islands	**100.00**
Malayan Securities Corporation	Philippines	**100.00**
Malayan Insurance Co., Inc. and subsidiaries and joint venture	Philippines	**88.70**
Bankers Assurance Corporation (BAC), formerly Malayan-Zurich Insurance Company, Inc.	Philippines	**88.70**
The First Nationwide Assurance Corporation	Philippines	**45.30**

Company	Country of Incorporation	GPL's Effective Ownership
C. GPL Holdings, Inc. and Subsidiaries		
Grepa Realty Holdings Corporation	Philippines	**75.00**
Sun Life Grepa Financial, Inc. (formerly Grepalife Financial, Inc.) (Sunlife Grepa)	Philippines	**51.00**
Grepalife Asset Management Corporation (GAMC)	Philippines	**51.00**
Great Life Financial Assurance Corporation (GLFAC)	Philippines	**51.00**

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Landev Corporation and Subsidiaries	Philippines	**100.00**
Greyhounds Security and Investigation Agency Corporation	Philippines	**100.00**
Hexagon Lounge, Inc.	Philippines	**100.00**
Blackhounds Security and Investigation Agency	Philippines	**100.00**
Xamdu Motors, Inc.	Philippines	**100.00**
Investment Managers, Inc.	Philippines	**100.00**
Zambowood Realty and Development Corporation	Philippines	**100.00**
Zamboanga Carriers, Inc.	Philippines	**100.00**
iPeople, Inc. and Subsidiaries	Philippines	**67.34**
Malayan Colleges, Inc. (MCI) (Operating Under the Name of Mapua Institute of Technology, Inc. and Subsidiaries	Philippines	**67.34**
Mapua Information Technology Center, Inc.	Philippines	**67.34**
Mapua Techserv, Inc.	Philippines	**67.34**
San Lorenzo Ruiz Institute of Health Services, Inc.	Philippines	**67.34**
Malayan High School of Science, Inc.	Philippines	**67.34**
Malayan Colleges Laguna, Inc. led by Mapua School of Engineering	Philippines	**67.34**
People eServe Corporation	Philippines	**67.34**
Pan Pacific Computer Center, Inc.	Philippines	**67.34**
Honda Cars Kalookan, Inc.	Philippines	**55.00**
EEI Corporation (EEI Corp.) and Subsidiaries	Philippines	**50.32**
EEI (BVI) Limited and Subsidiaries	British Virgin Islands	**50.32**
Clear Jewel Investments, Ltd.	Hongkong	**50.32**
EEI Nouvelle Caledonie	New Caledonia	**50.32**
Nimaridge Investments, Limited and Subsidiary	British Virgin Islands	**50.32**
EEI (PNG) Ltd.	Papua New Guinea	**50.32**
EEI Corporation (Guam) Inc.	United States of America	**50.32**
EEI Construction and Marine Corporation	Philippines	**50.32**
EEI Power Construction (EEI Power)	Philippines	**50.32**
EEI Realty Corporation (EEI Realty)	Philippines	**50.32**
EEI Subic Corporation	Philippines	**50.32**
Equipment Engineers, Inc.	Philippines	**50.32**

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Gulf Asia International Corporation and Subsidiaries (GAIC)	Philippines	50.32
GAIC Manpower Services, Inc.	Philippines	50.32
GAIC Professional Services, Inc.	Philippines	50.32
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	50.32
Philrock Construction and Services, Inc.	Philippines	50.32
Philmark, Inc.	Philippines	50.32
Zamboanga Industrial Financing Corporation	Philippines	50.00

Company	Country of Incorporation	PMMIC's Effective Ownership
E. Others		
RCBC Land	Philippines	100.00
Y Realty	Philippines	100.00
Pan Malayan Express	Philippines	100.00
Philippine Integrated Advertising Agency, Inc (PIAA)	Philippines	100.00
Principal Business Marketing Co., Inc.	Philippines	100.00
Skanfil Shipping, Inc	Philippines	81.25
Philippine Overseas Tankers Transport, Inc. (PO Tankers)	Philippines	65.00
Luisita Industrial Park Corporation (LIPCo)	Philippines	59.73
RCBC Realty Corporation (RCBC Realty)	Philippines	55.30
Grepaland	Philippines	48.17

ASSOCIATES:

Company	Country of Incorporation	PMMIC's Effective Ownership
Under PMMIC		
Enrique T. Yuchengo, Inc. (ETY)	Philippines	45.90
Trans-Swedish Shipping, Inc.	Philippines	45.02
Pan Malayan Realty	Philippines	24.09
Seafront Resources Corporation (Seafront)	Philippines	20.09
International Information Services	Philippines	16.65

Company	Country of Incorporation	RCBC's Effective Ownership
Under RCBC		
YGC Corporate Services, Inc. (YCSI)	Philippines	40.00
Luisita Industrial Park Co. (LIPCo)*	Philippines	35.00
Honda Cars Philippines, Inc. (HCPI)	Philippines	12.88

* *Refer to Section E for PMMIC's total ownership*

Company	Country of Incorporation	HI's Effective Ownership
Under House of Investments		
Hi-Eisai Pharmaceutical, Inc.	Philippines	**50.00**
Al Rushaid Construction Corporation	Philippines	**49.00**
La Funeraria Paz Sucat, Inc.	Philippines	**30.00**
T'boli Agro-Industrial Development, Inc.	Philippines	**28.47**
Manila Memorial Park Cemetery, Inc. (Manila Memorial)	Philippines	**25.98**
Lo-oc Limestone Development Corporation (Lo-oc Limestone)	Philippines	**25.00**
Petroenergy	Philippines	**22.41**

SUBSIDIARIES:

Company	Country of Incorporation	RCBC's Effective Ownership
A. RCBC Savings Bank, Inc. (RSB) and Subsidiaries		
Stockton Realty Development Corporation	Philippines	100.00
Top Place Properties Development Corporation	Philippines	100.00
Goldpath Properties Development Corporation	Philippines	100.00
Best Value Property and Development Corporation	Philippines	100.00
Crescent Park Property and Development Corporation	Philippines	100.00
Crestview Properties Development Corporation	Philippines	100.00
Eight Hills Property and Development Corporation	Philippines	100.00
Fairplace Property and Development Corporation	Philippines	100.00
Gold Place Properties Development Corporation	Philippines	100.00
Greatwings Properties Development Corporation	Philippines	100.00
Happyville Property and Development Corporation	Philippines	100.00
Landview Property and Development Corporation	Philippines	100.00
Lifeway Property and Development Corporation	Philippines	100.00
Niceview Property and Development Corporation	Philippines	100.00
Princeway Properties Development Corporation	Philippines	100.00

