RCBC

2018 ANNUAL REPORT

VISION

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

MISSION

We are a leading universal bank, providing quality Integrated Financial Services that best meet our clients' needs. We are committed to conducting our business with utmost integrity, excellence, and commitment as responsible corporate citizens; and, providing professional growth opportunities to develop a talented base of officers and employees, and achieving the best returns for our stockholders.

The RCBC Vision and Mission Statements

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

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ABOUT THE COVER

Believe in consistency. The 2018 RCBC Annual Report cover visualizes a continuous cycle of progress. In symmetry, there is a sense of order and balance, which are key in achieving constant results year on year.

The RCBC Brand

RCBC is the bank that believes in you. With customers at the heart of our products and services, RCBC believes in people even before they believe in themselves. We motivate individuals, families and companies to think big, aim far, and to go for higher ambitions. For over 58 years, RCBC has been supporting Filipinos with their financial needs. The brand is dynamic, evolving with the times to serve the changing needs of Filipinos.

In 2017, RCBC revamped the brand to better serve the emerging market. We revitalized the brand with a refreshed corporate identity. The transformation fortified the employees internally and strengthened their connection with the clients that we serve. With a new mantra "We Believe In You", RCBC reenergized our branding with a clean and modern look. It brought the bank closer to the younger generation while reinforcing relevance to long-term clients. The monumental change is a manifestation of the bank's commitment to constantly adapt and improve. RCBC brings the rich banking heritage into today's contemporary landscape by updating their brandmark – the blue hexagon. The hexagon represents the synergy of RCBC with other sister companies. As a key member of the Yuchengco Group of Companies, RCBC is the strong financial institution that stands with YGC's range of businesses - life insurance, non-life insurance, transportation & communication, education and construction.

Today, RCBC continues to create meaningful, genuine relationships with clients. The Bank provides solutions with an unwavering dedication to uplift lives. Wherever you are in life, whether you are at your first job, providing for a family or expanding your business ventures — RCBC believes you can achieve what you aim for.

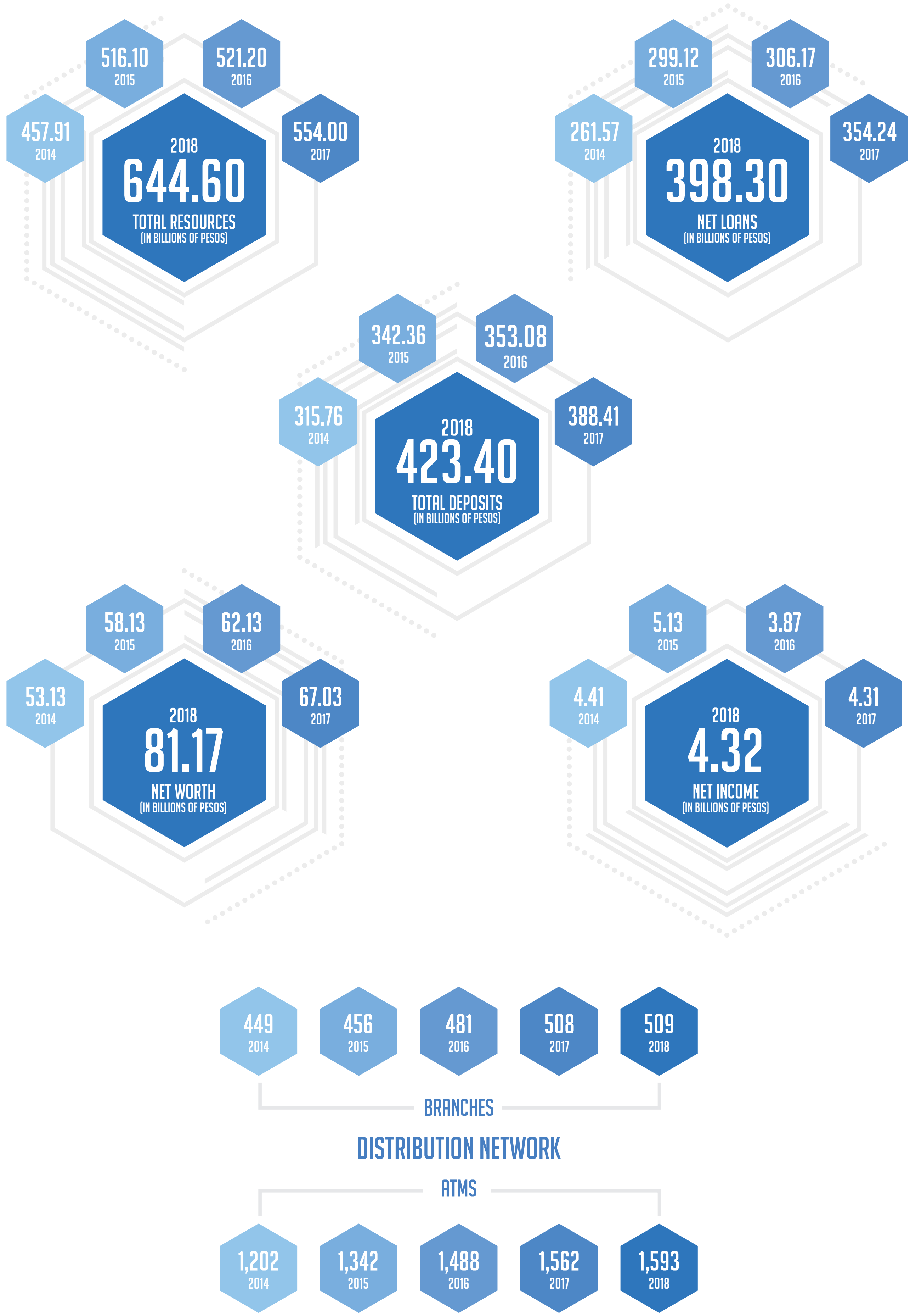
The RCBC Business Model

RCBC offers a wide range of financial services to both corporate and retail customers. The main source of funding of the Bank is from Customer Deposits accounting for 65.68% of the Total Resources. This is supported by Other Borrowings at 21.72% of Total Resources and Capital at 12.59% of Total Resources. The Bank's main source of revenue is from its Lending business, Loans account for 61.79% of Total Resources. The Bank lends to Corporations and Individuals. Net Interest Income accounts for 77.33% of Total Operating Income, while Other income covers for 22.67% of balance. The Bank also earns other income from other financial services and activities through charging fees and or earning commissions, and may also earn Trading Income from proprietary trading activities. The bank delivers financial products and services through 509 branches and 1,593 ATMs all over the country. Customers can also avail of the Bank's products services through the internet, mobile IOS and android applications.

FINANCIAL HIGHLIGHTS OF THE YEAR

	Consolidated		Parent Bank (Solo)	
Minimum Required Data	**2018**	**2017**	**2018**	**2017**
Profitability For The Year *in million pesos except ratios and net earnings per share*				
Total Net Interest Income	20,489	18,021	15,031	12,395
Total Non-Interest Income	6,006	7,100	5,657	6,887
Total Non-Interest Expenses	19,403	17,815	14,249	13,113
Pre-Provision Profit	7,092	7,306	6,439	6,169
Impairment Losses	1,899	2,155	1,306	1,164
Net Income	4,321	4,310	4,320	4,308
Selected Balance Sheet Data *in million pesos*				
Liquid Assets[1/]	143,340	110,773	107,401	89,994
Gross Loans and Receivables	408,591	362,236	305,785	270,733
Total Resources	644,595	553,988	510,923	441,576
Deposits	423,399	388,412	302,410	288,667
Net Worth	81,170	67,027	81,075	66,929
Selected Ratios				
Return on Equity	5.78%	6.72%	5.79%	6.74%
Return on Assets	0.73%	0.82%	0.90%	1.02%
CET I Capital Ratio	13.38%	12.45%	13.24%	11.75%
Tier 1	13.38%	12.45%	13.24%	11.75%
CAR	16.13%	15.46%	16.50%	15.33%
Per Common Share Data				
Net Income per share:				
Basic	2.62	3.08	2.62	3.08
Diluted	2.62	3.08	2.62	3.08
Book Value	41.92	47.86	41.88	40.41
Others				
Cash dividends declared (in Php Mn)	863	773	863	773
Headcount	6,886	6,773	4,516	4,455
Officers	4,141	3,992	2,759	2,677
Staff	2,745	2,781	1,757	1,778

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


516.10
2015
521.20
2016
457.91
2014
554.00
2017
2018
644.60
TOTAL RESOURCES
(IN BILLIONS OF PESOS)
299.12
2015
306.17
2016
261.57
2014
354.24
2017
2018
398.30
NET LOANS
(IN BILLIONS OF PESOS)
342.36
2015
353.08
2016
315.76
2014
388.41
2017
2018
423.40
TOTAL DEPOSITS
(IN BILLIONS OF PESOS)
58.13
2015
62.13
2016
53.13
2014
67.03
2017
2018
81.17
NET WORTH
(IN BILLIONS OF PESOS)
5.13
2015
3.87
2016
4.41
2014
4.31
2017
2018
4.32
NET INCOME
(IN BILLIONS OF PESOS)
449
2014
456
2015
481
2016
508
2017
509
2018
BRANCHES
DISTRIBUTION NETWORK
ATMS
1,202
2014
1,342
2015
1,488
2016
1,562
2017
1,593
2018

"We believe in a brighter and continuously sustainable future underpinned by our passion for excellence, professional discipline, the power of teamwork, and integrity at the core of everything we do."

HELEN Y. DEE
CHAIRPERSON

Dear Shareholders,

Every annual message we send is a valuable opportunity for your Bank to thank you for your trust. It is also our chance to extol the achievements of our dedicated employees in forging a more robust Bank. Aware of rising customer expectations, rigorous government regulations, and new technological advances, your Bank strives constantly to make informed decisions and take bold steps to cement our firm's legacy in the banking industry. In line with this, we are pleased to present our 2018 results.

Bolstering Resources: The Bank's Financial Performance in 2018

RCBC maintained its net income from the previous year of Php4.3 billion in 2018, slightly up by Php11 million. Sustaining this net income level was no mean feat, considering the increase of 59% from a year ago in interest expenses from deposit liabilities to Php6.3 billion, and the absence of trading gains in 2018 versus the previous year's Php900 million.

Total resources in 2018 grew by 16.4% from a year ago to Php644.6 billion, with the loan portfolio increasing by 12.4% year-on-year to Php398.3 billion. On the funding side, deposits reached Php423.4 billion reflecting a growth of 9.01%. These deposits are a significant chunk of our total bank assets of Php644.6 billion.

Your bank ended 2018 well-capitalized, with total capital funds rising by 21.1% year-on-year to Php81.2 billion, positioning RCBC among the top 10 largest Universal Banks in the country in terms of total assets. This multi-billion buffer falls within a capital adequacy ratio of 16.1%, noteworthy in view of the 10% standard set by the Bangko Sentral ng Pilipinas (BSP).

The strategy of building on our core business led to a growth in net interest income of 13.7% to Php20.5 billion, coming mainly from the growth in the average loan portfolio of our key select markets. Loans to small and medium enterprises (SME) grew by 28% to Php49.8 billion. Our subsidiary Rizal MicroBank grew its loans to micro and small business enterprises by 17% from a year ago to Php963 million in 2018.

Loans to consumers, which includes mortgage loans, automobile loans, and credit cards, increased by 17% to Php96.9 billion. The Bank continues to serve its corporate clients and invests in the country's future by providing working capital and project financing, resulting in a 9% increase in corporate loans to Php208.7 billion year-on-year.

We have closely monitored controlled increases in our operating costs, which rose to Php19.40 billion in 2018, from a year ago. This is due to the expansion of business and the rise in documentary stamp taxes on financial instruments following the enactment of the Tax Reform for Acceleration and Inclusion (TRAIN) in January 1, 2018. RCBC now has 509 branches nationwide, and a network of nearly 1,600 automated teller machines.

Pursuing Targets with Success: Highlights of 2018

The Bank has benefited from strong and steady economic growth. We believe that the country's annual 2018 GDP of 6.2% is testament to the Philippines' performance as being one of Asia's fastest-growing economies. Firm macroeconomic fundamentals will serve as the country's cushion against the impact of rising US interest rates and its effect on financing and the further peso depreciation.

We believe that we have to do our part in boosting productivity and investment in the Philippines by putting our capital and financial expertise to optimal use in service to our customers. This is why we persevere through the challenges and continue to build on our achievements.

The success of the Php15 billion stock rights offering in July 2018 was the market's resounding vote of confidence in the Bank. With this, we are well-positioned to grow our lending business in the consumer segment, SMEs, and microfinance nationwide. On top of the Php15 billion, we raised USD450 million in US-denominated senior notes and Php3.6 billion in long-term negotiable certificates of deposit, providing us with a stable source of funding for our loans.

The bank was relieved from regulatory restrictions in the 2nd half of 2018. We have fully complied with regulators' requirements—from tightening internal controls to retraining our employees in anti-money laundering processes. Your Bank can now proceed full steam ahead on other plans to further strengthen its foundations and core businesses.

"Trials have proven and forged our resilience, which is inspired by the trust of our steadfast customers and loyal partners, and our employees' commitment to anticipating our customers' needs."

GIL A. BUENAVENTURA

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our credit card business is flourishing with more than 115,000 new cardholders, reflecting a 20% year-on-year growth. In the digital currency sphere, RCBC launched "ePiso", a more secure and efficient way for our customers to handle their daily retail transactions. The ePiso was launched within regulatory sandbox, as agreed upon with the BSP. The sandbox endows us with a secure mechanism that allows us to be agile in adjustments to this relatively new mode of cashless payment in the country.

The Bank initiated partnerships with its respected peers abroad to help foster the growth of trade and commerce among our countries. Our ties with Japan's 5th largest banking group, Resona Holdings, have become stronger following our agreement with two banks under Resona's Kansai Mirai Financial Group, Inc.—the Kansai Urban Banking Corp. in Osaka and Minato Bank in Kobe. Together with these banks, we will assist small and midsize Japanese and Filipino businesses seeking to expand their markets. We will tap into blockchain platforms and set up remittance services between the two countries.

We have also signed cooperative partnerships with Kookmin Bank, one of South Korea's largest banks, and Shoko Chukin Bank Ltd of Japan, paving the way for RCBC to provide banking services and financial information assistance to Korean corporates and Japanese-owned SMEs operating and investing in the Philippines.

The Bank continued to actively fund renewable energy projects, such as the 330MW solar farm in Vietnam with sponsors AC Energy Holdings, Inc. and the BIM Group of Vietnam, as well as the Rooftop Solar Projects situated on various Citymall branches, with proponent, Solar Pacific CitySun Corp.

We are buoyed by the success of the Peso green bond under our green finance framework. This affirms the Bank's commitment to supporting environmental sustainability in the Philippines through our operations, our partners, and the businesses we serve. The issuance was oversubscribed, tripling to Php15 billion from the initial Php5 billion, thanks to enthusiastic support from the Bank's institutional investors. We note that this issue is the first green bond from the Philippines under the ASEAN Green Bond Standards 2018, and is fully aligned with the International Capital Market Association's Green Bond Principles 2018.

In anticipation of higher capital and liquidity requirements set by the BSP effective January 1, 2019, the Bank in September 2018 began the process of absorbing its thrift unit, RCBC Savings Bank. The Bank will assume all assets and liabilities of RCBC Savings Bank, which is the country's third largest bank thrift lender. While this planned merger is still subject to regulators' approval, we feel this move will lead to reduced operating costs, grow our retail base, and ensure compliance with Basel 3 liquidity ratios set by the BSP. We hope for this merger to be effective by July 1, 2019.

The Road Ahead

We reiterate our deep appreciation to all our shareholders and clients for their support of and trust in the Bank. We humbly acknowledge the hard work and dedication of our employees, and the wisdom and vision of our Board and senior management.

Your Bank is proud of what it has achieved in 2018. We will not let our guard down. Trials have proven and forged our resilience, which is inspired by the tremendous trust of our steadfast customers and loyal partners, and our employees' commitment to anticipating our customers' needs.

In 2019, we remain fearless as we pursue viable solutions to challenges, undertake innovation, and implement bold decisions. We believe in a brighter and continuously sustainable future. We believe this future is underpinned by our passion for excellence, professional discipline, the power of teamwork, and integrity at the core of everything we do.

We enjoin you to Believe with us.

Thank you.

Helen Y. Dee
Chairperson

Gil A. Buenaventura
President and
Chief Executive Officer

FINANCIAL PERFORMANCE

STRENGTHENING TOMORROW

Believe in delivering consistent results despite volatile market conditions.

FINANCIAL PERFORMANCE

FINANCIAL CONDITION

RCBC's Total Resources grew by 16.36% or Php90.607 billion from P553.988 billion to Php644.595 billion mainly due to the increase in Investment Securities and Loans and Receivables.

Cash and Other Cash Items, grew by 18.37% or Php2.699 billion, attributable to the additional cash requirements for the 24 extension offices converted to regular branches, and additional cash to service ATM withdrawals during the holidays.

Total Investment Securities, representing 18.38% of Total Resources, increased by 62.41% or Php45.517 billion from Php72.932 billion to Php118.449 billion attributable to 309.98% or Php16.624 billion increase in Financial Assets at Fair Value through other Comprehensive Income (FVOCI) from Php5.363 billion to Php21.987 billion and 48.21% or Php28.914 billion increase in Investment Securities at Amortized Cost from Php59.978 billion to Php88.892 billion. Loans and Receivables-net went up by 12.44% or Php44.057 billion from Php354.243 billion to Php398.300 billion and represented 61.79% of Total Resources. This was primarily as a result of increase in the volume of loan releases.

Bank Premises, Furniture, Fixtures & Equipment, net decreased by 5.94% or Php531 million from Php8.946 billion to Php8.415 billion primarily as a result of depreciation and amortization.

Investment Properties net increased by 6.83% or Php232 million mainly due to additional foreclosed properties made by subsidiaries.

Deferred Tax Assets-net increased by 10.44% from or Php198 million from Php1.896 billion to Php2.094 billion as a result of origination of additional deductible temporary differences.

Deposit liabilities grew by 9.01% or Php34.987 billion from Php388.412 billion to Php423.399 billion and represented 65.68% of Total Resources. Demand deposits increased by 8.49% or Php4.417 billion from Php51.996 billion to Php56.413 billion and accounted for 8.75% of Total Resources; Savings Deposits grew by 5.40% or Php8.920 billion from Php165.187 billion to Php174.107 billion and accounted for 27.01% of Total Resources. Time deposits grew by 12.64% or Php21.650 billion from Php171.229 billion to Php192.879 billion and accounted for 29.92% of Total Resources.

Bills payable increased by 27.37% or Php12.034 billion from Php43.967 billion to Php56.001 billion mainly attributable to increase in foreign borrowings. Bonds payable also increased by 89.20% or Php25.030 billion from Php28.060 billion to Php53.090 billion primarily as a result of issuance of USD$300 million senior notes in March 2018 and USD$150 million senior notes in April 2018.