Company	Country of Incorporation	MICO's Effective Ownership
B. MICO Equities, Inc. and Subsidiaries		
Malayan International Insurance Corporation Limited (Malayan International) and Subsidiaries	Bahamas	100.00
Malayan Insurance Company (U.K.) Limited	United Kingdom	100.00
Malayan Insurance Company (H.K.) Limited	Hongkong	100.00
ASIA-PAC Reinsurance Company, Limited	British Virgin Islands	100.00
Malayan Securities Corporation	Philippines	100.00
Malayan Insurance Co., Inc. and subsidiaries and joint venture	Philippines	88.70
Bankers Assurance Corporation (BAC), formerly Malayan-Zurich Insurance Company, Inc.	Philippines	88.70
The First Nationwide Assurance Corporation	Philippines	45.30

Company	Country of Incorporation	GPL's Effective Ownership
C. GPL Holdings, Inc. and Subsidiaries		
Grepa Realty Holdings Corporation	Philippines	75.00
Sun Life Grepa Financial, Inc. (formerly Grepalife Financial, Inc.) (Sunlife Grepa)	Philippines	51.00
Grepalife Asset Management Corporation (GAMC)	Philippines	51.00
Great Life Financial Assurance Corporation (GLFAC)	Philippines	51.00

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Landev Corporation and Subsidiaries	Philippines	100.00
Greyhounds Security and Investigation Agency Corporation	Philippines	100.00
Hexagon Lounge, Inc.	Philippines	100.00
Blackhounds Security and Investigation Agency	Philippines	100.00
Xamdu Motors, Inc.	Philippines	100.00
Investment Managers, Inc.	Philippines	100.00
Zambowood Realty and Development Corporation	Philippines	100.00
Zamboanga Carriers, Inc.	Philippines	100.00
iPeople, Inc. and Subsidiaries	Philippines	67.34
Malayan Colleges, Inc. (MCI) (Operating Under the Name of Mapua Institute of Technology, Inc. and Subsidiaries	Philippines	67.34
Mapua Information Technology Center, Inc.	Philippines	67.34
Mapua Techserv, Inc.	Philippines	67.34
San Lorenzo Ruiz Institute of Health Services, Inc.	Philippines	67.34
Malayan High School of Science, Inc.	Philippines	67.34
Malayan Colleges Laguna, Inc. led by Mapua School of Engineering	Philippines	67.34
People eServe Corporation	Philippines	67.34
Pan Pacific Computer Center, Inc.	Philippines	67.34
Honda Cars Kalookan, Inc.	Philippines	55.00
EEI Corporation (EEI Corp.) and Subsidiaries	Philippines	50.32
EEI (BVI) Limited and Subsidiaries	British Virgin Islands	50.32
Clear Jewel Investments, Ltd.	Hongkong	50.32
EEI Nouvelle Caledonie	New Caledonia	50.32
Nimaridge Investments, Limited and Subsidiary	British Virgin Islands	50.32
EEI (PNG) Ltd.	Papua New Guinea	50.32
EEI Corporation (Guam) Inc.	United States of America	50.32
EEI Construction and Marine Corporation	Philippines	50.32
EEI Power Construction (EEI Power)	Philippines	50.32
EEI Realty Corporation (EEI Realty)	Philippines	50.32
EEI Subic Corporation	Philippines	50.32
Equipment Engineers, Inc.	Philippines	50.32

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Gulf Asia International Corporation and Subsidiaries (GAIC)	Philippines	**50.32**
GAIC Manpower Services, Inc.	Philippines	**50.32**
GAIC Professional Services, Inc.	Philippines	**50.32**
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	**50.32**
Philrock Construction and Services, Inc.	Philippines	**50.32**
Philmark, Inc.	Philippines	**50.32**
Zamboanga Industrial Financing Corporation	Philippines	**50.00**

Company	Country of Incorporation	PMMIC's Effective Ownership
E. Others		
RCBC Land	Philippines	**100.00**
Y Realty	Philippines	**100.00**
Pan Malayan Express	Philippines	**100.00**
Philippine Integrated Advertising Agency, Inc (PIAA)	Philippines	**100.00**
Principal Business Marketing Co., Inc.	Philippines	**100.00**
Skanfil Shipping, Inc	Philippines	**81.25**
Philippine Overseas Tankers Transport, Inc. (PO Tankers)	Philippines	**65.00**
Luisita Industrial Park Corporation (LIPCo)	Philippines	**59.73**
RCBC Realty Corporation (RCBC Realty)	Philippines	**55.30**
Grepaland	Philippines	**48.17**

ASSOCIATES:

Company	Country of Incorporation	PMMIC's Effective Ownership
Under PMMIC		
Enrique T. Yuchengo, Inc. (ETY)	Philippines	**45.90**
Trans-Swedish Shipping, Inc.	Philippines	**45.02**
Pan Malayan Realty	Philippines	**24.09**
Seafront Resources Corporation (Seafront)	Philippines	**20.09**
International Information Services	Philippines	**16.65**

Company	Country of Incorporation	RCBC's Effective Ownership
Under RCBC		
YGC Corporate Services, Inc. (YCSI)	Philippines	**40.00**
Luisita Industrial Park Co. (LIPCo)*	Philippines	**35.00**
Honda Cars Philippines, Inc. (HCPI)	Philippines	**12.88**

** Refer to Section E for PMMIC's total ownership*

Company	Country of Incorporation	HI's Effective Ownership
Under House of Investments		
Hi-Eisai Pharmaceutical, Inc.	Philippines	50.00
Al Rushaid Construction Corporation	Philippines	49.00
La Funeraria Paz Sucat, Inc.	Philippines	30.00
T'boli Agro-Industrial Development, Inc.	Philippines	28.47
Manila Memorial Park Cemetery, Inc. (Manila Memorial)	Philippines	25.98
Lo-oc Limestone Development Corporation (Lo-oc Limestone)	Philippines	25.00
Petroenergy	Philippines	22.41

Rizal Commercial Banking Corporation and Subsidiaries
SEC Supplementary Schedules
December 31, 2016

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Rizal Commercial Banking Corporation and Subsidiaries
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Annex 68-E
Schedule B
DOSRI and Receivable from Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Rizal Commercial Banking Corporation							
Loans Receivable							
RCBC Realty Corp.	P 312,500,000	P -	P 312,500,000	P -	*Not applicable*		P -
Pan Malayan Management and Investment Corp.	426,250,000	-	55,000,000	-	*Not applicable*		371,250,000
Malayan Colleges Inc.	188,500,000	-	188,500,000	-	*Not applicable*		-
Credit Card Receivables							
Bankard (Officers)	904,119	-	635,811	-	*Not applicable*		268,307
RCBC Savings Bank							
Loans Receivable							
Employee loans	46,881,983	-	1,437,796	-	*Not applicable*		45,444,187
RCBC Capital Corporation							
Loans Receivable							
Employee Loans	2,406,026	-	1,343,412	-	*Not applicable*		1,062,614
RCBC Leasing and Finance Corp.							
Loans Receivable							
Employee Loans	409,804	-	255,252	-	*Not applicable*		154,552

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
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Schedule C
DOSRI Eliminated During the Consolidation of Financial Statements

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Classification		Balance at end of period
			Amounts collected	Amounts written off	Current	Not Current	

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule D
Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Deductions		Other changes additions (deductions)	Ending Balance
			Charged to cost and expenses	Charged to other accounts		
Goodwill	P 425,985,979	P -	P -	P -	P -	P 425,985,979
Branch licenses	1,022,309,562	-	17,608,601	-	-	1,004,700,961
Software	935,693,072	293,055,329	269,013,274	-	-	959,735,127
Trading rights	570,349	-	-	-	-	570,349

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule E
Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Rizal Commercial Banking Corporation			
<u>US$ 275,000,000 Senior Notes</u> Interest Rate: 5.25% Fixed Rate Maturity Date: 1/31/2017 Number of periodic installments: Not applicable	US$ 275,000,000	Not applicable	P 13,673,253,426
<u>US$ 243,000,000 Senior Notes</u> Interest Rate: 4.25% Fixed Rate Maturity Date: 1/22/2020 Number of periodic installments: Not applicable	US$ 243,000,000	Not applicable	P 12,052,475,164
<u>US$ 320,000,000 Senior Notes</u> Interest Rate: 3.45% Fixed Rate Maturity Date: 2/2/2021 Number of periodic installments: Not applicable	US$ 320,000,000	Not applicable	P 15,869,143,839

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
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Schedule F
Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule G
Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule H
Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees
Preferred Shares[1] *voting, non-cumulative, non-redeemable, participating convertible into common shares*	200,000,000	293,987	-	-	-
Common Shares[2]	1,400,000,000	1,399,912,464	-	990,866,615	59,271,876

[1] On July 8, 2011, preferred shares amounting to P180,823,110 or 18,082,311 shares were converted to 5,820,000 common shares in 2011.

On September 30, 2011, an additional 28,011 preferred shares with P10 par value from unissued portion were converted into 9,018 common shares having P10 par value, and accounting the difference as additional paid in capital in the amount of P190,000.

On February 21, 2012, preferred shares amounting to P1,830 or 183 shares were converted to 58 common shares.

On March 7, 2012, preferred shares amounting to P21,756,450 or 2,175,645 shares were converted to 700,441 common shares.

On March 30, 2012, preferred shares amounting to P666,240 or 66,624 shares were converted to 21,449 common shares.

[2] On June 28, 2010, the Parent Company's stockholders owning or representing more than 2/3 of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or purchase any shares of any class, by amending its Articles of Incorporation. The increase in authorized capital stock of the Parent Company was approved by BSP and SEC on August 24, 2011 and September 16, 2011, respectively, totalling 1,600,000,000 shares.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprised of 50,427,931 treasury shares (with total cost of P771,207,492) and 23,020,344 unissued shares (with total par value of P230,203,440), to International Finance Corporation for a total consideration of P2,130,000,000 representing 7.2% ownership interest. The issuance resulted to recognition of APIC amounting to P1,128,589,043.

Also, on July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On March 15, 2013, the Parent Company issued 63,650,000 comoon shares from the unissued capital stock (with total cost of P636,500,000) to Pan Malayan Management that is equivalent to approximately 5.3% The issuance resulted to recogntiion of APIC amounting to P3,437,100,000.

On April 26, 2013, the Parent Company issued 71,151,505 common shares from the unissued capital stock (with total cost of P711,515,050) to International Finance Corporation that is equivalent to approximately 5.6%. The issuance resulted to recognition of APIC amounting to P3,415,272,250.

On September 30, 2014 preferred shares amounting to P37,910 or 3,791 shares were converted to 1,090 common shares.

On May 25, 2015 preferred shares amounting to P281,460 or 28,146 shares were converted to 6,746 common shares.

On April 20, 2015, the Parent Company issued 124,242,272 common shares to Cathay Life Insurance Corporation at P64 per share for a total issue price of P7,951,505,408. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709,082,688 reduced by the total issuance cost of P1,463,697,230.

RIZAL COMMERCIAL BANKING CORPORATION
Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen Gil Puyat Avenue, Makati City

Parent Company Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2016
(Amounts in Millions of Philippine Pesos)

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, As Restated		P 21,560
Prior Years' Outstanding Reconciling Items, net of tax		
Effects of adoption of PAS 27 (Amendments)		(7,278)
Deferred tax income		(443)
Fair value gain on financial assets at fair value through profit or loss		(127)
Unappropriated Retained Earnings at Beginning of Year, Dividend Declaration at Beginning of Year, As Adjusted		13,712
Net Profit Realized during the Year		
Net profit per audited financial statements		3,868
Non-actual/unrealized income		
Share in net earnings of subsidiaries and associates		(1,500)
Deferred tax income		(842)
Fair value gain on financial assets at fair value through profit or loss		(152)
		1,374
Other Transactions During the Year		
Dividends declared	(P 1,008)	
Appropriation of retained earnings to trust reserves	(22)	(1,030)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		P 14,056

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Schedule of Recent Public Offerings

2011 - P3,850,000,000 Long Term Negotiable Certificates of Time Deposit

Net Proceeds: P3,389,382,206 (Issue Price: 100.00% for P2,033,210,000 notes and 74.05% for P1,816,790,000 notes)
Use of Proceeds: To be used for general banking and re-lending purposes.

2012 - US$ 275,000,000 Senior Note

Gross Proceeds: US$275,000,000 (Issue Price: US$200,000,000 @ 100.00% and US$75,000,000 @ P102)
Related Expenses: US$1,193,825
Use of Proceeds: To be used for general banking and re-lending purposes.

2013 - P5,000,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Net Proceeds: P4,626,797,247.90 (Issue Price: 100.00% for P2,860,260,000 Fixed Rate LTNCDs and 82.5585% for P2,139,740,000 Zero Coupon LTNCDs)
Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P2,100,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Gross Proceeds: P2,100,000,000 (Issue Price: 100.00%)
Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P10,000,000,000 Tier 2 Unsecured Subordinated Notes

Gross Proceeds: P10,000,000,000 (Issue Price: 100.00%)
Use of Proceeds: To strengthen the Bank's capital base and capital adequacy ratio (CAR) and support asset growth as well as expand the bank's long-term funding base

2015 - US$ 243,000,000 Senior Note

Gross Proceeds: US$243,000,000 (Issue Price: US$ 200,000,000 @ 100.00% and US$43,000,000 @ P102)
Related Expenses: US$1,400,857
Use of Proceeds: To be used for general banking and re-lending purposes.