Accrued taxes, interest and other expenses payable increased by 26.09% or Php1.092 billion from Php4.185 billion to Php5.277 billion mainly due to increase in accruals for interest. Other Liabilities also grew by 26.70% or Php3.303 billion from Php12.369 billion to Php15.672 billion due to increase in post-employment defined benefit obligation.

Total liabilities grew by 15.70% or Php76.464 billion from Php486.961 billion to Php563.425 billion and represented 87.41% of Total Resources.

Common Stock grew by 38.27% or Php5.357 billion from Php13.999 billion to Php19.356 billion and capital Paid in Excess of Par also increased by 41.64% or Php9.426 billion attributable to the Stock Rights Offering in July 2018.

Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income declined by 21.04% or Php414 million from Php1.968 billion to Php1.554 billion as a result of revaluation of investment securities. Cumulative Translation Adjustment also declined by 36.47% or Php31 million from Php85 million to Php54 million as a result of the liquidation of a foreign subsidiary. Actuarial loss on defined benefit plan, on the other hand, was recorded at negative Php1.344 billion from a negative balance of Php79 million.

Reserve for Trust Business went up by 4.13% or Php18 million from Php436 million to Php454 million.

Total Capital Funds increased by 21.10% or Php14.14 billion from Php67.027 billion to Php81.170 billion and accounted for 12.59% of Total Resources.

RESULTS OF OPERATION

Total interest income increased by 24.91% or Php6.169 billion from Php24.764 billion to Php30.933 billion and accounted for 125.76% of total operating income. Interest income from loans and receivables went up by 23.14% or Php5.081 billion from Php21.956 billion to Php27.037 billion and accounted for 109.92% of total operating income. The increase is mainly due to increase in average volume of loans and receivables and increase in average yield of loans and receivables. Interest income from investment securities also went up by 40.04% or P973 from Php2.430 billion to Php3.403 billion mainly due to decrease in volume of total investment securities. It accounted for 13.84% of total operating income. Other interest income increased by 30.42% or Php115 million from Php378 million to Php493 million primarily as a result of increase in BSP term deposit placements.

Total interest expense stood at Php10.444 billion and accounted 42.46% of total operating income. Interest expense on deposit liabilities grew by 59.00% from Php3.959 billion to Php6.295 billion, representing 25.59% of total operating income. The increase was a result of higher volume and cost of time deposits. Interest expense on bills payable and other borrowings increase by 49.03% or Php1.365 billion from Php2.784 billion to Php4.149 billion mainly due to issuance of Senior Notes in 2018.

As a result, Net Interest Income increased by 13.70% or Php2.468 billion from Php18.021 billion to Php20.489 billion.

The Group booked lower impairment losses at Php1.899 billion, down by 11.88% or Php256 million from Php2.155 billion and represented 7.72% of total operating income. Decrease in impairments losses net was mainly due to lower general and specific loan loss provisions.

Other operating income of Php6.006 billion accounted for 24.42% of total operating income and is broken down as follows:

- Service fees and commissions grew by 5.895% or Php185 million from Php3.138 billion to Php3.323 billion and accounted for 13.51% of total operating income. Increase is primarily due to increase in Bancassurance fee income, Bancnet fee income, loan and trade related fees

- Trading and securities gain-net declined from Php900 million to nil attributable to decrease in realized trading gains from securities sold

- Foreign exchange gains was recorded at Php843 million.

- Trust fees settled at Php278 million.

- Share in net earnings of subsidiaries and associates settled at Php14 million.

- Miscellaneous income declined by 18.23% or Php345 million from Php1.893 billion to Php1.548 billion brought about by lower income from assets acquired.

Operating expenses stood at Php19.403 billion and accounted 78.89% of Total Operating Income.

- Manpower costs increased by 9.53% or Php571 million from Php5.991 billion to Php6.562 billion, as a result of hiring of sales personnel for the branches and annual merit increase. It consumed 26.68% of the total operating income

- Occupancy and equipment-related grew by 8.54% or Php272 million from Php3.185 billion to Php3.457 billion. It accounted 14.06% of the total operating income

- Taxes and licenses stood at Php2.238 billion.

- Depreciation and amortization decreased by Php93 million from Php1.914 billion to Php1.821 billion.

- Miscellaneous expenses went up by 8.58% or Php421 million to settle at Php5.325 billion from Php4.904 billion, primarily as a result of higher service fees, communication and information expenses, and ROPA-related costs, and it consumed 21.65% of total operating income

Tax expense was at Php872 million.

Net profit attributable to non-controlling interest settled at Php1 million.

Overall, net income was recorded at Php4.321 billion.

OPERATIONAL HIGHLIGHTS
BETTER CUSTOMER EXPERIENCE

Believe in achieving growth by building partnerships for success

OPERATIONAL HIGHLIGHTS

CORPORATE BANKING

The mandate of the Corporate Banking Group is to extend a wide variety of robust and innovative product and service offerings that meet the many banking and financial requirements of a broad range of corporate accounts, from small enterprises to mid-sized businesses, and to the largest conglomerates across the country.

To provide adequate focus, the group is further classified according to specific client segments that it caters to, the Conglomerates & Global Corporate Banking Group (C&GCBG) and National Corporate Banking Group (NCBG).

The Conglomerates & Global Corporate Banking Group manages the Bank's relationships with the largest corporate segments: conglomerates, large corporations, specialized project companies, multinational corporations, and the ecozone / industrial park–based companies.

The year 2018 saw the C&GCBG further strengthen its corporate relationships. It is important to note that these relationships transcend the business partnership level of providing financial services. These relationships give both the customer and the Bank a very clear role in improving Filipinos' lives. This is evident in the projects that the Bank has intentionally supported, such as power and infrastructure, which positively impact a greater population.

In support of the Bank's direction to promote sustainability and environmental awareness, the Group's Conglomerates & Strategic Corporates Segment actively funded renewable energy projects. Among these are the 330MW solar farm in Vietnam's southeast province of Ninh Thuan with sponsors AC Energy Holdings, Inc. (the energy business arm of Ayala Corp.) and the BIM Group of Vietnam, and, along with another AC Energy joint venture with the AMI Renewables Energy JSC, a 50MW solar farm in the south-central province of Khanh Hoa. The Bank provided financing as well to Solar Pacific CitySun Corp. for their installation of rooftop solar panels situated atop various DoubleDragon Properties Inc.'s Citymall Commercial Centers.

In infrastructure, C&GCBG inked its participation as one of six local banks extending billions in funding to two major projects of two tollway subsidiaries of the Metro Pacific Group. The Bank was among the financial institutions extending Php19.0 billion for the Cebu-Cordova Link Expressway Project, a 8.5-km toll bridge which will connect mainland Cebu to Mactan Island, through the municipality of Cordova. It also participated in the Php24.0 billion funding facility for the construction of the 44.6-km Cavite Laguna Expressway Project, a four-lane toll road merging the Manila-Cavite Expressway (Cavitex) in Kawit, Cavite to the South Luzon Expressway's Mamplasan Interchange in Laguna. Both projects are envisioned to improve the transport of goods and services and alleviate worsening traffic in Metro Cebu and the Southern Tagalog provinces by improving productivity and boosting economic growth.

These projects were undertaken in collaboration with C&GCBG's product partners, RCBC Capital Corporation and the RCBC Trust and Investments Group.

The Group's Global and Ecozone Segment maintained its command of the market share in the country's industrial parks and economic zones. It holds majority of the market share for Japanese businesses investing in ecozones in the Philippines, while aggressively building up its share in winning the business of non-Japanese companies. The Group entered into Business Cooperation Agreements with Resona Bank of Japan, Shoko Chukin Bank of Japan, and Kookmin Bank of Korea to expand the Bank's footprint in these markets.

C&GCBG ended 2018 with Risk Assets of Php113.6 billion, recording a growth of 11% from the previous year.

The Group's efforts did not go unnoticed as it bagged a number of awards for the deals that it worked on. RCBC's participation in the multi-billion-dollar acquisition financing by Indonesia's StarEnergy Geothermal Salak – Darajat B.V. of Chevron's 637-MW geothermal assets continued to reap awards in 2018, garnering "Renewable Energy Deal of the Year (Regional)" in The Asset magazine's Asian Awards. The Bank also received the "Best Project Finance Deal in Southeast Asia 2018" for the 2x668-MW GNPower Dinginin Project Finance Facility from Alpha Southeast Asia Magazine.

The National Corporate Banking Group (NCBG) focuses on strengthening client relationships and catering to their wide array of customers which includes individuals, middle-market corporations, large family-owned businesses, and top tier local corporates engaged in industries such as power, real estate, telecommunications, mining and transportation.

Dedicated to delivering excellent service to the Group's current and target clientele, the Group closely collaborates with internal product specialists to generate products and services suitable to customers.

Initiatives with the Treasury Group and Global Transaction Banking Group have placed National Corporate Banking in a better position to service the requirements of clients.

NCBG's total risk assets rose 5% to Php105.1 billion in 2018 from a year ago. Deposit generation was a major focus in 2018 resulting in a growth of 9% to Php47.9 billion from previous year.

The Group retained its unwavering position in the Chinese-Filipino market. With its deep-rooted presence in the Binondo and Kalookan areas, the Chinese Banking Segments continues to provide effective banking solutions to its clients. The Emerging Corporates Segment (ECS) pursues extending its reach in the middle market, maintaining its portfolio growth for the past five years. In 2018, ECS' total loan portfolio increased by 27% from a year ago to Php11.5 billion. Worth noting was the Php400 million credit facility it extended to Cebu-based dairy products manufacturer LTHFood Industries. The credit facility allowed LTH Food Industries to fund its new plant, the second largest in the Philippines, as a part of the company's expansion.

Corporate Banking revenue of Php14.86 billion or 56.09% contribution to the bank's total income came from corporate lending, fees on corporate banking transactions. Corporate banking's total income is gross of eliminating entries.

COMMERCIAL AND SME BANKING

The Commercial, Small, and Medium Enterprise Segment pursues its goal of financial inclusivity by focusing on entrepreneurs across the nation, particularly in the provinces where business prospects are substantial.

The segment has established a total of 28 lending centers and satellite offices in strategic locations all over the country in 2018. This helped boost the total loan portfolio to 28% from a year ago to Php42.5 billion. Deposits also generated a 28% increase to Php34.1 billion.

In recognition of RCBC's thrust to be the banking partner of choice for small and medium enterprises, AsiaMoney hailed RCBC as the "Best Bank for SMEs" at the 2018 AsiaMoney Awards in Beijing.

GLOBAL TRANSACTION BANKING

The Global Transaction Banking Group, comprised of the Corporate Cash Management, Trade Product Management, and Global Filipino Banking segments, finished 2018 having attained 104% of the Group's consolidated revenue target.

Corporate Cash Management

The Corporate Cash Management Segment grew its deposit balances portfolio of current and savings accounts by 6% year-on-year to Php65.2 billion in 2018, achieving its annual volume target. The highlight of 2018 was the launch of new services and product enhancements such as Cash Cube, a "connected" machine which allows cash-heavy businesses to digitize their operating cash quickly and safely. This Segment also launched was InstaCore, an online facility that allows corporate cash management customers to issue same-day value electronic payments to suppliers holding accounts in any bank in the Philippines. In another development, the initial version of CheckStream was released. CheckStream is a software utility that enhances RCBC's post-dated check (PDC) warehousing service by enabling the automated printing of details of checks issued by customers of property and finance and leasing companies, thus resulting in fast and error-free PDC preparation.

Trade Product Management

The Trade Product Management segment, tasked to actively manage the Bank's international trade proposition for corporates, saw the Bank's trade assets grow by 64%, with an average daily balance (ADB) of Php17.21 billion. Despite a challenging interest rate environment, total trade revenues exceeded 2018 targets by 108%, largely driven by a 63% year-on-year growth in trade payment volumes, which in turn led to a growth of 13% in fee income to Php252 million from a year ago. Domestic trade finance volumes, comprised of trade payables and supplier financing, posted significant year-on-year growth at a hefty 79%.

Global Filipino Banking

In the midst of the increased regulation imposed on money transfer operators in 2018, the Global Filipino Banking segment generated total gross revenue of Php352 million, boosted by tie ups with agents and an improved client base. It expanded its ability to process and accept remittances even further with a total network of 1,794 remittance tie-ups and subsidiary offices in 15 countries globally.

RETAIL BANKING GROUP

The Retail Banking Group (RBG) stands at the forefront in providing Bank products and services through its 332 branches. In 2018, 24 Extension Offices were converted to full-service branches, thereby fully optimizing branch network and strengthening the capacity to deliver quality service to more customers.

The Retail Banking Group continued to maintain customer loyalty and increase customer base with its product offerings and campaigns. New deposit products were introduced such as the RCBC GoSavers Account for kids and teens, and the Flexi Savers Account and Basic Deposit Savings Account for retail customers. A "Deposit & Drive" Raffle Promo awarding 12 brand-new vehicles to lucky RCBC and RCBC Savings Bank Peso Current Account and Savings Account holders was launched in 2018.

The Bank focused on supporting Small and Medium Business Enterprises (SME) by extending credit facilities to hundreds of SME customers with The Rizal Biz Access Loan, a short-term revolving credit line which provides working capital for business expansion, inventory buildup, and a convenient source of funds for business expenditures.

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

If we combine the related retail banking segments of the bank such as Rizal Microbank, Global Transaction banking, Digital banking, it has total revenue of Php9.74 billion or 36.77% contribution to the bank's total income. Retail banking segment's total income is gross of eliminating entries.

CONSUMER BANKING

RCBC Savings Bank

RCBC Savings Bank (RSB), the consumer banking arm of RCBC, remains one of the leading players in the consumer financing industry, and the third largest thrift bank. It continues to expand its consumer loan portfolio, ending 2018 with a 14% growth from a year ago, accounting for 22.43% of RCBC Group's total loans. This is driven primarily by auto and real estate loans with over 100,000 consumer loan borrowers.

To sustain its momentum, the bank put greater focus tapping the potential of its branch network. It is for this reason that the Direct Channels Division was created to help secure more quality loan accounts from the branches. For the years ahead, improvement of the turnaround time through the review of processes and policies remains to be the priority as this is expected to improve the Bank's service to clients and partners.

RCBC Bankard

Credit card industry key player RCBC Bankard chalked up another successful year in 2018. Spurred by strong acquisition, aggressive top-of-wallet usage offers, and well-executed targeted campaigns, RCBC Bankard surpassed the growth in its key target areas vis-à-vis 2017 performance resulting in: (a) 19.92% increase in card base to 694,896 cardholders; (b) a 25.43% increase in billings issued to Php49.08 billion; (c) a 10.64% increase in volume acquired to Php22.77 billion; and (d) a 31.32% increase in Credit Card Receivable Outstanding to Php21.55 billion.

RCBC Bankard boosted efforts to enhance the value of the cards to a wider base of customers. It launched innovative products including the RCBC Bankard JCB, a premium card that provides distinct privileges including more rewards points for card purchases in Japan; its first fuel co-brand card, the Phoenix RCBC Bankard Mastercard which provides 5% rebate for fuel purchases in participating Phoenix stations and rewards points for all other purchases; and its first airline co-brand with the world's best low-cost carrier, AirAsia. With the rise in the number of Millennials (the generation born from 1981 to 1996) in the work force, RCBC Bankard ended the year with the launch of the millennial-focused Flex and Flex Gold Visa, which provide double rewards points to up to three categories relevant to millennals such as clothing, dining, and travel.

RCBC Bankard committed to building 20 houses in Cavite in partnership with Gawad Kalinga as part of its corporate social responsibility.

As a testament to its outstanding achievements, RCBC Bankard received international recognition including "Best Card Offering-Philippines" at the 5th International Finance Magazine Asia Awards, "Highly Commended, Best Card Offering (Southeast Asia)" at the 2018 Retail Banker International Asia Trailblazer Awards, and "Best Customer Loyalty Program" at the Global Retail Banking Innovation Summit & Awards 2018.

Consumer Banking revenue of Php11.35 billion or 42.84% contribution to the total income were generated through consumer loans and fee based transactions. Consumer banking's total income is gross of eliminating entries.

DIGITAL BANKING

RCBC's Digital Banking Group brings viable financial services to Filipinos utilizing relevant digital technologies and innovative platforms designed to offer financial services to the Bank's clients and to tap potential growth markets such as the underserved and unbanked. RCBC's end goal is to become an intrinsic enabler of the customers' everyday lives, to be part of what they need to get done, and what will empower their lives.

In 2018, the road towards a cohesive, customer-centric ecosystem was anchored on three pillars: ubiquity of Bank's channels for payments, building an accessible network that can facilitate other banking services in preparation for agent banking, and pioneering digital currency to help our nation move closer to a cashless economy.

The Digital Banking Group is committed to building sustainable ecosystems that will encourage new and existing clients to engage with the Bank in ways that add value at various touch points in their lives and as they go through different life stages.

With the rise of e-commerce this year, the Group focused its efforts on enabling clients to use the Bank's card payment solutions and online banking platform to do online purchases. The launch of the MyWallet Virtual Card allowed the Bank to test and tap a growing unbanked market with a propensity to spend online, particularly those interested in e-gaming and Korean pop culture, by providing them with a secure payment tool. This surgical and targeted test confirmed that the MyWallet Virtual Card is useful to consumers navigating their interests and passions online.

Moreover, with more than 790,000 active MyDebit cards and 256,000 active MyWallet cards, the Group pushes for increasing card use through education efforts via social media and incentives through various promotions. MyWallet e-commerce transactions increased by 38% in the fourth quarter of 2018 compared to the third quarter of the same year. By the end of 2018, these initiatives grew MyDebit card use for point-of-sales and e-commerce transactions by 13% and 50% (vs. third quarter 2018), respectively.

MyDebit cardholders now spend an average of Php3,000 per point-of-sale transaction and Php1,200 for e-commerce purchases, a significant 20% increase. On the other hand, MyWallet posted a 50.86% growth in fund transfer transactions in 2018 from a year ago. These movements reinforce that cash-enabled Filipinos are recognizing the conveniences and adopting the ecosystems the Group set in place towards a cashless economy.

Through the partnerships forged with ECPay and Instapay, the Bank exponentially expanded MyWallet loading channels to more than 6,000 branches nationwide and made interbank fund transfers more convenient and cost-effective.

The Group also continues to make funds management more expedient for its valued clients by digitizing more bank processes. Now, clients can open additional bank accounts as well as initiate pre-stage buying and selling foreign notes through the Bank's improved online banking platform. In addition, the RCBC and RSB network now has a total of 1,593 ATMs (automated teller machines) contributing to the Bank's reach and consequently improving its fee-based income.

The Digital Banking Group recognizes the potential growth from the unbanked and the underserved. By introducing agent banking, the Group takes advantage of its partners' channels by building a digital ecosystem that will make the Bank's products and services accessible and available even in far-flung areas. RCBC Cash Express, the Bank's revolutionary mobile & neighborhood ATM, grew the number of merchants from 129 in 2017 to 1,382 by end of 2018. This greatly extended the Bank's footprint through a wider network of neighborhood merchants that can service any and all banked clients, from other banks, in remote or densely populated but underserved areas without them having to travel to the nearest city.