2015 - US$ 320,000,000 Senior Note

Gross Proceeds: US$320,000,000 (Issue Price: US$ 320,000,000 @ 100.00%)
Related Expenses: US$1,042,758
Use of Proceeds: To be used for general banking and re-lending purposes.

RIZAL COMMERCIAL BANKING CORPORATION

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2016

Framework for the Preparation and Presentation of Financial Statements		♋		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		♋		
Practice Statement Management Commentary			♋	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	♋		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	♋		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	♋		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	♋		
	Amendment to PFRS 1: Government Loans	♋		
PFRS 2	Share-based Payment			♋
	Amendments to PFRS 2: Vesting Conditions and Cancellations			♋
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			♋
PFRS 3 (Revised)	Business Combinations	♋		
PFRS 4	Insurance Contracts			♋
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			♋
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	♋		
	Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal	♋		
PFRS 6	Exploration for and Evaluation of Mineral Resources			♋
PFRS 7	Financial Instruments: Disclosures	♋		
	Amendments to PFRS 7: Transition	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	♋		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	♋		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	♋		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	♋		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*	♋		
PFRS 8	Operating Segments			♋
PFRS 9	Financial Instruments[a] (2009, 2010 and 2013 versions)	♋		
	Financial Instruments (2014)[b] *(effective January 1, 2018)*			♋
PFRS 10	Consolidated Financial Statements	♋		
	Amendment to PFRS 10: Transition Guidance	♋		
	Amendment to PFRS 10: Investment Entities	♋		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception	♋		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[b] *(effective date deferred indefinitely)*			♋
PFRS 11	Joint Arrangements	♋		
	Amendment to PFRS 11: Transition Guidance	♋		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	♋		

PFRS 12	Disclosure of Interests in Other Entities	♋		
	Amendment to PFRS 12: Transition Guidance	♋		
	Amendment to PFRS 12: Investment Entities	♋		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception	♋		
PFRS 13	Fair Value Measurement	♋		
PFRS 14	Regulatory Deferral Accounts			♋
PFRS 15	Revenue from Contracts with Customers[1] *(effective January 1, 2018)*			♋
PFRS 16	Leases[1] *(effective January 1, 2019)*			♋
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	♋		
	Amendment to PAS 1: Disclosure Initiative	♋		
PAS 2	Inventories			♋
PAS 7	Statement of Cash Flows	♋		
	Amendment to PAS 7: Disclosure Initiative[1] *(effective January 1, 2017)*			♋
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	♋		
PAS 10	Events after the End of the Reporting Period	♋		
PAS 11	Construction Contracts			♋
PAS 12	Income Taxes	♋		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	♋		
	Amendment to PAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses[1] *(effective January 1, 2017)*			♋
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	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	♋		
PAS 17	Leases	♋		
PAS 18	Revenue	♋		
PAS 19 (Revised)	Employee Benefits	♋		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	♋		
	Amendment to PAS 19: Defined Benefit Plans - Discount Rate	♋		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			♋
PAS 21	The Effects of Changes in Foreign Exchange Rates	♋		
	Amendment: Net Investment in a Foreign Operation	♋		
PAS 23 (Revised)	Borrowing Costs	♋		
PAS 24 (Revised)	Related Party Disclosures	♋		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			♋
PAS 27 (Revised)	Separate Financial Statements	♋		
	Amendment to PAS 27: Investment Entities	♋		
	Amendment to PAS 27: Equity Method in Separate Financial Statements	♋		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	♋		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception	♋		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] *(effective date deferred indefinitely)*			♋
PAS 29	Financial Reporting in Hyperinflationary Economies			♋

PAS 32	Financial Instruments: Presentation	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendment to PAS 32: Classification of Rights Issues	♋		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	♋		
PAS 33	Earnings per Share	♋		
PAS 34	Interim Financial Reporting	♋		
PAS 36	Impairment of Assets	♋		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	♋		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	♋		
PAS 38	Intangible Assets	♋		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	♋		
PAS 39[d]	Financial Instruments: Recognition and Measurement	♋		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	♋		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	♋		
	Amendments to PAS 39: The Fair Value Option	♋		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	♋		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	♋		
	Amendment to PAS 39: Eligible Hedged Items	♋		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	♋		
PAS 40	Investment Property	♋		
PAS 41	Agriculture			♋
	Amendment to PAS 41: Bearer Plants			♋
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	♋		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			♋
IFRIC 4	Determining Whether an Arrangement Contains a Lease	♋		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[c]	♋		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			♋
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			♋
IFRIC 9[d]	Reassessment of Embedded Derivatives	♋		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	♋		
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IFRIC 12	Service Concession Arrangements			♋
IFRIC 13	Customer Loyalty Programmes	♋		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	♋		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction[c]	♋		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			♋
IFRIC 17	Distributions of Non-cash Assets to Owners[c]	♋		

IFRIC 18	Transfers of Assets from Customers[c]	♋		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[c]	♋		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[c]	♋		
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Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			♋
SIC-10	Government Assistance - No Specific Relation to Operating Activities			♋
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	♋		
SIC-15	Operating Leases - Incentives	♋		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders[c]	♋		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	♋		
SIC-29	Service Concession Arrangements: Disclosures			♋
SIC-31	Revenue - Barter Transactions Involving Advertising Services[c]	♋		
SIC-32	Intangible Assets - Web Site Costs[c]	♋		

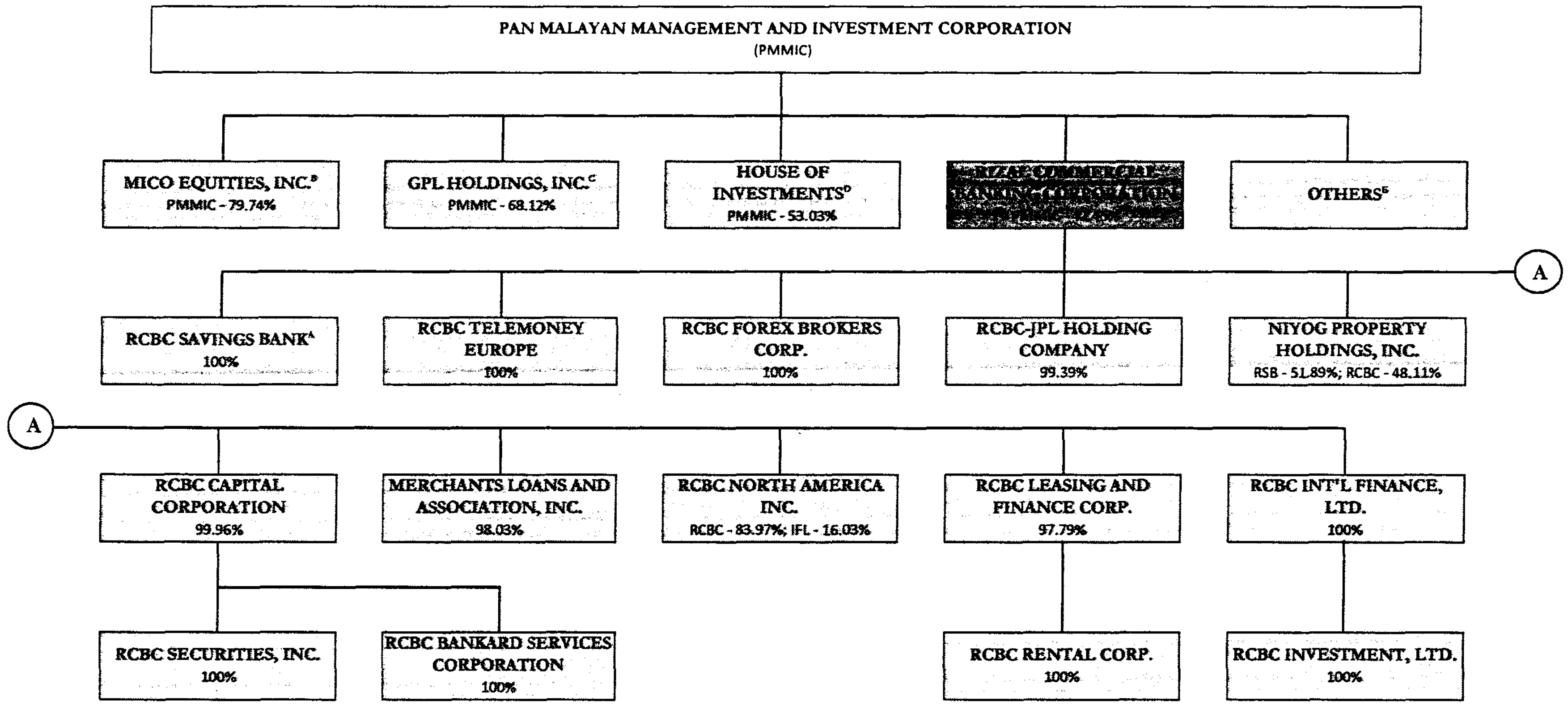
[a] PFRS 9 (2009, 2010 and 2013 versions) is effective January 1, 2018 but the Group opted to early adopt with January 1, 2014 as the date of initial application.

[b] These standards will be effective for periods subsequent to 2016 and are not early adopted by the Group.

[c] These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

[d] PAS 39 and all related amendments, improvements and interpretations thereto were applied by the Group prior to January 1, 2014. These were superseded by PFRS 9 (2009, 2010 and 2013 versions) effective January 1, 2014 except for the principles relating to impairment and hedge accounting.

Rizal Commercial Banking Corporation and Subsidiaries
Map Showing the Relationships Between and Among the RCBC and Its Related Parties
December 31, 2016



Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Schedule of Financial Indicators

	2016	2015	2014
Return on average equity	**6.42%**	9.33%	9.23%
Return on average resources	**0.77%**	1.09%	1.04%
Net interest margin	**4.06%**	4.15%	4.30%
Profit margin	**16.95%**	23.07%	19.98%
Capital adequacy ratio	**16.16%**	15.72%	15.37%
Cost to income ratio	**76.05%**	67.74%	64.51%
Liquidity ratio	**0.56**	0.41	0.49
Debt-to-equity ratio	**7.39**	7.88	7.62
Resources-to-equity ratio	**8.39**	8.88	8.62
Interest rate coverage ratio	**1.50**	1.81	2.02

RIZAL COMMERCIAL BANKING CORP.
Computation of Public Ownership as of December 31, 2016

Number of Issued Shares					1,399,912,464
Number of Treasury Shares (if any)					-
Number of Issued & Outstanding Shares					1,399,912,464
Less:					
Directors	% to total I/O Shares		No. of Shares		
Helen Y. Dee					
Direct	0.00	438			
Indirect (thru: Pan Malayan Mgt)	0.00	31			
Indirect (thru: RCBC Trust)	0.07	934,760	935,229		
Gil A. Buenaventura	0.00		5		
Cesar E.A. Virata					
Direct	0.00	167			
Direct (thru: RCBC Trust)	0.01	100,000	100,167		
AMB Lilia R. Bautista	0.00		5		
John Law	0.00		1		
Richard G.A. Westlake	0.00		1		
Armando M. Medina	0.00		195		
Yu-Shing Peng	0.00		1		
Florentino M. Herrera III					
Direct	0.00	315			
Indirect (thru: Guild Sec.)	0.00	3,152	3,467		
Tze Ching Chan	0.00		1		
Gabriel S. Claudio	0.00		1		
Melito S. Salazar Jr.	0.00		1		
Adelita A. Vergel de Dios	0.00		1		
Vaughn F. Montes	0.00		5	1,039,080	
Officers					
Ma. Celia Fernandez-Estavillo					
Direct	0.00	18			
Indirect (thru: Abacus Sec)	0.00	5,000			
Direct (thru: Abacus Sec.)	0.00	40,000	45,018		

Alfredo S. Del Rosario Jr.	0.00	17,400	
Direct (thru: RCBC Sec)			
Evelyn Nolasco	0.00	2,700	
Direct (thru: RCBC Sec)			
Gerald O. Florentino	0.00	5,500	
Direct (thru: RCBC Sec)			
			70,618
Principal Stockholders			
Pan Malayan Mgnt & Invst. Corp			
Direct	33.86	473,963,631	
Direct (thru: RCBC Sec)	8.59	120,284,450	
			594,248,081
Cathay Life Insurance Corp.	22.71	317,936,907	317,936,907
Affiliates			
Manila Memorial Park Cementery	0.06	895,100	
Mico Equities , Inc.	0.70	9,804,400	
Bankers Assurance Corp.	0.30	4,263,373	
First Nationwide Assurance Corp.	0.27	3,714,413	
GPL Holdings Inc.	1.60	22,330,683	
Grepa Realty Holdings Corp.	0.08	1,187,220	
House of Investments Inc.	0.00	47,000	
La Funenaria Paz-Sucat Inc.	0.00	47,500	
RCBC Capital Corporation	0.05	750,000	
Malayan Insurance Co., Inc.	2.55	35,641,938	