The Digital Banking Group is continuously building digital ecosystems that offer solutions to the market's rapidly changing needs, providing mobile-first banking services in a cashless economy.

In keeping with the Bank's strategic initiative to provide a convenient and secure payment option for the underserved market, the Digital Banking Group introduced ePiso, the pioneering digital cash in the country and in Southeast Asia. This digitized Philippine currency aims to revolutionize day-to-day commerce by providing a secure, affordable, fast and efficient mode of payment for consumers and businesses. ePiso is operated within the regulatory sandbox initiative introduced by Bangko Sentral ng Pilipinas (BSP) as a concrete step towards a cashless society. Now, consumers can safely carry digital currency stored in a mobile wallet app anywhere they go and have access to it anytime they want to buy goods at partner retailers, pay bills, or send money to other ePiso users without the risk of theft, misplacing their money, or going to a physical branch. For business owners, converting their cash to ePiso allows them to streamline their collection and disbursement processes and increase operational efficiency. Since money is digitized, it is also more secure because it cannot be lost, stolen, or counterfeited.

TREASURY

The year 2018 started with Asia, including the Philippines, focused on the impact of external factors such as (a) Fed rate hike (total of 100 basis points); (b) US-China Trade War since July 2018; (c) Higher global oil prices; (d) Renewed US sanctions on Iran; and (e) Uncertainties over Brexit that had an effect on the domestic financial markets. The banking industry met higher challenges especially in managing the trading and investment books in a rising interest rate environment.

Synchronized global growth and higher inflation were the themes of 2018. Tighter monetary conditions ensued as monetary policy makers communicated their policy bias: a move away from the accommodating stance enjoyed by financial institutions and clients in the previous years. Asian economies felt the cyclical shift of easy money back to the United States, although the outflow was not as huge as expected. This led Asia to conclude that there were sufficient sources of funding in the region that can be tapped for capital requirements.

The United States' Federal Reserve's policy action prompted other central banks to act accordingly to avoid being left behind and having to deal with bigger challenges in their own jurisdictions. We witnessed a difficult environment for fixed income assets as policy rate adjustment prompted benchmark rates to rise in tandem with credit spreads.

Philippine economic managers, cognizant of rapid developments in the international and domestic markets responded with a 175-basis point increase in policy rates throughout the year to help temper inflation. It was cautious enough to be sensitive so as not to put much constraint on economic activities. The confluence of external developments, introduction of the Tax Reform for Acceleration and Inclusion (TRAIN) law coupled with supply side factors contributed to this policy bias. However, the return of duration and risk premiums in the pricing of loan assets were welcomed by banks as improvements in the net interest margins materialized.

The government fiscal spending related to its "Build, Build, Build" program complemented the contribution of consumer spending to economic activity and mitigated the decline of the country's growth, which settled at 6.2% Gross Domestic Product (GDP) in 2018.

Amidst all these developments, the bank lightened up the risk load in its trading and investment portfolios and ably contributed to returns above its expected targets, ensuring a positive contribution to the Bank's financial growth.

In anticipation of the tighter liquidity in the international market and demand for funding by the private sector in the country due to "Build, Build, Build", the Bank tapped the international market three times for its funds and raised a total amount of USD750 million. The successful issue of a Senior Note and Syndicated Loan reflected the confidence of the international lenders in the Bank's credit outlook for years to come. The funding exercises also extended the duration of its borrowing portfolio, part of the ongoing liability management strategy of the bank.

With fundraising being competitive, the Bank responded to long-term funding demands from government, private sector, and financial institutions through the sale and distribution of fixed income instruments around the country. It gave opportunities for retail, corporate, and institutional investors to participate in funding the requirements of the issuers.

The Bureau of The Treasury gave recognition to the Bank as one of the top 10 government securities dealers of 2018 due to its participation in and distribution of fixed income securities issued by the Republic of the Philippines. The Philippine Dealing & Exchange Corp. recognized the Bank as one of the top five banks in market-making of prices for corporate bond issuances, and among the top five in volume of transactions posted in the Philippine Domestic Dealing Transaction System / Payment vs. Payments transactions. These prove the continued support of the Bank to developing capital markets, and its active participation and commitment towards nation building.

Treasury's total revenue of Php2.45 billion or 9.23% contribution to the bank's total income came from trading gains and foreign exchange gains and other fees. Treasury's total income is gross of eliminating entries.

PRIVATE BANKING

RCBC Wealth Management, the private banking arm of the Bank, continues to steadily grow its Assets under Management (AuM). In 2018, the Wealth Management Group increased its assets under management by 13% year-on-year to Php116.10 billion, while contributing Php644.50 million in revenue to the Bank.

Operating on an open-architecture platform, the Group delivers efficient and exact solutions to the ever-evolving financial requirements of the high net-worth clients of the Bank. It extends a menu of investments from different asset classes that match the requirements, goals, and risk appetites of the clients.

The Group prides itself on being able to provide clients with a periodic Consolidated Statement of Accounts report. The comprehensive Statement contains the details of all of the outstanding investments that the client made through RCBC Wealth Management, including investments in outlets of the Bank's subsidiaries and third-party providers.

The Statements were available for delivery to clients on the 20th day of the following month. During the year, the Group further streamlined its processes. The Statements are now available for distribution to the clients on the 7th working day of the month following the subject month. Aside from paper statements, clients can now opt to receive the Statements in an automated encrypted format through designated email addresses. These improvements were welcomed by the clients. The prompt delivery of the record of their outstanding investments helps them make more informed and guided decisions on reinvestments and assets' reallocation.

The year 2018 also paved way for its first-ever successful client promotion launch: a by-invitation only, client-get-client program entitled "Share your Rewarding Experience with a Friend." Selected clients were sent letter invitations to participate in the referral program. For every successful referral, they received reward points credited to their RCBC Bankards.

TRUST AND INVESTMENTS GROUP

RCBC is one of the leading retirement fund managers in the country. The Bank also makes a mark in the fund management industry by being the fund manager of choice of a number of the country's largest private and government institutions. The Group bagged another landmark account when it won its bid to be one of the local fund managers of Social Security System.

Recently, RCBC has become one of the leaders in the corporate trust arena. In 2018, the Group secured major accounts such as Facility Agency and Security Account Trusteeship for the major Solar Power Projects of AC Energy of Ayala Corporation in Vietnam, Receiving Agency for the Initial Public Offering (IPO) of DM Wenceslao, and Bond Trusteeship for the various bonds issued by the San Miguel Group.

This was also the year the Bank laid the groundwork for the Group's five-year business plan. The Bank welcomed its new Trust Officer, First Senior Vice President Mario T. Miranda. Miranda has over 34 years of professional experience in the fields of trust and investment management, asset management, fund management, and wealth management, among others.

The Group is gearing up for the next phase of its Trust business. It introduced a number of necessary structural changes and flexibility in its investment process to support the expected growth of the business in the coming years. Aside from the plans to expand its institutional business, the Group has strategies to build a stronger retail business which includes introducing a variety of new Peso- and US Dollar-denominated Unit Investment Trust Fund (UITF) products. Clients received previews of the new exciting products in investment briefings with foreign fund managers and coffee sessions.

The implementation of a more robust trust core system, which is expected to go live early in 2020, will boost and cement business expansion plans for the years ahead.

Trust including Wealth Management Group (WMG) has a total revenue of Php960 million or 3.63% contribution to the bank's total revenue. Trust's total income is gross of eliminating entries.

HUMAN RESOURCES

OUR PEOPLE: OUR MOST IMPORTANT ASSET

The Human Resources Group (HRG) is committed to organizational capability building and implements lead programs and initiatives in talent management and development, leadership continuity, retention programs, employee well-being, and corporate social responsibility.

Manpower Statistics

TOTAL WORKFORCE AS OF DECEMBER 31, 2018 = 4,516	
BY EMPLOYMENT TYPE:	
Regular Employees	4,293
Probationary	223
BY GENDER:	
Male	1,599 or 35%
Female	2,917 or 65%
BY AGE GROUP:	
< 30	1,998
31 - 40	1,077
41 - 50	1,056
> 50	385
BY JOB LEVEL:	
Staff	1,757
Junior Supervisory	1,839
Middle Management	578
Senior Management	342

INVESTING IN PEOPLE

Learning and Development

RCBC is committed to providing a strong learning and development platform for all employees across all job levels. HRG strengthened the talent pipeline and brought further competencies on the job by facilitating various training programs and seminars which benefited 10,026 attendees. The programs addressedLeadership, Customer Service, Sales Planning and Management, Product and Technical Knowledge, Risk Management, Anti-Money Laundering/Compliance. A total of 17 employees were enrolled in a number of specialized/ IT external training programs. Some 355 employees were sent to various external training programs. The Bank believes in cultivating a mentoring culture and in line with this, HRG conducted coaching and mentoring workshops.

In providing careers to new graduates and ensuring a viable talent pool, a dozen Officers Development Program (ODP) graduates were deployed in junior officer positions across the Bank. In August 2018, the 10th batch of ODP commenced with 16 selected trainees. HRG in partnership with the Operations Group graduated five trainees for the sixth batch of the General Operations Learning and Development (GOLD) Program. In the last quarter of 2018, the 7th batch of GOLD commenced with a total of fourteen (14) trainees. The seven-month program aims to develop a pool of junior officers with strong operations background and risk orientation for both head office and branch operations.

HRG in collaboration with management continues to subscribe to the Bank's Succession Planning Program. This is to ensure that the organization has a deep bench of internal candidates ready to assume higher leadership responsibilities. The 7th batch of the Middle Management Development Program (MMDP) was conducted. This six-month internal training program aims to accelerate the development of our next generation of leaders. The MMDP was designed in partnership with the De La Salle University's Center for Professional Development in Business.

The Branch Certification Program was developed and conducted among all branch personnel in sales and service, and client-facing groups. This workshop consisted of four 4 modules: Basics and Culture of Compliance (module 1); Client/Account Onboarding Process (module 2); Transaction Processing and Monitoring (module 3); and Customer Service (module 4).

The Branch Operations Orientation Training Camp (BOOT Camp), a five-day program for all new branch hires and transferees was launched in September 2018. Participants were trained in modules involving Risks and Controls, Supervisory Development, Effective Business Communication, and Effective Leadership in Customer Service.

The Bank offered its 5th run of the Corporate Banking Learning Academy, (Marketing Assistant Track) a 10-day training program to develop capable and credible marketing assistants. There were a total of 19 marketing assistants who graduated from the program in 2018.

The focus of the Treasury Academy is the continuous training and development of the team by enhancing skills sets, broadening the understanding of Treasury in general, and reinforcing knowledge of relevant regulations and policies. Three main areas were identified: Treasury Overview, Technical, and Regulatory, with 11 course offerings. In 2018, there were two offerings: a learning session on Liquidity Coverage Ratio and Net Stable Funding Ratio with 63 participants, and a learning session on Foreign Exchange Swaps and Option with 34 participants.

Capitalizing on digitalization and online learning, HRG launched five e-Learning programs: the 2018 Anti-Money Laundering Act (AMLA), Foreign Account Tax Compliance Act (FATCA), Data Privacy Act, Consumer Data Protection, and Corporate Good Grooming.

INVESTMENT IN EMPLOYEE TRAINING

Total No. of Training Attendees Per Job Level	
Staff	5,048
Junior Supervisory	2,362
Middle Management	1,638
Senior Management	1,341
Total No of Attendees - Classroom	**10,389**
Total No of Attendees – e-Learning	**4,516**

Total No. of Training Hours	**1,778,298**

Average No. of Training Hours Per Attendee	**119**

Average No. of Training Hours: Per Attendee, Per Job Level	
Staff	117 hours
Junior Supervisory	147 hours
Middle Management	73 hours
Senior Management	145 hours

PERFORMANCE MANAGEMENT

The Human Resources Group (HRG) gives employees opportunities to achieve and excel in one's field and grow professionally and personally to their fullest potential. The Bank has an existing Performance Management System that aims to:

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

The organization's performance management process begins with preparation of the Key Result Areas (KRAs) in line with overall Bank objectives and targets. Each employee's performance is monitored on a regular basis (monthly and quarterly). Variances in targets are discussed and addressed. The full year performance and accomplishments are assessed based on the KRAs. The process culminates with the annual rewards program and the promotion of associates who are recognized as top performers.

COMPENSATION AND REWARDS PROGRAM

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

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

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

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

c. to maintain competitive salary levels/structures consistent with those in the banking industry; and

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

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

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

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

   c. **Target Positioning Objective.** The Bank receives instruction from management on the desired positioning in relation to the Target Market Group or the banking industry in general. This positioning is aimed at the market's guaranteed pay and total annual cash compensation.

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

4. If surveys and studies reveal that the salary structure is grossly sliding off as compared to the industry or its Target Market Group, HRG devises and discusses recommendations with management to correct the disparity.

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

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

7. The Compensation and Incentive Program is composed of:

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

   b. **Guaranteed Pay.** Part of the annual compensation supplementary to the Basic Pay (such as the 13th month pay).

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

EMPLOYEE RETENTION

Recognizing the competition for talent, HRG's retention programs have helped keep the Bank's attrition rate at 10.97% which is below industry level.

Staff Turnover Statistics:

STAFF TURNOVER STATISTICS:	
BY GENDER:	
Male	211 or 13.09%
Female	281 or 9.78%
BY AGE GROUP:	
< 30	288 or 14.5%
31 - 40	100 or 9.5%
41 - 50	57 or 5.39%
> 50	47 or 12.9%
BY JOB LEVEL:	
Staff	188 or 10.6%
Junior Supervisory	151 or 13.5%
Middle Management	116 or 9.2%
Senior Management	37 or 10.9%

ADHERENCE TO THE CODE OF CONDUCT

The directors and all employees of the Bank are governed by a Code of Conduct, which revolves around the Core Values of the company. The code serves as a guide on how to conduct one's self within and outside Bank premises and in dealing with clients, customers, and colleagues. Violation of the Code of Conduct may be reported to the Human Resources Group, Internal Audit Group, Compliance & Regulatory Affairs Group, Legal Affairs Group ,or the Security Department. The provisions of the Bank's Code of Conduct and HR Policies and Procedures are available electronically to all employees through the RCBC Information Zone (RIZ).

HEALTH AND WELLNESS

RCBC is committed to maintaining a safe and healthy working environment. Procedures are in place to protect all associates from generally recognized workplace hazards such as fire, earthquake, robberies, and other natural and man-made calamities. The Bank has policies in place to ensure employees' health and wellbeing.

1. Substance Abuse and Health & Safety Policies

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

a. RCBC's Drug-Free Workplace Policy & Programs

b. Policy Against Alcohol Abuse

c. Policy on Off-Duty Substance Abuse

d. Family Welfare Policy

e. TB Workplace Program

f. HIV/AIDS Workplace Program

2. Inspection & Search Procedures

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

Employees are obliged to subject themselves, their personal belongings, and the Bank assets under Bank custody to intensive inspection and search procedures by security personnel, upon entering, while within, and upon leaving Bank premises. Bank premises include parking lots, whether owned or leased by the Bank. Personal belongings shall mean pockets, bags, storage media, cars and any other personal property that may be used as repository of cash, jewelry, documents, keys, data and other valuable items.

3. Employee Welfare and Wellbeing

In 2018, the Human Resources Group conducted the following activities to promote the health, safety, and welfare of RCBC employees.

3.1 It maintained its partnership with Maxicare, the Bank's HMO provider, in giving health and medical services as part of employees' benefits. These included:

1) hospitalization, emergency care and other medical services with 10,378 availments for employees and 3,359 availments for dependents in 2018;

2) executive checkup for employees with a total cost of Php37.7 million in 2018;

3) outpatient consultation services for employees with 1,424 availments in 2018.

3.2 It partnered with Sunlife Grepa Financial Inc. in utilizing the clinic located at the RCBC Plaza which serviced more than 486 availments in 2018. Another clinic staffed with regularly visiting doctors, was set-up at the RCBC Savings Bank Corporate Center in BGC to give free checkups and consultations to more than 925 employees.

3.3 It provided the following sessions, services, and tests to employees:

1) Department of Labor and Employment-certified Basic Occupational Safety and Health Seminar (40 hours per participant);

2) Philippine Red Cross-certified First Aid training;

3) Basic training course on pollution control;

4) Safety and life support training, fire and earthquake seminars and drills;

5) Pre-employment physical and medical examination for new hires;

6) Random drug-testing for employees;

7) Flu vaccination;

8) Breastfeeding stations for nursing associates;

9) Sports and wellness activities to promote physical fitness;

10) Precautionary measures. Timely work suspension orders were issued by, management during days of poor weather or natural calamity;

11) Life insurance policy inclusive of accidental death, total and permanent disability, and burial assistance benefits.

Because people are our most important asset, the Bank spent more than Php152.9 million in 2018 for health benefits of employees and their dependents, a clear indication of its commitment to employee welfare and wellbeing.

INFORMATION TECHNOLOGY SHARED SERVICES

RCBC is committed to offering the best financial tools that empower its clients to realize their aspirations while providing them convenient and excellent banking services. The introduction of the Basic Deposit Account promoted financial inclusion by making financial products and services readily available to everyone. The Bank made its products and services for the micro, small and medium enterprise sector more accessible through the SME Business Portal, a web-based and social media online platform. The CashLoader allowed RCBC clients to send domestic remittance to non-RCBC beneficiaries via over-the-counter cash pickups. The Bank is regarded as the first to offer a venue to trade foreign currencies through RCBC Online Retail FX Buy and Sell.

As the use of smart cards proliferates, the Bank continued to improve its products and services to better serve its clients. The FIS Cortex is the Bank's comprehensive solution for issuance, management, and processing of debit, credit, and prepaid cards such as the MyWallet debit card. MyWallet Portal offers convenience for the Bank's partner merchants and their customers. The portal allows merchants to service the needs of cardholders through the acquiring facility. For cardholders, the portal provides an alternative payment and loading facility.

The Bank remains committed to doing business with utmost integrity and excellence. The inclusion of additional electronic banking channels in the Enterprise Fraud Management System allowed real-time fraud detection involving ATM (automated teller machine) transactions. The Bank strengthens its security posture by investing in solutions that enhance its capability to protect, detect, and respond to internal and external threats.

OPERATIONS GROUP

In 2018, the Operations Group focused on strengthening the culture of compliance, improving operational efficiency, and driving innovation to further enhance customer experience and enable business growth. A culture of compliance protects the interest of stakeholders. Thus, the Operations Group embarked on a comprehensive Branch Certification Program. This involved 60,000 hours of training over 3,000 employees nationwide to further equip them with the mindset, tools, and skills to meet the challenges of today's fast-paced, evolving market.

In August 2018, the Bangko Sentral ng Pilipinas lifted Prompt Corrective Action (PCA) on RCBC. The BSP found RCBC's efforts satisfactory in instituting more stringent measures at par with international standards. The PCA lifting follows more than three years of complying with regulators' requirements—from tightening internal controls to retraining our employees in anti-money laundering processes—to prevent a repeat of the Bangladesh incident in 2016.

Nevertheless, the Bank remains committed to investing in fraud prevention and regulatory compliance. Since 2016, the Operations Group has implemented and championed the use of Predator, a state-of-the art system that performs real-time fraud and money-laundering transaction monitoring. This move is considered a first in the Philippine banking industry.