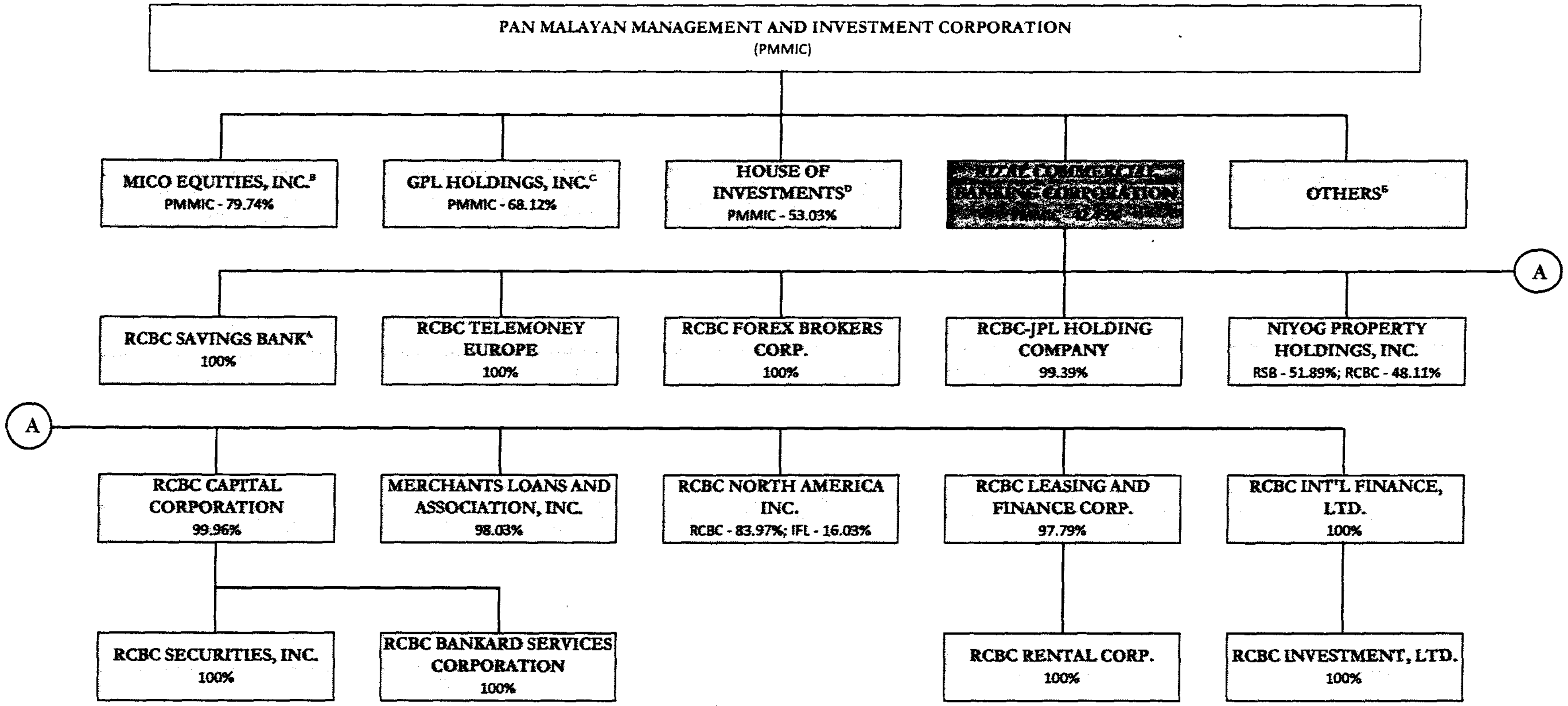
Number of Issued and Outstanding Shares	1,399,912,464
Number of Outstanding Shares	1,399,912,464
Number of Treasury Shares	-
Number of Listed Shares	1,399,902,000
Number of Foreign-Owned Shares	485,303,857
Foreign Ownership Level (%)	34.67%
Foreign Ownership Limit (%)	40%
Number of Stockholders	779
Number of Shareholders owning at least one Board Lot each	594

Noted by:

ROSITA C. TACSUAN
OPERATIONS OFFICER

ANTONIO B. MADRID
MANAGER

Rizal Commercial Banking Corporation and Subsidiaries
Map Showing the Relationships Between and Among the RCBC and Its Related Parties
December 31, 2016



REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S S.

CERTIFICATION

I, **GEORGE GILBERT G. DELA CUESTA**, incumbent Corporate Secretary of the Rizal Commercial Banking Corporation (the "Bank"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal place of business at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, do hereby certify that, to the best of my knowledge, except for those indicated below, none of the directors and officers listed in the Information Statement work with the government.

Mr. Gabriel S. Claudio currently serves as a member of the Board of Directors of the Philippine Amusement and Gaming Corporation (PAGCOR). Attached is a copy of the latest authority from the Board of Directors of PAGCOR allowing Mr. Gabriel S. Claudio to sit on the Board of Directors of the Bank.

IN WITNESS WHEREOF, I have hereunto signed this Certification and Undertaking this ___ day of May 2017 at Makati City, Philippines.

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

MAY 2 6 2017

SUBSCRIBED AND SWORN to before me this ___ day of May 2017 at Makati City, affiant **GEORGE GILBERT G. DELA CUESTA** who is personally known to me exhibiting to me his SSS ID No. 33-3032245-5 and IBP ID Lifetime Member No. 03276.

Doc. No. 215
Page No. 44
Book No. 349
Series of 2017.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20 (2017-2018)
Until 31 December 2018
PTR NO. 5910037; 01-03-17; Makati City
IBP NO. 1055567; 01-03-17; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Philippine Amusement and Gaming Corporation

A Sure Bet for Progress in Gaming, Entertainment and Nation Building

May 25, 2017

SECURITIES AND EXCHANGE COMMISSION
SEC MAIN OFFICE
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

ATTENTION: **ATTY. TERESITA J. HERBOSA**
Chairperson

SUBJECT: Director Gabriel S. Claudio

Dear Chairperson Teresita J. Herbosa:

We write pursuant to the request of Director Gabriel S. Claudio who has been appointed as a Director of the Philippine Amusement and Gaming Corporation ("PAGCOR") by the President of the Republic of the Philippines and is currently one of the Independent Directors of the Rizal Commercial Banking Corporation ("RCBC"), and in compliance with the requirement of the Securities and Exchange Commission ("SEC").

Please be informed that the Board of Directors of PAGCOR does not object against Mr. Gabriel S. Claudio, an appointed director of PAGCOR, to concurrently hold the position of Independent Director in RCBC, subject to existing laws, rules and regulations, and to any conflict of interest that may arise in the future.

Very truly yours,

THE BOARD OF DIRECTORS
PAGCOR

ANDREA D. DOMINGO
Chairperson/Chief Executive Officer

ALFREDO C. LIM
President/Chief Operating Officer

Copy Furnished:

DIRECTOR GABRIEL S. CLAUDIO

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MELITO S. SALAZAR,** Filipino, of legal age and a resident of 7 Tulips St., St. Dominic IV, Culiat, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since June 27, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Sun Life of Canada Prosperity Balanced Fund, Inc.	Independent Director	6/20/2014 to present
Sun Life of Canada Prosperity Philippine Equity Fund, Inc.	Independent Director	6/2/2014 to present
Sun Life Prosperity GS Fund, Inc.	Independent Director	6/20/2014 to present
Chamber of Commerce of the Philippine Islands	Director	7/1/2012 to present
Centro Escolar University School of Accountancy and Management	Dean	7/15/2014 to present
Philippines First Insurance Corp.	Independent Director	July 2007 to present
Omnipay Inc.	Chairman	2013 to present
Quickminds Corporation	Chairman and President	April 2015 to present
YANMAR Philippines	Independent Director	4/15/2015 to present
Sun Life of Canada Prosperity Philippine Stock Index Fund Independent Director	Independent Director	2/1/2015 to present
Concepcion Industrial Corporation	Independent Director	9/1/2013
Manila Bulletin	Columnist	2006 to present
TECO Philippines	Independent Director	April 2015 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC. I am, however, a Regent at the Philippine Normal University. I was appointed in 2014 on part-time status.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of MAY 25 2017 at MAKATI CITY.

MELITO S. SALAZAR
Affiant

SUBSCRIBED AND SWORN to before me this day of MAY 25 2017 at MAKATI CITY, affiant personally appeared before me and exhibited to me the following:

EVIDENCE OF IDENTITY	PLACE/ OF ISSUE	VALID UNTIL
1. PASSPORT NO. EB3979636	MANILA - DFA	APRIL 25, 2018
2.		

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20 (2017-2018)
Until 31 December 2018
PTR NO. 5910037; 01-03-17; Makati City
IBP NO. 1055567; 01-03-17; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Doc. No. 121
Page No. 26
Book No. 349
Series of 2017.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARMANDO M. MEDINA,** Filipino, of legal age and a resident of 7 Doña Aurora St., Tahanan Village, Paranaque, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since February 26, 2003. Pursuant to SEC Memorandum Circular No. 4 series of 2017, I have a maximum of 9 years (cumulative) from 2012, or until 2021, within which to serve as Independent Director.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RCBC Savings Bank	Independent Director	2003/02/17 to present
RCBC Capital Corporation	Independent Director	2011/02/17 to present
Malayan Insurance Co. Inc.	Independent Director	2011/07/26 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing

Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of MAY 2 6 2017 at MAKATI CITY.

ARMANDO M. MEDINA
Affiant

SUBSCRIBED AND SWORN to before me this day of MAY 2 6 2017 at MAKATI CITY, affiant personally appeared before me and exhibited to me the following:

EVIDENCE OF IDENTITY	PLACE/ OF ISSUE	VALID UNTIL
1. PP EC4279016	MANILA	MAY 27, 2020
2.		

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20 (2017-2018)
Until 31 December 2018
PTR NO. 5910037; 01-03-17; Makati City
IBP NO. 1055567; 01-03-17; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Doc. No. 215
Page No. 48
Book No. 349
Series of 2017.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VAUGHN F. MONTES,** Filipino, of legal age and a resident of 30 Nottingham St. Hillsborough Alabang Village, Cupang, Muntinlupa 1770, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since September 26, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Parents for Education Foundation (PAREF)	Trustee	2000 to present
PAREF Southridge School for Boys	Chairman and President	2014 to present
PAREF Westbridge School for Boys	Trustee	2000 to present
PAREF Northfield School for Boys	Trustee	2000 to present
Foundation for Economic Freedom	Trustee	2014 to present
Center for Family Advancement	Trustee	2016 to present
Center for Excellence in Governance	Director	2016 to present
Institute for Corporate Directors	Teaching Fellow - Corporate Governance	2015 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NONE		

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Alleged irregular securities trade (suit filed against all DBP Directors)	Securities and Exchange Commission	Awaiting resolution of the Commission En Banc

Violation of Republic Act 3019 (suit filed against all DBP Directors)	Office of the Ombudsman (OMB-C-C-16-0408; OMB-C-A-16-0360; Business Driven Resource Realignment Program)	Awaiting resolution of the Ombudsman
Violation of Republic Act No. 3019 (suit filed against all DBP Directors)	Office of the Ombudsman (OMB-L-A-16-0543; Loan to Province of Marinduque)	Awaiting resolution of the Ombudsman

6. I am not in government service/affiliated with a government agency or GOCC. I am, however, a national consultant on Public Private Partnerships (PPP) Risk Management to Department of Finance/Bureau of Treasury (from December 2011 to December 2016) and national consultant on PPP Risk Management to the National Economic Development Authority/PPP Center (from February 2012 to the present), both under the Asian Development Bank Technical Assistance Grant on PPP Program. The posts are appointive and part-time.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of MAY 26 2017 at MAKATI CITY.

VAUGHN F. MONTES
Affiant

SUBSCRIBED AND SWORN to before me this day of MAY 26 2017 at MAKATI CITY, affiant personally appeared before me and exhibited to me the following:

EVIDENCE OF IDENTITY	PLACE/ OF ISSUE	VALID UNTIL
1. PP EC1633576	MANILA	JULY 14, 2019
2.		

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20 (2017-2018)
Until 31 December 2018
PTR NO. 5910037; 01-03-17; Makati City
IBP NO. 1055567; 01-03-17; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

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Page No. 45
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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN B. SANTOS,** Filipino, of legal age and a resident of 2420 Bougainvilla St., Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since November 2, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
AMUNDI (Singapore)	Advisory Board	Apr-16 to present
Mitsubishi Motor Phil. Corp.	Advisory Board	Jan-15 to present
Golden Spring Group Ltd (Singrapore)	Independent Director	Nov-14 to present
House of Investments, Inc.	Independent Director	Oct-14 to present
Coca-Cola FEMSA Philippines	Advisory Board	Sep-13 to present
Philippine Investment Management, Inc. (PHINMA)	Independent Director	Aug-13 to present
Dualtech Training Center Foundation	Chairman, Board of Trustee	Mar-12 to present
First Philippine Holdings Co.	Independent Director	Jun-09 to present
East-West Seed ROH Limited (Bangkok, Thailand)	Independent Director	2008 to present
East-West Seeds Co. Inc. (Phils.)	Advisory Board	2008 to present
Alaska Milk Corporation	Independent Director	May-07 to present
Marsman-Drysdale Group	Consultant	Sep-07 to present
SunLife Grepa Financial, Inc.	Independent Director	Oct-06 to present
St. Luke's Medical Center	Trustee	Aug-05 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Field Investigation Office vs. Emilio S. De Quiros, et.al. (OBM CRI N ADM Cases OMB-C-C-16-0053 and OMB-C-A-16-0044)	Office of the Ombudsman	Pending

6. I am not in government service/affiliated with a government agency or GOCC.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of MAY 25 2017 at MAKATI CITY.