The Bank's initiatives were validated when the Bangko Sentral ng Pilipinas (BSP) chose RCBC as one of the banks to represent the Philippines' banking industry in the third round mutual evaluation process in 2018 spearheaded by the Asia/Pacific Group on Money Laundering (APGML). The APGML ensures that member-states uphold and implement international standards against money laundering and terrorist financing. The APG mutual evaluation team visited local banks, government regulators, and law enforcement in November 2018 to assess the country's anti-money laundering controls. Results of this third mutual evaluation will be deliberated on and published in 2019.

Other notable BSP accolades for the Group were the awarding of our Iloilo Regional Support Center as Best in Cash Verification, Most Supportive Bank and Most Active Bank. Our Dadiangas Regional Support Center was given the Verification Choice Award and first runner- up honors for Best Client Bank. Our Bacolod Regional Support Center was awarded Outstanding Regional Partner.

Our Treasury Operations was awarded for the fourth consecutive year by Philippine Dealing and Exchange Corporation (PDEx) as one of the top five banks with the highest volume of foreign exchange deals settled through the Philippine Dollar Deposit Trading System. In addition, they were also recognized as one of the best Fixed Income Corporate Settlement Banks for 2018.

Another strategic area of focus for the Bank is Digitization. The Operations Group is at the forefront of this effort by digitizing physical records and deploying an Enterprise Document Management System (EDMS) that enables efficient and secure storage and easy access of information across the institution. EDMS eliminates the need to retrieve physical documents, reducing archival costs, and mitigating information security risks associated with moving physical records. EDMS not only complies with the regulator's mandate on record-keeping, but also paves the way for a paperless work environment.

In upholding its commitment to creating value-added services and providing innovative solutions for customers, the bank switched to a new card management system, FIS CORTEX. This comprehensive system provides better security and advanced features that enable the bank to offer customer-friendly card products. One of its main features is to allow the enrolment of several accounts in one card, making banking transactions easier, faster, and more flexible.

The Operations Group continues to invest in talent through the General Operations Learning & Development (GOLD) program which is an intensive two-year training program designed to develop future leaders. This year, graduates were deployed in critical roles where they are expected to drive innovation and process improvement.

These initiatives and procedures implemented, and the recognition received embodies the Group's commitment to excellence.

SUBSIDIARIES

RCBC SAVINGS BANK

RCBC Savings Bank (RSB) is one of the largest thrift banks in the Philippines, with assets of Php139.77 billion. It continues to be a strong and major player in the industry. As the consumer finance arm of RCBC, it partners with Filipinos in realizing their dreams of owning their own home, driving their dream car, and growing their own business. In September 2018, the Bank began the process of absorbing RSB. The merger is subject to BSP approval and expected to be completed in July 2019.

RSB recorded another double-digit growth in core loan bookings, registering a 14.05% improvement in 2018 from a year ago despite high interest rates. The increased loan bookings supported the growth of loan interest income, which rose by 9.57% to Php6.91 billion. Deposits grew by 20.13% to Php122.15 billion. The Bank ended 2018 with loans and receivables higher by 13.83% from a year ago to Php93.58 billion. Non-interest income also contributed to net income as it recorded Php1.04 billion primarily from higher service fees and ATM fees.

The net income dipped by 22.88% to Php1.04 billion mainly due to high cost of funds and operating expenses. The high interest rate environment led to an increase in interest expense by 64.49%. Operating expenses rose by 11.47% due to a provision on Documentary Stamp Tax (DST) in the government's Tax Reform for Acceleration and Inclusion law (TRAIN). The year 2018 ended with a return on equity of 8.27% and return on assets of 0.81%.

RCBC CAPITAL CORPORATION

RCBC Capital Corporation (RCBC Capital) established a strong foothold in the Philippine investment banking industry as it lead-arranged, issue-managed, underwrote, and closed noteworthy transactions in 2018. Its deals included capital market offerings and financial advisory services in addition to a number of acclaimed and multi-awarded project financing and cross-border financing transactions of projects in Southeast Asia.

RCBC Capital played a significant role in the strategic merger between educational institutions of the Ayala and Yuchengco groups, AC Education Inc. and iPeople, Inc., respectively. The merger aims to provide affordable yet quality education to many Filipinos by instilling values and 21st century skills necessary to succeed in a technology-driven world. In collaboration with the Bank, RCBC Capital also arranged cross-border project financings for an aggregate amount of USD250 million for Vietnam-based BIM Renewable Energy Joint Stock Co. and AMI Renewables Joint Stock Co., in these companies' bid to secure government pricing incentives for renewable energy projects. RCBC Capital was one of the first Philippine investment banks that arranged the funding of ambitious offshore projects in Vietnam, drawing ample attention from other Philippine investors and foreign funders.

RCBC SECURITIES, INC.

The Philippine bourse was dragged down in 2018 as foreigners fled the market, primarily due to the peso depreciation and rising inflation. Net foreign flows registered a negative USD1.16 billion. This was the second year since 2009 that the market experienced net foreign selling, the first being in 2015. As a consequence, peso turnover at the PSE declined by 11.29% year-on-year to Php1.74 Billion. In addition, the Philippine Stock Exchange Index fell 12.76% to 7,466.02

Inevitably, RCBC Securities' (RSEC) commission revenues declined by 31.78% from a year ago to Php53.68 million in 2018. Total income was further eroded by unrealized market losses of Php4.23 million, but was partly supported by a 17-fold jump in interest revenue on short-term investment amounting to Php10.59 million. Commission expenses fell by 31.76% to Php3.96 million, while other expenses were trimmed by 1.96% to Php69.84 million.

Notwithstanding the tough stock market environment, RCBC Securities managed to post a net income of Php5.88 million.

RSEC tapped new clients by conducting stock market seminars in cooperation with the Philippine Stock Exchange and the Bank's Retail Banking, Wealth, and Treasury groups and providing market briefings and corporate access services to Japanese institutional clients through our partnership with Okasan Securities.

RCBC BANKARD SERVICES

RCBC Bankard Services Corporation continued to provide growth for the credit card business of the Bank. The group generated 182,718 new cards for the Bank in 2018, 25.61% higher from a year ago. The total value of transactions processed increased by 25.43% to Php39.12 billion. It accredited 947 new merchants, growing merchant volumes by 10.64% to Php25.08 billion. RCBC Bankard registered net income of Php49.27 million which translates to a return on average equity of 21.98% and a return on average assets of 13.51%.

RCBC Bankard offered a wide range of cards catering to different customer segments, each with its unique proposition. The Premium cards intended for esteemed individuals with discerning taste; Gold cards for those moving up the ladder of success; and Classic cards for young professionals enjoying financial independence. It also launched several innovative cards products for 2018 such as the premium RCBC Bankard JCB, the Phoenix RCBC Bankard Mastercard, the AirAsia Credit Card, and the Millennial-focused Flex and Flex Gold Visa.

Internally, RCBC Bankard Services undertook learning opportunities and initiatives focused on reorienting its team's mindset and behavior according to the Bank's goal of building a customer-centric culture.

RCBC LEASING AND FINANCE

The year 2018 was another record year for RCBC Leasing. In a period where the leasing and financing industry was buffeted by new laws and regulations resulting in higher interest rates as well as a 50% increase in documentary stamp taxes, the Company's net income rose 36.48% from a year ago to Php120.51 million. Gross revenues generated from core business rose by 11.76% to Php1.11 billion in 2018, due to the increase in RCBC Leasing's earning portfolio. The revenues were more than adequate to cover the increase in Direct Cost and Operating Expenses, particularly interest expenses of Php332.46 million, which rose by 31.15% from a year ago.

RCBC Leasing's positive momentum, which started in 2013, proved that its financial position remains robust. The Company ended the year with total resources of Php11.09 billion, representing a 7.80% growth from a year ago. Asset growth was largely attributed to volume production as we booked Php4.09 billion in new loans and leases. The Company's consolidated portfolio grew by 10.42% to Php7.76 billion in 2018.

Despite the growth in assets, RCBC Leasing maintained its capital adequacy ratio (CAR) above the minimum regulatory requirement of 10%. The Company's capital ratio remains healthy with 11.91% and 12.99% on a consolidated and solo basis, respectively. Nonetheless, the Bank, is infusing additional capital of Php800 million into RCBC Leasing to support the Company's growth and expansion.

Armed with a strong financial position and increasing revenue generation, RCBC Leasing was able to obtain additional credit facilities with longer tenors from banks, thereby strengthening the gap between its assets and liabilities.

RCBC Leasing is poised to continue its upward trajectory and reinforce its market position. We continue to develop our personnel to their full potential, implement strategies to generate higher return for our shareholders, and nurture our excellent business relationship with our clients.

RIZAL MICROBANK

2018 marked a milestone for Rizal MicroBank (RMB) as the microfinance arm of the RCBC Group posted a net income after tax of Php27.04 million for the year. This was a turnaround from its net loss in 2017 of Php19.16 million. The subsidiary's profit came on the back of a continuous buildup of its loan portfolio since RMB's inception in 2010. Loan portfolio rose 25% from a year ago to Php1.2 billion in 2018. Total amount of loans disbursed grew 26% year-on-year to Php1.7 billion.

The rise in the loan portfolio yielded an interest income of Php185.15 million, up by 26%. This higher interest income generated helped drive the whopping 241% improvement in the subsidiary's bottomline. With this profitability posture, Rizal MicroBank posted a return on equity of 4.56% and return on assets of 1.80%.

Rizal MicroBank continues to maintain a well-balanced loan portfolio among the market segments. As of December 2018, portfolio mix of the subsidiary is 47% small business, 40% agricultural loans, and 13% microfinance. By strictly focusing on small entrepreneurs, RMB's loan data in 2018 shows an average loan size of Php345,000 and average loan balance per client of Php377,000. A non-performing loans rate of 5.65% as of end-2018 is lower than the thrift banking average of 6.09% as of available data in September 2018.

While the primary requirement for our chosen market segments is to provide additional working capital loans, our clients continue to demonstrate their willingness to build a future by regularly setting aside an amount for their contractual savings. This is a mandatory feature of the subsidiary's lending program. As of December 2018, contractual savings of borrowing clients represent 10% of the subsidiary's total deposit of Php925.6 million.

As a fitting way of ending 2018, Arnold S. Viado, a microfinance client of RMB Koronadal in South Cotabato who is engaged in balut production was recognized as the regional winner in Mindanao of the 16th Citi Microentrepreneurship Awards (CMA). Jointly sponsored and organized by the Bangko Sentral ng Pilipinas and Citi Foundation and coordinated by the Microfinance Council of the Philippines, the CMA recognizes outstanding microentrepreneurs across the Philippines who have shown grit and tenacity in growing their small businesses while contributing to uplifting the socio-economic standards of their families and communities. Through the awards, BSP, Citi, and the Microfinance Council aim to strengthen microfinance, enterprise development, and financial inclusion in the country. Mr. Viado received a cash prize of Php100,000, a laptop, life and health insurance coverage for one year, and access to grassroots entrepreneurship management and basic computer training. His RMB loan officer, Giovanne Gonzales received a cash incentive of Php10,000 and a plaque of appreciation, while Rizal MicroBank also got a plaque of appreciation.

This recognition, together with the positive numbers and figures posted by the subsidiary in 2018, has definitely buoyed the morale of the Rizal MicroBank team. These accomplishments fuel RMB's commitment to advancing financial, economic, and digital inclusion in the country.

CORPORATE GOVERNANCE

STEADFAST LEADERSHIP

Believe in corporate stability driven by unwavering values.

CORPORATE GOVERNANCE

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

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

BOARD GOVERNANCE

Key Roles and Responsibilities

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

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

Board Composition

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

The Board of Directors promotes diversity in its membership. It is the policy of RCBC that no person shall be disqualified to sit as member of its Board on the basis of gender, age, religion or political affiliation. The representation of women in the Board has increased from 14% in 2015 to 20% in 2016, and remained at 20% in 2017 and 2018. Among the women in the Board is Mrs. Helen Y. Dee, the Chairperson.

Nomination and Election

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

All nomination for election of directors by the stockholders shall be submitted in writing to the President and the Corporate Secretary at RCBC's principal place of business at least thirty (30) working days before the regular or special meeting of the stockholders for the purpose of electing directors. The Corporate Governance Committee reviews the qualifications of persons nominated to the Board, and applies the *fit and proper standards* in its evaluation. The Committee considers the nominee's educational background, professional experience, nature and business of the corporations of which he/she is a director, age, number of directorships/active memberships and officerships in other corporations/organizations, and possible conflict of interest in determining his/her suitability to be nominated to the Board. The Committee ensures that each nominee possesses all of the minimum qualifications and none of the disqualifications as prescribed under existing laws and regulations. It is provided in the By-Laws that no person shall be qualified or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that of RCBC, its subsidiaries and affiliates, as may be determined by the Board of Directors, in the exercise of its judgment in good faith, by at least a majority vote.

Maximum Board Seats

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

Independent Directors

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

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

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

The incumbent independent directors are *Amb. Lilia R. Bautista, Mr. Gabriel S. Claudio, Mr. Armando M. Medina, Mr. Vaughn F. Montes, Ph.D., Mr. Melito S. Salazar, Jr.*[1]*, Mr. Juan B. Santos, and Atty. Adelita A. Vergel De Dios*.

The Chairperson

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

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

The Corporate Vice Chairman

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

Meetings and Quorum Requirement

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

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

[1] Mr. Melito S. Salazar, Jr. passed away on February 16, 2019 and was replaced by Mr. Laurito E. Serrano (Independent Director)

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

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

From the period January to December 2018, the members' attendance at Board and Committee meetings are as follows:

DIRECTORS	BOARD		EXCOM		TRUST		TECH		PERC		ACC		ROC		CG		RPT		AML		TOTAL		% TOTAL
	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	
HELEN Y. DEE	13	11	47	42			12	11	3	3											75	67	89.33%
CESAR E.A. VIRATA	13	13	47	41	12	12	12	12													84	78	92.86%
GIL A. BUENAVENTURA	13	13	47	42	12	12	12	11													84	78	92.86%
TZE CHING I. CHAN	13	12																			13	12	92.31%
RICHARD G.A. WESTLAKE	13	12											12	11							25	23	92.00%
YUH-SHING (FRANCIS) PENG	13	13													11	7	11	7			35	27	77.14%
JOHN LAW	13	12											1	1							14	13	92.86%
FLORENTINO M. HERRERA III	13	13																	12	12	25	25	100.00%
ARMANDO M. MEDINA	13	13	47	44	1	1	1	1									1	1			63	60	95.24%
MELITO S. SALAZAR, JR,	13	12									27	25	12	11	1	0					53	48	90.57%
ADELITA A. VERGEL DE DIOS	13	11									27	19			12	11	11	10			63	51	80.95%
JUAN B. SANTOS	13	9			12	8							1	1			1	0			27	18	66.67%
LILIA R. BAUTISTA	13	12	47	43	11	11															71	66	92.96%
GABRIEL S. CLAUDIO	13	12													12	10	11	10	12	10	48	42	87.50%
VAUGHN F. MONTES	13	13					1	1			27	27	12	12	12	12					76	75	98.68%

M = NUMBER OF MEETINGS
A = MEETINGS ATTENDED

Board Performance

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

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

Board of Directors Training Program

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

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

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

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

Remuneration of the Board

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

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

Non-executive directors are entitled to reasonable per diem for attendance in board and board committee meetings. Non-executive directors receive a per diem of P35,000.00 for attendance in board meetings. The Audit and Risk Oversight Committee Chairmen receive P20,000.00 while members of the said committees receive P15,000.00 per diem for attendance in meetings. Per diem in other board committees is at no greater than P15,000.00 for the chairman and P10,000.00 for members.

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

Remuneration Item	2018
(a) Per diem Allowance Non-Executive Directors, Independent Directors and members of the Advisory Board are entitled to per diem	**Php12,205,000.00** **(aggregate amount for NED's, ID's, for the Board and Committees for the year 2018)**
(b) Directors' Bonuses Directors' bonuses are given to executive, non-executive and independent directors based on the formula provided for in the Bank's By-Laws	N/A
TOTAL	**Php12,205,000.00**

Board Committees

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

1. Executive Committee

Composition:

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

Members:

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

The Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action. However, matters affecting general policy are always referred to the Board of Directors for decision. The Executive Committee has the power to review an asset or loan to ensure timely recognition and resolution of impaired assets. In 2018, the Executive Committee:

- Discussed various issuances by regulatory agencies;
- Approved non-DOSRI loans that reach the Single Borrower's Limit (SBL);
- Evaluated and approved various operations/ product manuals;
- Reviewed and endorsed for Board approval various management matters;
- Deliberated upon and approved various management matters within its approving authority.

2. Audit and Compliance Committee

Composition:

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

Members:

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

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

In 2018, work done include, but not limited, to the following:

- Performance of oversight functions over the internal and external auditors and ensuring that they acted independently from each other and both auditors were given unrestricted access to records, properties and personnel in the discharge of their functions.
- Review of audit reports of both internal and external auditors and engaging in discussions of the results of audits during Audit and Compliance Committee meetings to evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting and information technology security. This also included the review of the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from audit;
  - Compliance with accounting standards;
  - Compliance with tax, legal and regulatory requirements;
  - Going concern assumptions;
  - Major judgmental areas; and
  - Completeness of disclosures of material information including subsequent events and related party transactions.
- Review of the extent and scope, activities, staffing, resources and organizational structure of the Internal Audit function and approved the annual audit plan to ensure its conformity with the objectives of the Bank. This also included quarterly review of audit plan accomplishment /status including capacity and manpower complement.
- Review of the extent and scope, activities, staffing, resources and organizational structure of the Compliance Function.
- Review and approval of the annual testing plan and monitoring the status thereof.
- Review and approval of the Compliance Charter and Manual
- Review of the compliance reports of the Compliance Officer to assess compliance with laws, rules and regulations. This also included the review of findings of any examinations by regulatory agencies (e.g., BSP).
- Review of the Audit and Compliance Charter.
- Approval of the Subsidiary Oversight framework

- Approval of the AML sanctions policy
- Approval of the Compliance Issues Management Procedures
- Approval of the Written Supervisory Procedures

3. Risk Oversight Committee

Composition:

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

Members:

Vaughn F. Montes (ID) – *Chairperson*
Melito S. Salazar, Jr. (ID) – *Vice Chairperson*
Richard G.A. Westlake

Observers:

John Law
Gil A. Buenaventura

The highlights of the Risk Oversight Committee's actions in 2018 are as follows:

Risk Governance Framework

- Approval of amended ROC Charter
- Approval of amended Risk Governance Framework
- Approval of revised CRISMS organizational structure

Enterprise Risk and ICAAP

- Approval of ICAAP and Recovery Plan Document
- Approval of creation of ICAAP Management Committee
- Approval of Risk Appetite Framework
- Approval of Stress Testing Framework
- Approval of SEMS Policy
- Monitoring of capital adequacy
- Monitoring of adherence to risk appetite
- Monitoring of RCBC Group Risk Profile, Monitoring of Risk Dashboards, and Risk Heat Maps
- Notation of Portfolio reports
- Notation of SEMS reports
- Notation of Risk-Weighted Asset analysis reports

Credit Risk

- Endorsement of Credit Risk Policy Manual for Board approval
- Notation of Credit Risk reports and Loan Portfolio Stress Test reports
- Notation of Credit Rating Model Performance Review reports
- Approval of Independent Credit Review Manual
- Notation of Independent Credit Review reports
- Notation of credit strategy presentations and industry reports

Market & Liquidity Risk

- Approval of Market & Liquidity Risk limits for 2018
- Approval of Liquidity Risk Management Framework
- Notation of Market & Liquidity Risk reports and Stress Test reports

Operational Risk

- Approval of amended Operational Risk Management Framework
- Notation of Operational Risk reports
- Notation of Key Risk Indicator (KRI) monitoring reports
- Notation of 2018 RCSA results
- Notation of Control Sample Test results
- Notation of Surprise Branch Visit updates
- Notation of fraud incident reports and fraud management updates

IT & Information Security

- Approval of Information Security Program (ISP) Document
- Notation of Information Security reports
- Notation of Information Security KRI monitoring reports
- Notation of the Risk Management Systems reports

Business Continuity Management

- versight of Annual Disaster Recovery and Business Continuity Program (BCP) exercise
- Notation of Business Continuity Management (BCM) Framework presentations
- Notation of update on process of escalating material incidents to the Board
- Notation of Business Resiliency reports

Compliance & AML Risk

- Approval of AML Sanctions Policy
- Notation of revised AML Key Risk Indicators
- Notation of AML Control Sample Test results

4. The Corporate Governance Committee

Composition:

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

Members:

Adelita A. Vergel de Dios (ID) – *chairperson*
Vaughn F. Montes (ID)
Gabriel S. Claudio (ID)
Yuh-Shing (Francis) Peng

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. The highlights of the actions of the Corporate Governance Committee in 2018 are as follows:

- Approval of the 2017 Integrated Annual Corporate Governance Report (ACGR)
- Exercised oversight on the nomination process for members of the Board of Directors and for positions requiring board approval;
- Ensured the implementation of the training program for the members of the Board of Directors;
- Facilitated the performance evaluation process of the Board of Directors, the Board-level Committees, the individual members, the Chairperson and the CEO;
- Reviewed and endorsed for Board approval the interlocking positions of directors and officers;
- Exercised oversight on the Bank's Performance Management Framework;
- Exercised oversight on the Bank's succession plan for the CEO and senior executives;
- Enhanced disclosures by ensuring that gaps identified in ASEAN Corporate Governance Scorecard are addressed.

5. The Related Party Transactions Committee

Composition:

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

Members:

Adelita A. Vergel De Dios (ID) – *chairperson*
Gabriel S. Claudio (ID)
Yuh-Shing (Francis) Peng

The RPT Committee assists the Board in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations. In 2018, the RPT Committee fulfilled its mandate under its charter particularly on the review and disclosure of material related party transactions. Work done by the Committee in 2018 includes the following:

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

6. The Anti-Money Laundering Committee

Composition:

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

Members:

Gabriel S. Claudio (ID) – *Chairperson*
Florentino M. Herrera III
Vaughn F. Montes

Observer:

Gil A. Buenaventura

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

Client Profiling

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

STR Reporting

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

Alerts Monitoring

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

Disposition of Issues

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

Compliance Testing and Monitoring

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

Policy and Manuals

- To review the Bank's MLPP for the approval of the Board of Directors;
- To review and approve the Manuals on the following:

  a. System;

  b. Alerts

c. Policy;

d. Testing

Others

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

7. The Trust Committee

Composition:

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

Members:

Juan B. Santos (ID) – *chairperson*
Gil A. Buenaventura
Cesar E.A. Virata
Lilia R. Bautista (ID)
Trust Officer[1]

[1]Lourder M. Ferrer (retired effective May 27, 2018), replaced by Mario T. Miranda

The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank. Its activities in 2018 include the following:

- Formulation of new policies and guidelines
    - o Approval of Revised Trust Policy Manual (April 2018)
    - o Approval of Revised Trust Risk Policy Manual (February 2018)
    - o Approval of the Stock Transfer Operations Manual (March 2018)
    - o Approval of new policies and guidelines
        - Revision of the Trust Operations Manual on the process of closure/termination
        - Amendments to the Guidelines on Provisioning for Loans and Other Risk Assets
        - Addendum to the Policy on Related Party Transactions covering investment management and trust accounts
        - Amendment to Credit Scoring of Local and Foreign Financial Institutions
        - Amendments to the Basic Security Deposit for the Faithful Performance of Trust Duties
        - Amendment to the Related Party Transaction Policy
        - Revised Procedures and Documentary Requirements in relation to Retirement and Separation Benefit Payments
        - Changes in the Documentation of the termination/closure of corporation and institutional clients
        - Guidelines and Procedures on Customer Information File (CIF) Creation and and Maintenance
        - Update on the TIG Business Continuity Plan (BCP)
        - Inclusion of Product-to-FRPTI Mapping Table to the Trust Policy Manual
        - Revised TIG Equity Rating System
        - Differentiated Policies and Procedures in the Trust Policy Manual
        - Revised Requirement for becoming a certified UITF marketing personnel

- Conducted oversight of trust business
    - Review of Trust performance for 2017
    - Approval of Trust business plans for 2018
    - Approval of the Audited Financial Statements of TIG and the Rizal UITFs for 2017 (February 2018)
    - Discussions on the results of the Self-Assessment of the Trust Committee for 2017
    - Review of financial performance of Trust for 2018
    - Discussions of impact of new regulations issued on the trust business
    - Review of industry landscape and trends
    - Monthly review of status of trust loan portfolio and past due loans
    - Annual status report on ROPAs held by Trust
    - Performance review of accounts
    - Administrative review of accounts (Year-round as presented by management)
    - Report on compliance with client prescribed limits (quarterly)
    - Monthly review of pre-need assets
    - Review of various directed equities (March 2018)
    - Discussions on the monthly market updates and investment strategies of Trust
    - Product development efforts for 2018
        - Termination of the Rizal Global Equity Feeder Fund
        - Revised Benchmark for Rizal USD Bond Fund
        - Release of various UITF teasers and advertisements to promote product awareness
    - Discussions on accounts opened and closed on a monthly basis together with new mandates obtained
    - Review of organization structure, succession plan for Trust and other HR matters
    - Discussions on the pertinent provisions of Republic Act (RA) No. 10963 (TRAIN)
    - Discussions on the implementation of PFRS9, Financial Instruments
- Evaluation and approval of management recommendations on the investment and disposition of funds or properties held in trust
    - Approval of lines for local financial institutions (November 2018)
    - Approval of lines of foreign financial institutions (July 2018)
    - Accreditation of stockbrokers (September 2018)
    - 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 (tender offers, bonds, IPOs and preferred shares) offered in the market
    - Approval of list of equity issues (November 2018)
- Management of risks in the conduct of the trust business
    - Monthly discussions and review of various risk management reports (market risk, credit risk, operational risk, reputation risk, strategic risk, legal risk)
    - Discussions on incident reports and issues affecting Trust
    - Monitoring of the proper implementation of approved policies and guidelines
    - Review of compliance with applicable laws and regulations
    - Development of the New Trust core system (Miles Moneyware)
    - Updates on regulatory developments affecting the Trust business

- Audit and compliance
    - Composite rating of 3 or “Satisfactory” from the BSP Audit as of May 31, 2018
    - Completed compliance review of TIG as of August 31, 2018
    - Addressed various audit and compliance issues in BSP examination, internal audit and compliance reviews

8. The Technology Committee

Composition:

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

Members:

Helen Y. Dee – *chairperson*
Gil A. Buenaventura
Cesar E.A. Virata

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

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

9. The Personnel Evaluation and Review Committee

Composition:

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

Members:

Chairperson of the Board
Head, Human Resources Group
Head, Retail Banking Group
Head, Operations Group
Head, Controllership Group
Head, Business Risk Group
Head, Legal Affairs Group

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

- To act as an independent body in the evaluation and review of cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee resulting to an actual or potential loss to the Bank of at least One Million Pesos (Php1,000,000.00).
- To ensure that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.
- Such other purposes as may be necessary in the performance and discharge of its functions.

Advisory Board

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

SHAREHOLDINGS IN THE COMPANY

As of December 31, 2018, only the following stockholders own more than 5% of RCBC's common stock:

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue Makati City Relationship with issuer: RCBC is a subsidiary of PMMIC	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Filipino	804,431,469*	41.56%
Common	**Cathay Life Insurance Corporation** Address: 296 Ren AI Road Sec4 Taipei 10633 Taiwan R.O.C. Relationship with Issuer: Stockholder		Non-Filipino	452,018,582	23.35%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address: 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder		Non-Filipino	107,875,642	5.57%

Combined Direct and Indirect Shares of PMMIC

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

Title of Class	Name of Beneficial Owner	Amount and nature of record / beneficial ownership		Citizenship	Percent of Class
		Par Amount	Nature		(%)
Directors					
Common	Helen Y. Dee	13,988,060	R / B	Filipino	0.07
Common	Gil A. Buenaventura	50	R / B	Filipino	0.00
Common	Cesar E.A. Virata	1,384,340	R / B	Filipino	0.01
Common	Lilia R. Bautista	50	R	Filipino	0.00
Common	Vaughn F. Montes	50	R	Filipino	0.00
Common	Florentino M. Herrera III	46,730	R / B Filipino	Filipino	0.00
Common	Richard G.A. Westlake	10	R	New Zealander	0.00
Common	Tze Ching Chan	10	R	Chinese	0.00
Common	Yu - Shing Peng	10	R	R.O.C. Taiwan	0.00
Common	Armando M. Medina	1,950	R	Filipino	0.00
Common	John Law	10	R	French	0.00
Common	Gabriel S. Claudio	10	R	Filipino	0.00
Common	Melito S. Salazar Jr.	10	R	Filipino	0.00
Common	Adelita A. Vergel de Dios	10	R	Filipino	0.00
Common	Juan B. Santos	50	R	Filipino	0.00
	Subtotal	***15,421,350***			
Executive Officers					
Common	Evelyn Nolasco	27,000	B	Filipino	0.00
	Subtotal	***27,000***			
	TOTAL	***15,448,350***			

CONGLOMERATE STRUCTURE

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

PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION (PMMIC)

- **MICO EQUITIES, INC.** 77.26%
  - **MALAYAN INSURANCE COMPANY, INC.** 80% MICO Equities Inc.
    - **BANKERS ASSURANCE CORPORATION** Non-Life Insurance Company (99.99%)
    - **FIRST NATIONWIDE ASSURANCE CORP.** MEI 45.27%; MICO 54.72%
  - MALAYAN INTERNATIONAL **INSURANCE CORP. LTD REINSURANCE** (99.99%)
    - **MALAYAN INSURANCE CO. (HK) LTD.** Reinsurance Company (99.99%)
- **GPL HOLDINGS, INC.** 60.313% PMMIC, 15.623% AT Yuchengco, Inc., 10.024% RCBC
  - **SUNLIFE GREPA FINANCIAL, INC. LIFE INSURANCE** 51% GPL Holdings
    - **GREPALIFE ASSET MANAGEMENT CORPORATION**[6] 99.99%
    - **GREAT LIFE FINANCIAL ASSURANCE CORPORATION** 100%
    - **GREPA REALTY HOLDINGS CORP.** 51% Sun Life Grepa, 49% GPL Holdings
    - **GREPALAND, INC. REALTY COMPANY** 41% GPL Holdings, 32% PMMIC, 27% Albert S. Yuchengco
- **HOUSE OF INVESTMENT (HOI)** 47.83% common, 37.49% preferred
  - **EEI CORPORATION** Engineering Construction 44.32%
    - **EQUIPMENT ENGINEERS, INC.; GULF ASIA INTERNATIONAL CORPORATION; GAIC MANPOWER SERVICES, INC., EEI CONSTRUCTION AND MARINE, INC., EEI REALTY CORPORATION; EEI (BVI) LTD.; EEI CORPORATION (GUAM) INC., CLEAR JEWEL INVESTMENTS, LTD.; NIMARIDGE INVESTMENTS, LTD., EEI (NC) LTD.** 100%
    - **EEI POWER CORPORATION** 86.61% EEI, 13.39% Equipment Engineers, Inc.
      - **PETROSOLAR CORPORATION** 43.998% EEI Power Corporation, 55.996% PetroGreen Energy
  - **LANDEV CORPORATION**[2] Realty Management Service 100%
    - **GREYHOUNDS SECURITY AND INVESTIGATION CORPORATION** 99.99%
    - **HEXAGON LOUNGE, INC.** 100%
  - **ZAMBOWOOD REALTY AND DEVELOPMENT CORP.** 100%
  - **MANILA MEMORIAL PARK CEMETERY, INC.** 25.98% HOI, 13.53% GPL Holdings, Inc.
  - **LA FUNERARIA PAZ SUCAT, INC.** Services 37.5% HOI
  - **HONDA CARS KALOOKAN INC.** 55%
  - **ZAMBOANGA IND'L FINANCE CORP.** Finance Company 50%
  - **XAMDU MOTORS, INC.** 99.2%
  - **ZAMBOANGA CARRIERS** 100%
  - **HI-ESAI PHARMACEUTICALS,INC.** Joint Venture Pharmaceutical Co. 50%
  - **INVESTMENT MANAGERS, INC.** 100%
  - **IPEOPLE, INC.** IT Company 67.02%
    - **PAN PACIFIC COMPUTER CENTER, INC.** 100%
    - **PEOPLE ESERVE CORPORATION** 100%
    - **MALAYAN EDUCATION SYSTEM, INC.** 93%
      - **MAPUA INFORMATION TECHNOLOGY CENTER, INC.** 100%
      - **MALAYAN HIGH SCHOOL OF SCIENCE, INC.** 100%
      - **MALAYAN COLLEGES LAGUNA, INC.** 100%
      - **MAPUA TECHSERV, INC.** 99.99%
      - **SAN LORENZO RUIZ INSTITUTE OF HEALTH SCIENCES, INC.** 100%
- **RIZAL COMMERCIAL BANKING CORPORATION** 33.70%
  - **RCBC CAPITAL CORPORATION INVESTMENT BANKING** 99.96%
    - **RCBC SECURITIES, INC. STOCK BROKERAGE** 100%
      - **PetroEnergy Resources Corporation** 92.475% PCD Nominee Corp. **(51.323% RCBC Securities: 9.709% GPL Holdings, Inc. 24.531% HI, 10.686% RCAP, 6.397% Others)**
    - **RCBC BANKARD SERVICES CORP.** 100%
  - **RCBC FOREX BROKERS CORP. Forex Brokers** 100%
  - **RCBC SAVINGS BANK** 100%
  - **MERCHANTS SAVINGS AND LOANS ASSOCIATION, INC./ RIZAL MICROBANK** 98.03%
  - **RCBC LEASING AND FINANCE CORPORATION**[3] 97.80% RCBC
  - **RCBC RENTAL CORP.** 100%
  - **RCBC-JPL HOLDING COMPANY, INC.** 99.41% RCBC
  - **RCBC INT'L. FINANCE, LTD. HONG KONG FINANCING COMPANY** 100%
    - **RCBC INVESTMENTS, LTD.** 100%
  - **NIYOG PROPERTY HOLDINGS, INC.** 48.11% RCBC, 51.89% RSB
  - **YGC CORPORATE SERVICES, INC.** 40% RCBC, 30.7% MICO, 10.7% Sun Life, 11.9% EEI, 5.4% HOI
  - **ISUZU PHILIPPINES CORPORATION** 15%
  - **HONDA CARS PHILIPPINES** 12.88%
- **PMMIC (OTHERS)**
  - **LUISITA INDUSTRIAL PARK CORP. REAL ESTATE DEVELOPER** 56% PMMIC, 35% RCBC
  - **Y REALTY CORPORATION REALTY COMPANY** 100%
  - **RCBC LAND, INC. LAND DEVELOPMENT COMPANY** 100% PMMIC
    - **RCBC REALTY, CORPORATION** 27.34% RCBC Land, 22.66% PMMIC, 10% HOI, 40% RECO Rizal Pine Pte Ltd
  - **ET YUCHENGCO, INC. REALTY COMPANY** 45.89%, 12.76% AS Yuchengco III
    - **MONA LISA DEVELOPMENT CORP.** Realty Company 56.25%
  - **SEAFRONT RESOURCES CORP. HOLDING COMPANY** 18.69% PMMIC
  - **PHILIPPINE INTEGRATED ADVERTISING AGENCY, INC.** 100%
  - **PAN MALAYAN EXPRESS, INC. TRAVEL AGENCY** 100%
  - **PAN MALAYAN REALTY, INC.** 24.09% PMMIC, 38.45% Amb. Alfonso T. Yuchengco

MANAGEMENT

Chief Executive Officer

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

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

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

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

Duties and Responsibilities of Management

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

Management Committees

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

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

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

The **Related Party Transactions Management Committee (RPT ManCom),** composed of select Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed RPT below the materiality threshold for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances unless the transaction requires board approval. On favorable review, the RPT ManCom endorses the transaction for BOD confirmation.

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

Long-Term Bonus Plan for Key Employees and Material Risk Takers

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

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

1. Alignment with shareholder interests. The long-term bonus plan must be one that drives high performance and contributes to overall business goals, including sustainable long-term growth, thereby increasing shareholder value.
2. Key employees' retention. It must attract, retain and reward the key employees that are able to successfully execute the organization's strategic objectives.
3. Alignment of the bonus plan with prudent risk-taking. The bonus plan must be one that is designed to provide incentives to build sustainable sources of income and enterprise value. Long term bonuses awarded are earned over a 5 year period and are directly correlated to changes in profitability and enterprise value.