JUAN B. SANTOS
Affiant

MAKATI CITY SUBSCRIBED AND SWORN to before me this day of MAY 25 201. at __________, affiant personally appeared before me and exhibited to me the following:

EVIDENCE OF IDENTITY	PLACE/ OF ISSUE	VALID UNTIL
1. Phil. Passport No. EB8773428	DFA Manila	23 July 2018
2.		

Doc. No. 123
Page No. 26
Book No. 309
Series of 2017.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20 (2017-2018)
Until 31 December 2018
PTR NO. 5910037; 01-03-17; Makati City
IBP NO. 1055567; 01-03-17; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LILIA R. BAUTISTA,** Filipino, of legal age and a resident of 33 A. Rita St., San Juan City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since July 25, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RFM Corporation	Independent Director	2005 to present
Transnational Diversified Group, Inc.	Independent Director	2006 to present
CIBI Foundation	Trustee	2016 to present
Pamantasan ng Lungsod ng Maynila	Professor	2016 to present
Philippine Judicial Academy	Professorial Lecturer II	2010 to present
Philja Development Center	Director (Holdover)	2010 to present
(National Group) Permanent Court of Arbitration	Member	2008 to present
St. Martin de Porres Charity Hospital	Trustee	2012 to present
Jose Rizal University	Dean, Law School	5/1/2012 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding __or__ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS

N/A		

6. I am not currently in government service/affiliated with a government agency or GOCC.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of MAY 26 2017 at MAKATI CITY.

Lilia R. Bautista
LILIA R. BAUTISTA
Affiant

SUBSCRIBED AND SWORN to before me this day of MAY 26 2017 at MAKATI CITY, affiant personally appeared before me and exhibited to me the following:

EVIDENCE OF IDENTITY	PLACE/ OF ISSUE	VALID UNTIL
1. Passport No. EC1817562	Manila	August 5, 2019
2. TIN 120436744		

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20 (2017-2018)
Until 31 December 2018
PTR NO. 5910037; 01-03-17; Makati City
IBP NO. 1055567; 01-03-17; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

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Series of 2017.

RCBC

RIZAL COMMERCIAL BANKING CORPORATION
A YGC COMPANY

REQUEST FOR MOTORIZED MESSENGERIAL SERVICES

INSTRUCTIONS FOR USE:

1. Accomplished in two (2) copies.
2. Indicate the complete name, address and rank/position of addressee.

RUSH & IMPORTANT

Type of Service Required **(XXX) Delivery** **( ) Pick-Up** **Date: May 17, 2017**

Item Description:	Destination:	ACKNOWLEDGEMENT
RE: REMINDER FOR BOARD OF DIRECTORS MEETING – MAY 29, 2017	**ATTY. FLORENTINO M. HERRERA III 5TH FLOOR, SGV 2 BUILDING 5758 AYALA AVENUE, MAKATI CITY**	Signature: ____ Printed Name: ____ Time: ____ Date: ____
SEC./DEPT.: **CORPORATE SECRETARIAT**	COST CTR.: **843-000**	AUTHORIZED BY: (Print Name & Sign) **ATTY. JING M. BALBA**

FOR MESSAGE CENTER USE ONLY

Received from Requesting Unit:	Assigned to: ____	Returned to Req. Unit:
Department: ____	Messenger: ____	Received by: ____
Date: ____	Disp. Date: ____	Date: ____

P. O. W. E. R. Copy Distribution: Original Copy-Message Center-GSPD, Duplicate Copy Requesting Unit/Associate

RCBC

RIZAL COMMERCIAL BANKING CORPORATION
A YGC COMPANY

REQUEST FOR MOTORIZED MESSENGERIAL SERVICES

INSTRUCTIONS FOR USE:

3. Accomplished in two (2) copies.
4. Indicate the complete name, address and rank/position of addressee.

RUSH & IMPORTANT

Type of Service Required **(XXX) Delivery** **( ) Pick-Up** **Date: May 25, 2017**

Item Description:	Destination:	ACKNOWLEDGEMENT
RE: CERTIFICATE OF INDEPENDENT DIRECTOR (FOR SIGNATURE)	**AMB. LILIA R. BAUTISTA 33 A. RITA ST., SAN JUAN CITY**	Signature: ____ Printed Name: ____ Time: ____ Date: ____
SEC./DEPT.: **CORPORATE SECRETARIAT**	COST CTR.: **843-000**	AUTHORIZED BY: (Print Name & Sign) **ATTY. JING M. BALBA**

FOR MESSAGE CENTER USE ONLY

Received from Requesting Unit:	Assigned to: ____	Returned to Req. Unit:
Department: ____	Messenger: ____	Received by: ____
Date: ____	Disp. Date: ____	Date: ____

P. O. W. E. R. Copy Distribution: Original Copy-Message Center-GSPD, Duplicate Copy Requesting Unit/Associate

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GABRIEL S. CLAUDIO,** Filipino, of legal age and a resident of 800 Alpha Road, Alpha Village, Capitol Hills Drive, Old Balara, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since July 25, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Ginebra San Miguel, Incorporated	Member, Board of Directors	Jun-11 to present
Risk & Opportunities Assessment Management	Vice Chairman/Member, Board of Directors	Nov-11 to present
Conflict Resolution Group Foundation (CORE)	Member, Board of Directors	Sep-10 to present
Toby's Youth Sports Foundation	Member, Board of Directors	Mar-11 to present
PAGCOR	Member, Board of Directors	Jul-16 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I have the required written permission or consent from the head of the Philippine Amusement and Gaming Corporation to be an independent director in the Rizal Commercial Banking Corporation, pursuant to Office of the President

26 May 2017

MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director
Markets and Securities Regulation Department
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307

Subject: **Undertaking to Submit Certification of Independent Director Issued by Atty. Adelita A. Vergel De Dios**

Dear Director Felizmenio:

In connection with the Definitive Information Statement (SEC Form 20-IS) of the Rizal Commercial Banking Corporation, and as required by your Good Office, the Bank undertakes to submit to the Securities and Exchange Commission, on or before June 16, 2017, the Certification of Independent Director issued by Atty. Adelita A. Vergel De Dios who is currently abroad and scheduled to return to the Philippines on June 14, 2017.

Thank you very much for your kind consideration.

Very truly yours,

ATTY. GEORGE GILBERT G. DELA CUESTA
Corporate Secretary