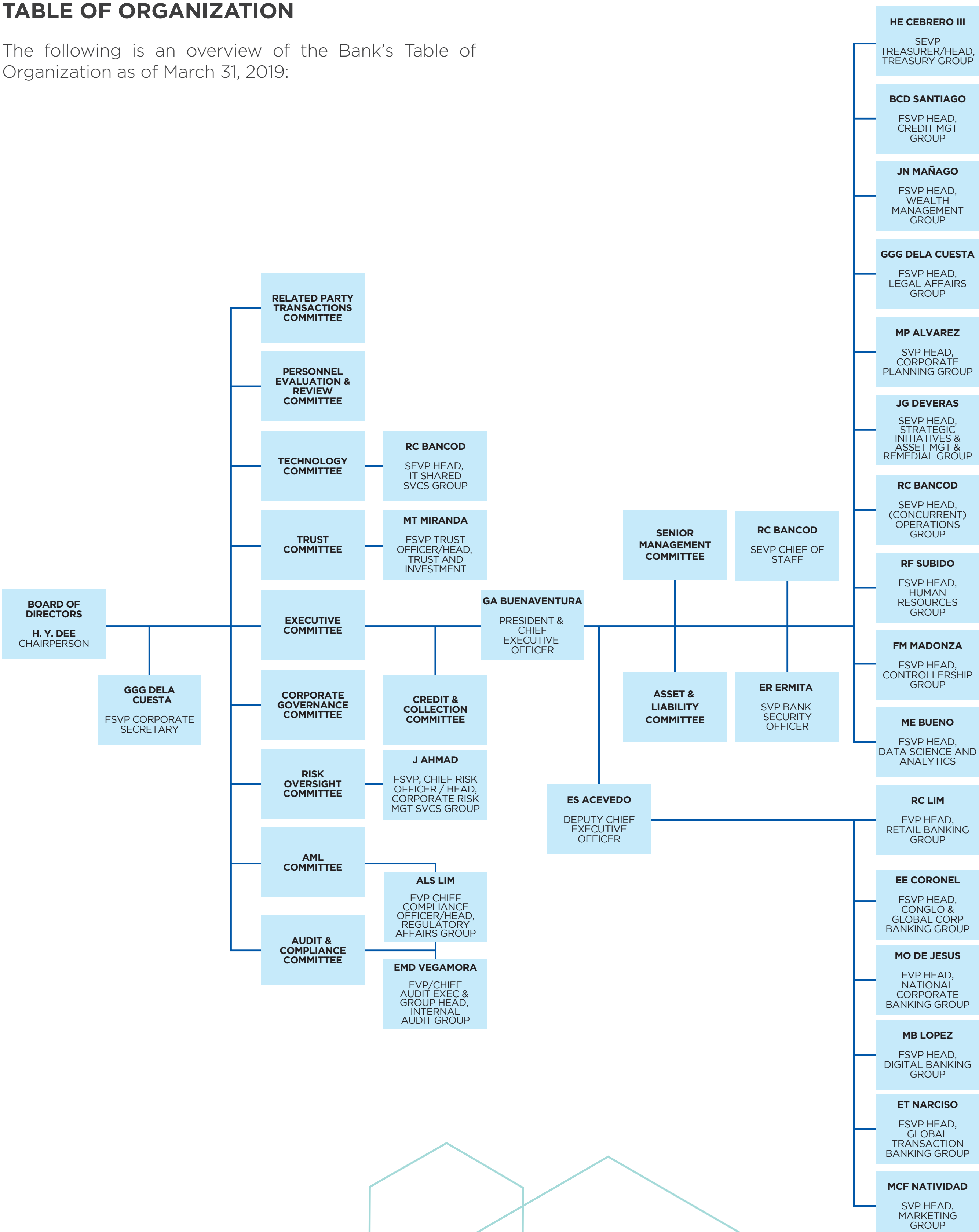
Senior Executive Compensation

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

Names	Principal Position	Aggregate Compensation (net of bonuses)	Bonuses
Gil A. Buenaventura	President & Chief Executive Officer	**68,992**	**21,756**
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Rommel S. Latinazo	Executive Vice President		
Emmanuel T. Narciso	First Senior Vice President		

TABLE OF ORGANIZATION

The following is an overview of the Bank's Table of Organization as of March 31, 2019:



SHAREHOLDERS

Shareholders' Rights and Protection of Minority Stockholders' Interest

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

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

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

Right to Nominate Candidates for Board of Directors

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

Voting Right

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

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

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

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

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

Conduct of Shareholders' Meeting

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

The last Annual Stockholders' Meeting was held on June 25, 2018. The Bank hired an independent party, Punongbayan & Araullo, to count and validate votes cast at the said meeting. Proper and timely disclosures were made immediately after the ASM. Results of the meeting as well as minutes thereof are available in the Bank's website.

Right to Inspection

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

Right to Information

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

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

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

Dividend Policy

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

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

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

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

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.

Details of the 2018 cash dividend distribution are as follows:

Nature of Securities	Dividend		Record Date	Date Approved		Date Paid / Payable
	Per Share	Total Amount (in Thousand Php)		By BOD	By BSP	
Preferred	P0.0919	P0.02	March 21, 2018	January 29, 2018	March 1, 2018	March 28, 2018
Common	P0.0616	P862.35	April 20, 2018	March 26, 2018	April 5, 2018	May 7, 2018
Preferred	P0.0616	P0.17	April 20, 2018	March 26, 2018	April 5, 2018	May 7, 2018
Preferred	P0.1080	P0.03	June 21, 2018	April 30, 2018	June 14, 2018	June 25, 2018
Preferred	P0.1108	P0.03	September 21, 2018	July 30, 2018	September 4, 2018	September 24, 2018
Preferred	P0.0111	P0.32	December 21, 2018	November 26, 2018	*BSP approval no longer required	December 28, 2018

Appraisal Right

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

Investor Relations Program

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

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

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

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

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

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

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

Material Information / Transactions

The Bank is committed to disclose material information to its stakeholders as part of its adherence to transparency, accountability, and fairness. The following are the material information / transactions approved by the Board of Directors for 2018:

- Additional disclosure regarding Stock Rights Offering
- Statement of Condition as of December 31, 2017
- Approval of the Board of Directors of the Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC—Trust and Investments Group as of year ended December 31, 2017, as audited by Punongbayan & Araullo, for final approval of the stockholders.
- Appointment of Ms. Cecilia E. Tabuena as Segment Head, Local Corporates 2, National Corporate Banking Group
- Audited Financial Statement for Fiscal Year 2017
- Medium Term Note Program (the "Updated Program")
- Declaration of cash dividends on convertible preferred shares amounting to P0.09187 (US$0.00184) per share to holders of convertible preferred shares as of March 21, 2018
- US$ Senior Unsecured Fixed Rate Reg S Notes offering under its US$ 2,000,000,000 Medium Term Note Programme
- Declaration of cash dividends on convertible preferred shares amounting to P0.616 per share to holders of convertible preferred shares as of the 10th trading day after April 5, 2018 (April 20, 2018), and payable 10 trading days after (May 7, 2018)
- Update - Re-opening of RCBC Senior Notes Due 2023 for USD 150 mm
- Statement of Condition as of March 31, 2018

- Appointment of Ms. Elizabeth E. Coronel as First Senior Vice President and Group Head of Conglomerates and Global Corporate Banking effective June 16, 2018
- Appointment of Ms. Ma. Carmela S. Bolisay as Senior Vice President and Management Services Division Head of the Operations Group
- Dissolution of RCBC North America, Inc. (RCBC NA)
- Declaration of cash dividends on convertible preferred shares amounting to P0.10796 (US$0.00207) per share to holders of convertible preferred shares as of June 21, 2018
- Results of the Board of Directors' Meeting, Annual Stockholders' Meeting, and Organizational Meeting of the Board on June 25, 2018
- Statement of Condition as of June 30, 2018
- Capital infusion of P800 Million into RCBC Leasing & Finance Corporation
- Recall of secondment to RCBC Savings Bank (RSB) of Mr. Richard C. Lim and his appointment to the Bank as Retail Banking Group Head with the rank of Executive Vice President effective September 14, 2018. Mr. Lim currently serves as the Chief Operating Officer of RSB, overseeing both the retail banking and consumer lending business. He has 25 years of experience in retail banking and was Executive Vice President and Head of Maybank's Retail Banking Group before joining the Bank
- Appointment of Mr. Jonathan C. Diokno as Segment Head of Global Filipino Banking with the rank of First Senior Vice President effective September 14, 2018. Mr. Diokno currently serves as the Retail Banking Group Head of the Bank. He has over 22 years of professional experience in transaction banking, cash management services, and overseas Filipino remittance, with extensive focus on sales and product management. Prior to joining the Bank, he was the Head of BDO Remittance Origination and Head of Business Development BDO Cash Management Services.
- RCBC offering its first tranche of Long-Term Negotiable Certificates of Time Deposit (LTNCDs) due 2024 out of the PHP20 billion approval granted by the Monetary Board of the Bangko Sentral ng Pilipinas last July 12, 2018.
- Declaration of cash dividends on convertible preferred shares amounting to P0.11078 per share payable to holders of convertible preferred shares as of September 21, 2018
- Statement of Condition as of September 30, 2018
- Plan of Merger between RCBC and RRCBC Savings Bank (RSB). A copy of the approved Plan of Merger is attached.
- Setting a Special Stockholders Meeting on February 26, 2019 with record date of January 25, 2019 for the purpose of approving the merger between the Bank and RSB, and the terms and conditions set forth in the Plan of Merger.
- Results of Board Meeting December 10, 2018
- Declaration of cash dividends on convertible preferred shares amounting to P0.11053 per share payable to holders of convertible preferred shares as of December 21, 2018.

OTHER STAKEHOLDERS

Creditors' Rights

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

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

Supplier/Contractor Selection and Criteria

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

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

HOI's Procurement Shared Services has the following policies:

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

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

Environmentally-friendly Value Chain

It is the Bank's policy to promote sustainable practices for the Bank and its clients that will minimize any negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The sustainable practices that the bank wishes to pursue aims to encourage borrowers to adhere to the preservation and development of the natural, social, and cultural environment. The bank believes that good sustainable practices eventually pay dividends and are in the best interest of the borrowers.

In pursuit thereof, the Bank has instituted the SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS). It requires that all lending relationships/credits, both pipeline and portfolio, are duly vetted by the SEMS process.

The SEMS is based on IFC Performance Standards, directives of Environmental Management Bureau (EMB) and other government agencies, and international/ domestic best practices.

The social and environmental impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and social conditions. The SEMS assessment takes place before a lending decision is made and continues during the life cycle of the lending agreement with the client.

INTERNAL CONTROL

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

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

- Control Environment

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

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

- Risk Assessment

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

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

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

- Control Activities

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

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

  a. Establishing approvals and authorization for transactions and activities;

  b. Reconciliation;

  c. Review of operating performance and exception reports;

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

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

  f. Requirement on mandatory leaves;

  g. Rotation of duties; and

  h. Number control

- Management Reporting System

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

- Monitoring Activities and Correcting Deficiencies

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

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

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

Compliance Function

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

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

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

a. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;

b. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from its personnel;

c. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;

d. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;

e. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;

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

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

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

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

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

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

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

Internal Audit

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

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

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

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

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

The External Auditor

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

The following are audit and non-audit fees paid to the bank's external auditor, Punongbayan and Araullo, in 2018:

2018	Audit Fee (in Million Pesos)	Non-Audit Fee (in Million Pesos)	Total (in Million Pesos)
Parent	P 3.72	P7.53	P11.25
Group	P12.32	P8.98	P21.30

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2018 and 2017, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

Policies

Code of Conduct

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

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

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

A. Treatment of Clients

B. Treatment of Bank Assets

C. Treatment of Others

D. Conflict of Interests

E. Knowledge, Understanding & Compliance

Anti-Corruption Policies

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

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

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

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

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

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

Use of Insider Information

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

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

Whistleblowing Policy

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

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

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

Reports of any actual or suspected criminal activities, unlawful acts or omissions, fraud, violations of the Code of Conduct and other bank policies, danger to health and safety, improprieties or malpractice in the workplace, including those relative to matters of financial reporting, internal control and/or auditing may be sent through YGC's Open Communication system at www.rcbc.com/TalktoUs.

AMLA

The Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) is a comprehensive and risk-based policy geared toward the promotion of high ethical and professional standards and the prevention of the of the bank being used, intentionally or unintentionally for money laundering and terrorist financing. The MLPP is consistent with the Anti-Money Laundering Act of 2001, as amended, The Terrorism Financing Prevention and Suppression Act of 2012, and BSP Circular No. 706, as amended. The MLPP is updated at least once every two years. This covers policies on Know Your Customer procedures, Record Keeping and Retention, Training, Risk Profiling and Covered and Suspicious Transaction Alerts Management. Central to improving the Bank's compliance to AML/CFT related regulations is the revision of the MLPP at least once every two years. The revised MLPP addresses the requirement outlined in new regulations and addresses changes in Bank practices considered significant as part of its ongoing process of re-framing the Bank's Compliance Program.

Related Party Transactions

In June 2018, the Board approved the revised Policy on Related Party Transactions following BSP's issuance of Circular No. 969 or Enhanced Corporate Governance Guidelines for BSP-supervised Financial Institutions on August 22, 2017. The said policy adopted the definition of "related party transactions" under the circular which are transactions or dealings with related parties of the Bank, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited, to the following:

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

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

The term "related parties" under the Bank's policy is broader in scope as includes members of the Advisory Board and consultants of the Bank.

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

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

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

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

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

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

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

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

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

Details of the Bank's major related party transactions in 2018 are described below:

- *Sale and Purchase of Securities* - The Parent Company and certain subsidiaries engage in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period.

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

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

- *Lease contract with RRC and Sublease Agreements with Subsidiaries* - The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC. The occupancy of some of subsidiaries in RCBC Plaza is covered by sublease agreements with RCBC. RCBC's lease contract with RRC is effective until December 31, 2020

- *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 initial lease is for a period of five years which ended in October 2018 and was renewed in September 2018 for an extended period.

- *Service Agreement with RBSC* - The Parent Company has Service Agreement with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business.

- *Capital Infusion to RCBC LFC* - In August 2018, the Board of Directors of RCBC approved the additional capital infusion to RCBC LFC amounting to P800 million, which was paid to the latter in November 2018 after RCBC LFC's BOD approved the increase in its authorized capital stock in its meeting held in October 2018. As the application for the increase in authorized capital stock is not yet filed by RCBC LFC to the SEC as of December 31, 2018, the P800 deposit for future stock subscription is recognized and presented as part of Other Resources Account in the 2018 statement of financial position of RCBC.

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

- The Bank has a service agreement with RCBC Forex Brokers Corporation (RCBC Forex) for in-sourced services, rendered by the following business units: 1) business and operational risk, 2) compliance, 3) internal audit, 4) information technology, and 5) human resources. The services shall be limited to: compliance with relevant laws, rules and regulations, market, liquidity, and operational risk management, internal audit, information technology, review of salary and processing of payroll on a bi-monthly basis, and implementation of exclusive succession planning, human resources information system and database administration and organization of training programs.

- The Bank has a service agreement with RCBC Forex and RSB for the referral of money service business customers to RCBC Forex, to facilitate the purchase and/or sale of foreign currencies. The services to be rendered are relative to account opening and compliance with customer identification regulatory requirements.

The Bank's other transactions with affiliates include service agreements, leasing office premises to subsidiaries which is eliminated during consolidation, accreditation of RCBC Trust agent and of insurance companies, 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 regulations, 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.

RISK AND CAPITAL MANAGEMENT

RESPONSIBLE GROWTH

Believe in
sustainable practices

RISK AND CAPITAL MANAGEMENT

Risk Governance Framework

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

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

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

The RCBC Group's Risk Governance Framework aims to:

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

RISK MANAGEMENT PRINCIPLES[1]

Risk management is a dynamic activity. For risk management to be effective, it needs to be practiced within all layers of the organization. The Board of RCBC expects the management of risk to be guided by the following principles:

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[1] ISO 31000 enumerates 11 principles

Principle 1: Risk management creates and protects value

Risk management creates and protects value by increasing the likelihood of achieving the organization's objectives. It also creates and protects value as it results in improving governance and control process, compliance with regulations and effectiveness and efficiency in the allocation of scarce capital and resources.

Principle 2: Risk management is an integral part of all organizational processes

Risk management is not a standalone activity that is separate from the main activities and processes of the organization. Aside from ensuring profitability and delivering shareholder value, risk management should form part of the responsibilities of management.

Principle 3: Risk management is part of decision making

To be effective, risk management should be part of the decision-making process. Risk management should help decision makers make informed choices, prioritize actions and distinguish among alternative courses of action.

Principle 4: Risk management explicitly addresses uncertainty

Risk management does not view risk in a deterministic manner. Risk management should explicitly take into account uncertainty, the nature of the uncertainty and how that uncertainty can be addressed.

Principle 5: Risk management is systematic, structured, and timely

Risk management is a systematic, structured, and timely process that contributes to efficient, consistent, comparable, and reliable results. It is a rigorous process that encourages everyone in an organization to assess uncertainty in a structured and systematic manner, and design mitigation strategies methodically.

Principle 6: Risk management is based on best available information

While risk management aims to assess and manage risk in a forward-looking manner, it has to rely on the best available information as of a specified predetermined date. Below are some examples of information sources that can be used as inputs to the risk management process:

- Historical data
- Past experience
- Stakeholder feedback

- Observation
- Forecasts
- Expert judgment

Principle 7: Risk management is tailored

Risk management is not a one size fits all exercise. Each banking organization has unique circumstances that must be considered in designing the organization's risk governance framework and process. Risk management should be aligned with the organization's external and internal context and risk profile.

Principle 8: Risk management takes human and cultural factors to account

The effectiveness of risk management processes, no matter how sophisticated the designs are, still depends on the commitment and capabilities of everyone in the organization. Risk management considers the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organization's objectives.

Principle 9: Risk management is transparent and inclusive

To be effective, risk management should not be an isolated activity. Everyone in an organization should be involved. Risk management is relevant and up-to-date if stakeholders and decision makers at all levels are involved in an appropriate and timely manner.

Principle 10: Risk management is dynamic, iterative and responsive to change

Risk management should continually evolve and recognize the dynamic environment in which the banking organization operates in. As external and internal events occur, context and knowledge change, monitoring and review of risks take place. New risks emerge. Some risks evolve. Some risks change. Some disappear. Risk management should be able to capture and calibrate its responses to the changing nature of uncertainty.

Principle 11: Risk management facilitates continual improvement of the organization

Risk management should develop and implement strategies to improve their risk management maturity alongside all aspects of the organization.

RISK CULTURE[2]

There are four elements of a sound risk culture.

Tone from the Top

The Board of Directors and senior management establish a risk culture that represents an expectation of values and conduct from all staff. An expectation of values and conduct outlines what is expected from each individual in terms of behavior and actions. The Board expects all staff to demonstrate exemplary conduct, act responsibly, fairly, and with integrity towards clients, staff, and in the communities in which we live and work.

The Board of Directors expects all staff to:

Leading by Example	• Establish, monitor, and adhere to an effective risk appetite statement • Have a clear view of the risk culture • Systematically monitor and assess the prevailing risk culture and proactively address any identified areas of weakness or concern • Promote through action and words, a risk culture that expects integrity and a sound approach to risk • Promote an open exchange of views, challenge, and debate • Have mechanisms in place which help lessen the influence of dominant personalities and behaviors
Espoused Values	• Systematically monitor and assess whether the espoused values are communicated and adhered to by management and staff at all levels • Ensure that the risk appetite statement, risk management strategy, and overall business strategy are clearly understood and embraced by management and staff at all levels and effectively embedded in the decision-making and operations of the business • Establish a compensation structure that supports the institution's espoused values and promotes prudent risk-taking behavior
Common Understanding and Awareness of Risk	• Demonstrate a clear understanding of the quality and consistency of decision-making throughout the business, including how decision-making is consistent with the Group's risk appetite and risk strategy • Have a clear view on the business lines considered to pose the greatest challenges to risk management and these are subject to constructive and credible challenge about the risk-return balance • Systematically monitor how quickly issues raised by the Board, supervisors, internal audit, and other control functions are addressed by management
Learning from Risk Culture Failures	• Establish processes to ensure that failures or near failures in risk culture are reviewed at all levels of the Group and are seen as opportunities to strengthen the Group's risk culture and make it more robust

[2] Financial Stability Board (FSB), 2014. "Guidance on Supervisory Interaction with Financial Institutions on Risk Culture: A Framework for Assessing Risk Culture"

Accountability

The Board of directors and senior management ensure that employees are held accountable for their actions and are aware of the consequences of not adhering to the desired behavior toward risk. There should be a clear delineation of responsibilities with regard to monitoring, identification, management, and mitigation of risk. Employees at all levels should understand the core values of the Group's risk culture and its approach to risk, be capable of performing their prescribed roles, and be aware that they are held accountable for their actions in relation to the Group's risk-taking behavior.

Risk Ownership	• Clear expectations should be set with respect to monitoring, reporting, and responding to current and emerging risk information across the institution, including from the lines of business and risk management to the Board and senior management. Mechanisms should be in place for the lines of business to share information on emerging and unexpected risks. • Employees are held accountable for their actions and are aware of the consequences for not adhering to the desired risk management behavior.
Escalation	• Escalation processes should be established and used with clear consequence for non-compliance with risk policies and escalation procedures. • Employees should be aware of the process and believe that the environment is open to critical challenge and dissent. These mechanisms should be established for employees to raise concerns when they feel discomfort about products or practices. • Whistleblowing should be proactively encouraged and supported by the Board and senior management.
Enforcement	• Consequences should be clearly established, articulated, and applied for the business lines or individuals who engaged in excessive risk-taking relative to the risk appetite statement. Breaches in internal policies, procedures, and risk limits and non-adherence to internal codes of conduct should impact an individual's compensation and responsibilities or affect career progression, including termination.

Effective Communication and Challenge

A sound risk culture promotes an environment of effective communication and challenge in which decision-making processes promote a range of views, allow for testing of current practices and stimulate a positive, critical attitude among employees and an environment of open and constructive engagement.

A sound risk culture must encourage transparency and open dialogue in order to promote the identification and escalation of risk issues.

Alternative Views	• Alternative views or questions from individuals and groups are encouraged, valued and respected, and occur in practice. Senior management should have mechanisms in place to ensure that alternate views can be expressed in practice, and should request regular assessments of the openness to dissent at all layers of management involved in the decision-making process.
Stature of Risk Management	• The Chief Risk Officer and risk management function (CRISMS and CMG) share the same stature as the lines of businesses, actively participating in the Senior Management Committee, and proactively involved in all the relevant risk decisions and activities. They should have appropriate access to the Board and senior management. • Compliance, legal, and other control functions should have sufficient stature, not only to act as advisors, but also to effectively exert control tasks with respect to the institution's risk culture.

Incentives

Financial and non-financial incentives should support the core values and risk culture at all levels of the Group. Performance and talent management should encourage and reinforce maintenance of the institution's desired risk management behavior. Remuneration systems should reward servicing the greater, long-term interest of the Group and its clients. Risk management and compliance considerations should have sufficient status in driving compensation, promotion, hiring, and performance evaluation.

Remuneration and Performance	• Remuneration and performance metrics should consistently support and drive the Group's desired risk-taking behavior, risk appetite, and risk culture. Annual performance reviews and objective-setting processes include steps taken by the individual to promote the Group's desired core values, compliance with policies and procedures, internal audit results, and supervisory findings. • Incentive compensation programs systematically include individual and group adherence to the Group's core values and risk culture, including: o Treatment of clients; o Cooperation with internal control functions and regulators; o Respect for risk exposure limits; and o Alignment between performance and risk.
Talent Development and Succession Planning	• Understanding key risks and essential elements of risk management and the culture of the organization is a critical skill for senior employees. These should be reflected in the development plans for employees. Succession planning processes for key management positions include risk management experience and not only revenue-based accomplishments. Training programs are available for all staff to develop risk management competencies.

RISK APPETITE FRAMEWORK[3]

The **Risk Appetite Framework (RAF)** is the overall approach, including policies, processes, controls and systems, through which risk appetite is established, communicated and monitored. It includes a risk appetite statement, risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

A fully-functioning risk appetite framework establishes a firm-specific quality and style of internal communication that enables risk messages to feed up the organization from the people who take or manage risk.

Conscious Risk-Taking

No business can thrive without taking on risks. A key benefit of deploying a risk appetite framework is that these risks are identified and quantified in a structured way that relates them to the firm's business objectives and strategy.

The trade-offs between risk and reward in a risk appetite framework are made upfront, in a conscious attempt to decide the right calibration, and at a firm-wide level.

A risk appetite framework ensures that risk-taking is specific, measured, and consistent within established limits.

Joined-Up Risk Management

Beyond the benefits of breadth, a risk appetite framework also provides depth to risk management activities. It is the collective impact of risk-taking across a firm that needs to be managed. This will always require coordination between different parts of a firm, alignment between broader objectives and the more specific objectives of business units or individuals, and a translation between technical language of the risk or product specialist and the more general firm-specific risk appetite language.

This is where risk appetite frameworks come to the fore. Firstly, they facilitate top-down direction from the Board via the cascading of risk appetite statements and their ongoing monitoring and control – in a risk appetite language that is meaningful to everyone. Secondly, they rely on bottom-up information and insight from the businesses and control functions through the calibration of risk appetite limits and triggers, as well as the reporting of risks and the risk profile versus risk appetite.

Drive Quality Risk Management

In order to have an effective risk appetite framework, the following must be present:

- A **strong, independent risk function** that has the confidence of its convictions and the internal clout to design, build, launch and embed risk language and concepts across the firm; the risk personnel need to be good at reaching out to their colleagues in the business lines and advocating the risk appetite perspective;
- A **sponsor at the executive level** who has enough authority to make risk appetite the way the firm approaches risk. Without senior buy-in from a President/Chief Executive Officer (CEO) or Chief Risk Officer (CRO), risk appetite will wither on the vine;
- A **robust process to aggregate risk** – Risk definitions are uniformly understood across the firm. The people and processes that identify and aggregate risk need to be of high caliber to support completeness of coverage – this should cover financial and non-financial risks;
- A **well-established methodology to produce risk adjusted metrics** (with the active buy-in of both the finance and risk departments) so that the risk appetite perspective takes root outside of the risk department;
- A **good capacity for change management**, since embedding risk appetite requires some deep-seated changes to be made to the way a lot of people go about their jobs;
- A **culture within a firm that enables free flow of information** up and down the hierarchy. The bosses are not afraid to hear bad news, nor do the business units water down messages for fear of giving offense; and
- A **culture that weaves risk considerations into the rest of the firm** in such things as business strategy, capital planning, day-to-day risk-taking by the business, governance and the design of remuneration plans.

Risk Appetite Statement of RCBC

Risk appetite is the amount of risk the RCBC Group is willing to take in pursuit of its strategic objectives, reflecting the Group's capacity to sustain losses and continue to meet its obligations under normal as well as adverse circumstances.

The RCBC Group's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including risk management policies, and limits.

[3] Deloitte, 2014. "Risk Appetite Frameworks: How to Spot the Genuine Article"

The Group defines its risk appetite in terms of volatility of earnings, the maintenance of adequate capital buffers, and the assessment by the Regulator.

The RCBC Group recognizes that risk is an inherent part of its activities, and that banking is essentially a business of managing risks. The Group aims to achieve sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

The Group shall take on risk prudently and manage exposures proactively for the purpose of sustainable growth, capital adequacy, and profitability. It shall be aligned with internationally accepted standards, practices, and regulations in the day to day conduct of risk and performance management.

The Board and Senior Management are committed to developing risk awareness across the Group, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

The Group sets risk limits to constrain risk-taking within its risk appetite, taking into account the interest of customers and shareholders as well as capital and other regulatory requirements.

The Group will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The Risk Oversight Committee shall oversee compliance to the established risk appetite, risk management policies, and limits.

Furthermore, the Group articulates its appetite for specific risk types.

RISK APPETITE FOR SPECIFIC RISK TYPES

Risk Type	Definition	Risk Appetite
Credit Risk	Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed	The RCBC Group shall only engage with counterparties that are foreseen to be able to meet the terms of the contract or perform as agreed. The Group shall manage credit risk in its portfolio and activities to ensure that credit risk losses do not cause material damage to the Group's liquidity and capital position.
Credit Concentration Risk	Risk of loss arising from overexposure to specific industries, borrower, counterparty, or group	The RCBC Group shall not be overexposed to specific industries, borrowers, counterparties, or groups, where the risk of loss has not been considered and/or mitigated. The Group shall manage credit concentration risk in its portfolio to ensure that credit risk losses do not cause material damage to the Group's liquidity and capital position.
Market Risk	Risk of loss arising from movements in market prices	The RCBC Group shall manage market risk in its portfolio and activities to ensure that losses arising from movements in market prices do not cause material damage to the Group's liquidity and capital position.
Interest Rate Risk	Risk of loss arising from movements in interest rates	The RCBC Group shall manage interest rate risk in its portfolio and activities to ensure that losses arising from movements in interest rates do not cause material damage to the Group's liquidity and capital position.
Liquidity Risk	Risk of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses	The RCBC Group shall be able to meet its obligations when they come due, under normal as well as adverse circumstances, while ensuring compliance with regulatory requirements. The Group shall manage its liquidity position under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support.
Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	The RCBC Group shall control operational risks to ensure that operational losses do not cause material damage to the Group's liquidity and capital position, and reputation.
IT Risk	Risk of loss resulting from failure of computer hardware, software, devices, systems, applications and networks	The RCBC Group shall manage its computer hardware, software, devices, systems, applications, and networks to ensure that losses resulting from their failure do not cause material damage to the Group's liquidity and capital position, and reputation.

Risk Type	Definition	Risk Appetite
Information Security Risk	Risk of loss resulting from information security/cyber security breaches	The RCBC Group has zero tolerance for information security/cyber security breaches. The Group shall protect its information assets to ensure that breaches do not cause material damage to the Group's liquidity and capital position, and reputation.
Business Continuity Risk	Risk of loss resulting from the prospective inability to resume operations in the event of a disaster	The RCBC Group shall be able to resume operations in the event of a disaster, in a timely manner.
Regulatory Risk	Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy	The RCBC Group shall be prepared for any changes in regulations affecting its current position and/or strategy.
Compliance Risk	Risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities	The RCBC Group shall comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Group has no appetite for deliberately or knowingly incurring a breach of the letter or spirit of regulatory requirements.
Money Laundering/ Terrorist Financing (ML/TF) Risk	Risk of loss resulting from the involvement in money laundering and terrorist financing activities	The RCBC Group has zero tolerance for any involvement in money laundering and terrorist financing activities. The Group shall manage ML/ TF risk to avoid any involvement in money laundering and terrorist financing activities.
Fraud Risk (Internal & External)	Risk of loss resulting from falling victim to activities involving internal and/or external fraud	The RCBC Group shall manage fraud risk to ensure that losses resulting from activities involving internal and/or external fraud do not cause material damage to the Group's liquidity and capital position, and reputation. The Group has zero tolerance for any incident involving internal fraud, or any inappropriate conduct by a member of staff or by any Group business.
Legal Risk	Risk of loss resulting from uncertainty of legal proceedings that we are currently or expected to be involved in	The RCBC Group shall manage legal risk to ensure that losses arising from legal proceedings do not cause material damage to the Group's liquidity and capital position, and reputation.
Strategic Risk	Risk of loss arising from adverse business decisions or lack of responsiveness to industry changes	The RCBC Group shall only pursue strategies whose foreseeable risks have been considered and/ or mitigated. The Group shall manage strategic risk to ensure that there is no material damage to the Group's liquidity and capital position, and reputation.
Reputation Risk	Risk of loss arising from negative public opinion	The RCBC Group has zero tolerance for knowingly engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Group shall protect its reputation to ensure that there is no material damage to the Group.

Risk Limits[4]

Risk Limits are quantitative measures based on forward-looking assumptions that allocate the Group's aggregate risk appetite statement to business lines, subsidiaries as relevant, specific risk categories, concentrations, and other levels as deemed appropriate. The Risk Oversight Committee's expectations with regards risk limits are as follows:

- Risk limits should be set at a level to constrain risk-taking within the approved risk appetite, taking into account the interest of customers and shareholders as well as capital and other regulatory requirements, in the event that a risk limit is breached and the likelihood that each material risk is realized.
- Risk limits should be established for business lines and subsidiaries, and generally expressed relative to:
    - Earnings
    - Capital
    - Liquidity
    - Other relevant measures, e.g. growth and liquidity

[4] Financial Stability Board (FSB), 2013. "Principles for an Effective Risk Appetite Framework"

- Risk limits should include material concentrations at the group-wide, business line and subsidiary levels.
- Risk limits should not be strictly based on comparison to peers or default to regulatory limits.
- Risk limits should not be overly complicated, ambiguous, or subjective.
- Risk limits should be monitored regularly.

RISK GOVERNANCE

The Risk Governance Framework of the Group follows a top-down approach, whereby the Board takes ultimate accountability for: the risks taken, setting the tolerance level for these risks, business strategies, operating budget, policies, and overall risk philosophy.

In the interest of promoting efficient corporate governance, the Board constitutes committees to perform oversight responsibilities. These committees perform oversight functions in the area of risk policy formulation, decision-making, and risk portfolio management.

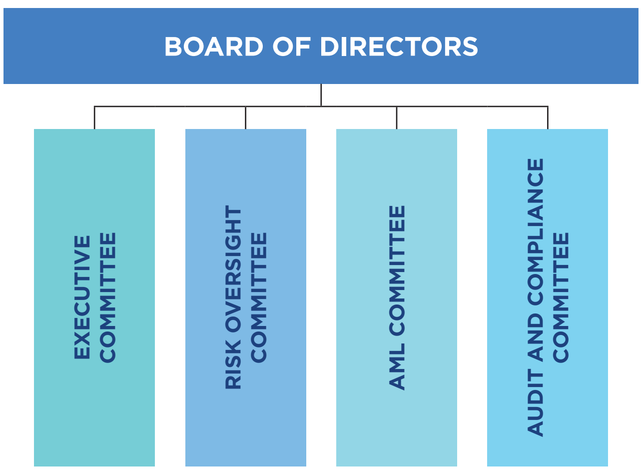


FIG. 9 RISK AND CAPITAL MANAGEMENT INFRASTRUCTURE

Board of Directors

The Board ensures that the Group's corporate objectives are supported by a sound risk strategy and an effective risk governance framework that is appropriate to the nature, scale, and complexity of its activities. The Board provides effective oversight of senior management's actions to ensure consistency with the risk strategy and policies, including the risk appetite framework.

The Board:

- Sets policies, strategies and objectives and **oversees** the executive function
- Sets the **risk appetite** and ensures that it is reflected in the business strategy and cascaded throughout the organization
- Establishes and oversees an effective **risk governance** and **organizational structure**

Board Committees

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

THE EXECUTIVE COMMITTEE

The Executive Committee has the authority to act on matters as the Board of Directors may entrust to it for action in between meetings of the Board. More specifically, it reviews and approves loans and other credit-related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the bank.

THE RISK OVERSIGHT COMMITTEE

The ROC supports the Board with respect to oversight and management of risk exposures of the RCBC parent bank and subsidiaries (the Group). In this regard, the ROC exercises authority over all other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC oversees:

- **The Risk Governance Framework.** The ROC ensures that an appropriate risk governance framework is in place, and adopted (as appropriate) across all entities of the RCBC Group.
- **The Risk Management Function.** The ROC is responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function (CRISMS and CMG) has adequate resources including personnel, systems, and other risk management capabilities necessary for the conduct of sound risk management, and effectively oversees the risk taking activities of the Group.

- **Adherence to Risk Appetite.** The ROC oversees compliance to established risk management policies and limits. The ROC ensures that the current and emerging risk exposures are consistent with the Group's strategic and overall risk appetite. It assesses the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others;
- **Capital Planning and Management.** The ROC reviews, evaluates, periodically assesses for, and reports to the Board, the Group's Internal Capital Adequacy Assessment Process (ICAAP), especially relating to:
    - o Current and projected capital and risk-weighted asset levels and requirements;
    - o Capital allocation among risk-taking units of the Group; and
    - o Perceived threats to capital adequacy arising from both identified and unexpected risk factors
- **Recovery Plans.** The ROC ensures periodic review of the effectiveness of the risk management systems and recovery plans. It ensures that implementation is carried out on an enterprise-wide basis, and that corrective actions are promptly implemented to address risk management concerns.

THE ANTI-MONEY LAUNDERING BOARD COMMITTEE

The Anti-Money Laundering Committee is constituted by the Board of Directors for the purpose of carrying out its mandate to fully comply with the Anti-Money Laundering Act, as amended, its Revised Implementing Rules and Regulations and the Anti-Money Laundering Regulations under the MORB; and to ensure that oversight on the bank's AML compliance management is adequate. The AML Board Committee has oversight on all AML-related matters such as the bank's Money Laundering and Terrorist Financing Prevention Program (MLPP), AML findings, PCA commitments, alerts management, and CTRs & STRs.

THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee is a board-level committee constituted to perform the following core functions:

- Oversight of the institution's financial reporting and control, and of internal and external audit functions. This includes responsibility for the setting up of internal audit and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit and Compliance Committee.
- Investigation of any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and adequate resources to enable it to effectively discharge its functions.
- The review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, to be conducted at least annually.
- Oversight of regulatory/compliance aspects.

Risk Management Function

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

THE RISK MANAGEMENT GROUPS

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

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

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

The risk management groups are responsible for overseeing the risk-taking activities across the Group, as well as in evaluating whether these remain consistent with the bank's risk appetite and strategic direction. It shall ensure that the risk governance framework remains appropriate relative to the complexity of the bank's risk taking activities. The risk management groups shall be responsible for identifying, measuring, monitoring, and reporting risk on an enterprise-wide basis. It shall directly report to the ROC. Personnel in the risk management groups should collectively have knowledge and technical skills commensurate with the bank's business activities and risk exposures.

The Corporate Risk Management Services Group (CRISMS)

FIG. 3 CORPORATE RISK MANAGEMENT SERVICES GROUP

Enterprise Risk Division: The Enterprise Risk Division (ERD) is responsible for credit risk analytics and credit portfolio risk function, the bank's Social and Environmental Management System (SEMS) and Sustainability Framework, and the Internal Capital Adequacy Assessment Process (ICAAP). A quantitative risk unit is responsible for quantitative analysis, backtesting and review of risk models.

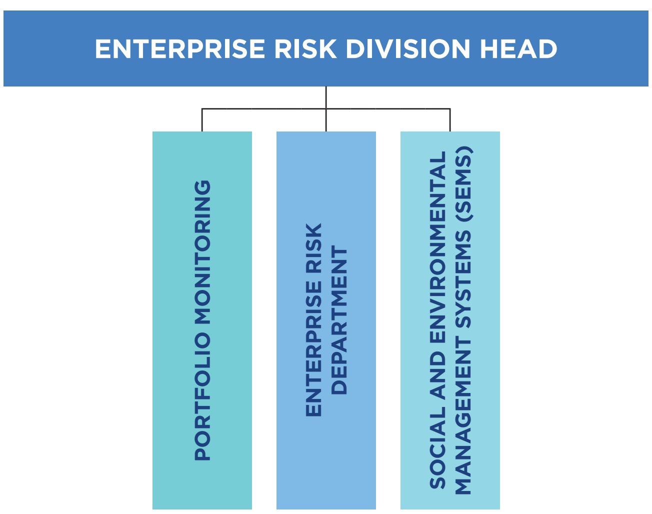


FIG. 4 ENTERPRISE RISK DIVISION

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

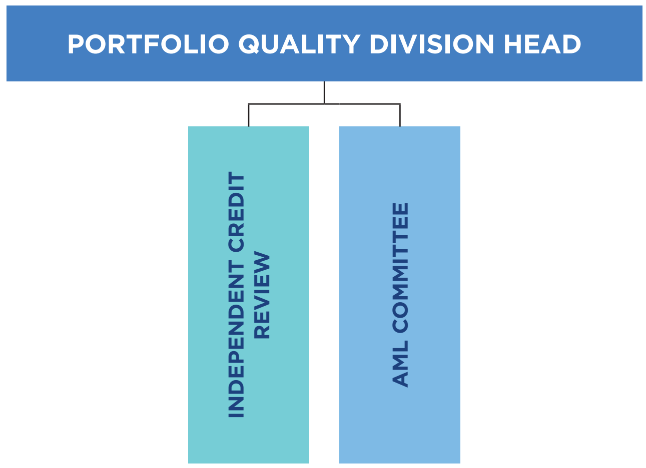


FIG. 5 PORTFOLIO QUALITY DIVISION

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

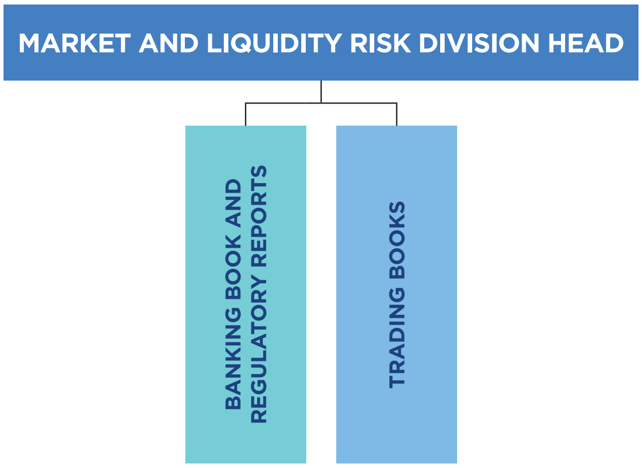


FIG. 6 MARKET AND LIQUIDITY RISK DIVISION

Operational Risk Management Division: The Operational Risk Management Division (ORMD) is responsible for implementing the Operational Risk Management (ORM) Framework across the Group. ORMD also covers Consumer Protection, Trust Risk, and Enterprise Fraud Risk.

To facilitate implementation of ORM tools in the business lines of both the parent bank and its subsidiaries, officers are deputized and serve as embedded Deputy Operational Risk Officers (DORO). A DORO therefore functions as ORMD's liaison to and implementation arm in the business units.

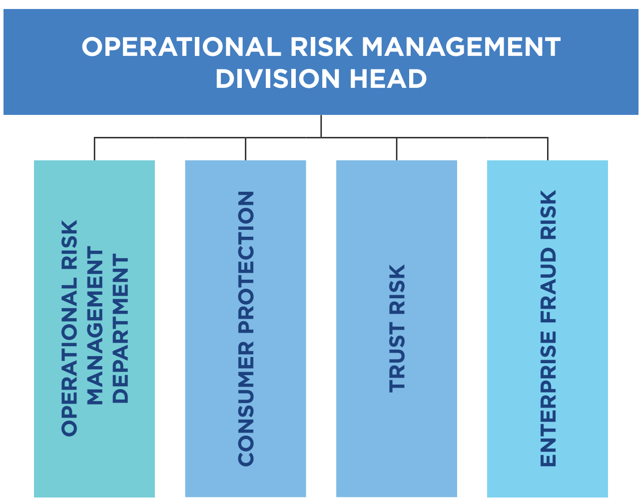


FIG. 7 OPERATIONAL RISK MANAGEMENT DIVISION

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

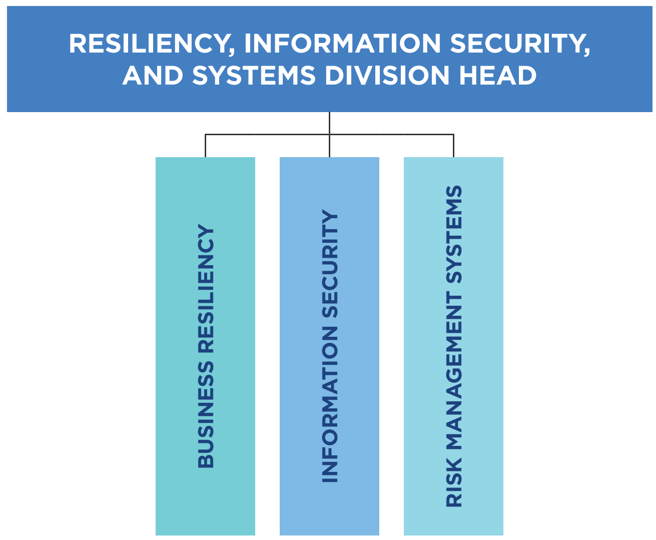


FIG. 8 RESILIENCY, INFORMATION SECURITY, AND SYSTEMS DIVISION

The Credit Management Group (CMG)

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

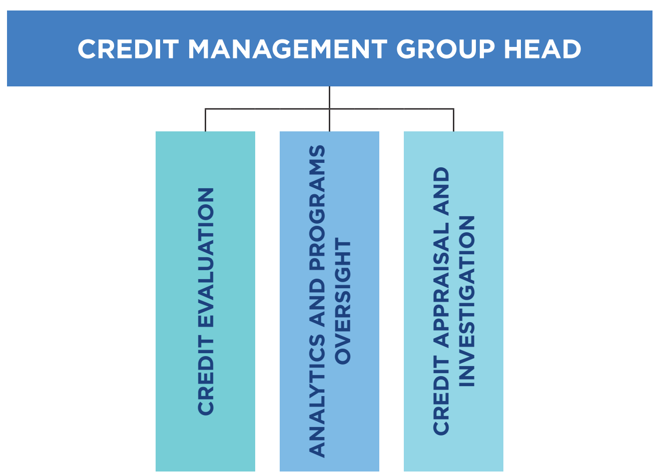


FIG. 9 CREDIT MANAGEMENT GROUP

Major responsibilities of CMG include:

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

Chief Risk Officer

The chief risk officer (CRO) shall have sufficient stature, authority, and seniority within the bank. He shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions, and shall have access to such information as he deems necessary to form his judgment. The CRO shall have direct access to the Board of Directors and the Risk Oversight Committee without any impediment. He shall serve on a full-time basis and shall functionally report to the ROC.

Responsibilities of the CRO: The CRO has the broad and exclusive responsibility for all risk issues. The CRO performs the critical executive function relating to risk management. The CRO should be able to adequately communicate the risk assessment to the Board and facilitate sound board-level risk decisions. The CRO shall be responsible for overseeing the risk management function and shall support the Board in the development of the risk appetite and risk appetite statement of the bank and for translating the risk appetite into a risk limits structure. The CRO shall likewise propose enhancements to risk management policies, processes, and systems to ensure that the bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

Role of Parent Bank and Subsidiaries

The Board and senior management of subsidiaries will be held responsible for effective risk management processes at the subsidiary level and must have appropriate influence in the design and implementation of risk management in the subsidiary. Conversely, the board and management of the parent bank is responsible for the risk management of the Group and must exercise oversight over its subsidiaries with appropriate processes established to monitor the subsidiaries' compliance to the Group's risk management practices.

Three Lines of Defense Model

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

In the Three Lines of Defense model, management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance [or audit] is the third. Each of these three lines plays a distinct role within the organization's wider governance framework.[5]

	Responsibilities
1st Line: Business Lines & Support Units	• Every employee is a risk officer; the day to day management of all material risks is the responsibility of all bank personnel • Business lines & support units: o Know our customers well and are best placed to act in both customers' and RCBC's best interests o Own the risks and are responsible for identifying, monitoring, and controlling them to stay within appetite o Are responsible for promoting a culture of compliance and control
2nd Line: Risk & Control Units	• Risk control owners for their respective specialized risk types: o Monitor and facilitate the implementation of effective risk management practices by the 1st line o Set standards by which the 1st line is expected to manage risk, including compliance with applicable laws, regulatory requirements, policies, and other relevant standards o Develop and maintain policies, standards and guidelines, set risk appetite and limits o Challenge the 1st line on effective risk management, their inputs to, and outputs from, the bank's risk management tools o Oversee the optimization of risk-reward trade-off • Scope of responsibilities is defined by risk type, and not constrained by functional/ business/organizational boundaries
3rd Line: Audit	• Auditors: o Evaluate the effectiveness of the risk governance framework (design & implementation) o Provide an independent, objective assessment to improve the effectiveness of the first two lines of defense

1ST LINE OF DEFENSE: BUSINESS LINES & SUPPORT UNITS

The first line of defense is the risk-originating units of the bank, which are the business lines and support units. They originate products and activities which are the source of risks. They are, therefore, in a best position to address risk issues at the onset. Business lines are expected to embed the risk governance framework and sound risk management practices into their respective standard operating procedures. It is the responsibility of every level of management, in every business or functional unit, under the oversight of the Board, to ensure that the Risk Management Process is performed. The establishment of a bank-wide "independent risk management function" to assist the Board does not take away the responsibility for risk management from the line business/functional units. They must, therefore, adhere to all applicable policies, procedures, and processes established by the risk management function.

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

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

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

2ND LINE OF DEFENSE: RISK & CONTROL UNITS

The second line of defense are the control functions; independent of the first line. The second line is responsible for developing and implementing a policy framework that reduces or eliminates preventable risks, and reduces the likelihood and impact of strategic and external risks. The second line of defense must:

- Identify, monitor, and escalate risk issues to the Chief Risk Officer;

[5] Institute of Internal Auditors, 2013. "The Three Lines of Defense in Effective Risk Management and Control"

- Oversee and challenge first line risk-taking activities and review first line risk proposals; and
- Set risk data aggregation, risk reporting, and data quality requirements.

Risk Types

Risk types are those risks that are inherent in our strategy and business model. These risks are managed by distinct risk type frameworks.

Risk Type	2nd Line Ownership
1. Credit Risk	Credit Management Group
2. Credit Concentration Risk	Credit Management Group
3. Market Risk	CRISMS
4. Interest Rate Risk	CRISMS
5. Liquidity Risk	CRISMS
6. Operational Risk	CRISMS
7. Strategic Risk	Corplan, Strategic Initiatives
8. Reputation Risk	Marketing Group

Operational Risk Subtypes

At the enterprise level, the Operational Risk Management function under CRISMS has overall responsibility for Operational Risk as Risk Control Owner in the 2nd line of defense. However, the broad scope of Operational Risk requires subject matter expertise and specialization in areas such as: IT, Compliance, ML/TF, Fraud, Legal, etc. These specialized areas are categorized as Operational Risk subtypes. The Risk Control Owners responsible for Operational Risk subtypes have the same level of authority and responsibility for setting risk management standards as all other Risk Control Owners. They are not subordinated to the Operational Risk Management function. The Operational Risk Management function collaborates with all Risk Control Owners to ensure Risk Management standards are applied consistently.

Operational Risk Subtype	2nd Line Ownership
1. IT Risk	IT Shared Services Group
2. Information Security Risk	CRISMS
3. Business Continuity Risk	CRISMS
4. Regulatory Risk	Regulatory Affairs Group
5. Compliance Risk	Regulatory Affairs Group
6. ML/TF Risk	Regulatory Affairs Group
7. Fraud Risk	CRISMS
8. Legal Risk	Legal Affairs Group

3RD LINE OF DEFENSE: AUDIT

The third line of defense is internal audit. Internal audit reviews the effectiveness of risk management practices. It confirms the level of compliance, recommends improvements, and enforces corrective actions when necessary.

Sustainable Finance

Climate change is real and its impact presents a clear and present danger to humanity. The Philippine archipelago is highly vulnerable to the impact of climate change. According to Global Climate Risk Index 2018, the Philippines is the fifth most vulnerable to climate change. Communities living in our coastal areas risk flooding due to rising sea level. Increasing frequency of extreme weather events, i.e. erratic and high rainfall, severe typhoons or rising temperatures causing drought are threatening normal life and endangering fragile ecosystems.

Under the Paris Agreement on Climate change, Philippines have committed to reduce 70% of its greenhouse gas emissions by 2030 to reduce global warming to 1.5 degrees. We believe that the financial services sector has the opportunity to play a key role in this major global initiative and therefore must spearhead the fight against climate change.

At RCBC we believe that understanding the effects of and managing climate change is prudent risk management. As a leading Domestic Financial Institution and a responsible corporate entity, we are committed to doing our part to reduce the impact of global warming and support the Government in its commitment to Sustainable Development Goals.

RCBC SUSTAINABLE STRATEGY

RCBC is committed to uphold social and environmental responsibility in all its business activities. We recognize that balancing non-financial factors such as environmental and social issues with financial priorities is essential to being a good corporate citizen and is fundamental to risk management and the larger interest of our investors and shareholders.

RCBC aims to embed awareness of environment and social issues within the organization, with our clients and in the communities that we serve. The bank believes that good sustainable practices is a key pillar of responsible lending which can have a meaningful impact on the communities and environment.

SOCIAL AND ENVIRONMENT MANAGEMENT DUE DILIGENCE

The SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) of RCBC requires all lending relationships/credits, both pipeline and portfolio, are vetted from a social and environmental risk perspective.

The social and environmental impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and the communities. The SEMS assessment takes place before a lending decision is made and continues during the life cycle of the loan agreement with the client.

We have conducted social and environment due diligence reviews on our investments in fossil fuel fired power plants. We will continue to engage our clients, share best practices and support their efforts to seek solutions that reduce the impact on the environment.

RISK AND OPPORTUNITIES

We believe in understanding, measuring and mitigating the risks associated with transition to low carbon and climate resilient future. We will align our business strategy with national priorities and overtime rebalance our portfolio mix that creates value and benefits our stakeholders.

We are also cognizant of the opportunities that will arise as we transition to this new world order. According to the International Energy Agency a global transition to meet this goal will require more than €30 trillion to be invested in clean energy and efficient infrastructure by 2035. We want to be well positioned to participate and finance this transition.

We have taken important first steps to reduce our corporate carbon footprint, finance the flow of funds into low carbon and climate resilient future not only in the Philippines but also within ASEAN. Our contribution to lower our carbon footprint, support sustainable finance initiatives and Sustainable Development Goals in the following ways:

- RCBCs Corporate Head Office in Manila is located in a LEED Gold certified building
- Funded projects that support UN Sustainable Development Goals. Specifically, Clean Water and Sanitation, Affordable and Clean Energy, Decent Work and Economic Goals, Reduce Inequality, Sustainable Cities and Communities, Responsible Consumption and Production and Life on Land.
- Participated in 14 renewable energy and energy efficiency financing deals including direct financial support to South East Asia's largest solar power plant and served as the biggest funder to the 132.5MW solar farm in Cadiz City, Negros Occidental, Philippines
- Channeled more than P13Billion to fund projects and loans that provide access to social needs directly improve living conditions of Filipinos

We have voluntarily placed several economic sectors on our funding exclusion list. We will not finance (new) projects to fund Tobacco, Alcohol and Gaming investments. Our existing exposure to these sectors remains considerably small relative to our total loans.

NEXT STEPS

RCBC has recently issued a Sustainable Finance Framework which articulates our strategy to prioritize fund raising and lending to priority sectors. Earlier this year the Bank raised Peso 15 Billion (USD 290 Million) under its Green Finance Framework. The issue was the first green bond from the Philippines under the ASEAN Green Bond Standards and proceeds were utilized to fund eligible green assets.

The world faces unprecedented challenges on account of climate change. Achieving global goals requires the participation of all sectors of civil society. We are ready to do our part.

Credit Risk

RISK ASSESSMENT

Credit Risk is the risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk stems from the probability that the borrower, issuer or counterparty in a transaction may default and cause potential loss to the Group, as it is exposed to risk as a trading counterparty to dealers and customers, as direct lender, and as a holder of securities.

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

The Bank uses a credit risk rating system that permits credit analytics and qualitative features that accommodate expert judgment when assessing credit worthiness. Following the Group's efforts to align with international best practice, the Bank, since 2013, has been using the following Standard and Poor's (S&P) Scorecards:

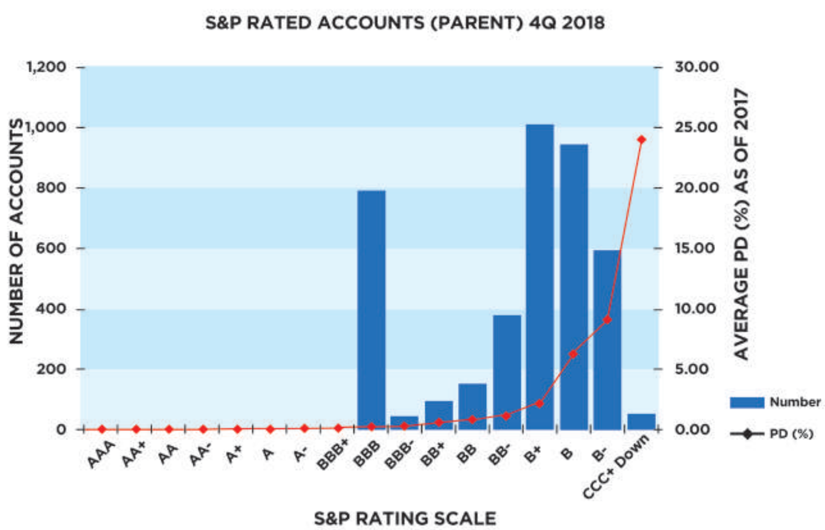
- **Generic Corporate Scorecard:** General framework for corporate borrowers regardless of industry
- **Utilities Suite:** Scorecards covering power (electricity, gas, power), generation, transmission, distribution
- **Real Estate Developer:** Scorecards covering real estate entities engaged in diversified development & sale, and buying & selling of a portfolio of real estate assets
- **Small & Medium Enterprise:** Scorecard for borrowers classified as small or medium
- **Overlays:** Parent-subsidiary and multi-activity & holding company
- **Financial Institutions:** Scorecard for banks

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

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

As of December 2018, the distribution of all rated accounts is as follows:

S&P RATED ACCOUNTS (PARENT) 4Q 2016



RATING	NO. OF ACCOUNTS	PD (%)
AAA	0	0.00
AA+	0	0.00
AA	0	0.01
AA-	0	0.02
A+	0	0.05
A	0	0.05
A-	0	0.08
BBB+	1	0.13
BBB	423	0.22
BBB-	21	0.26
BB+	64	0.53
BB	88	0.75
BB-	276	1.28
B+	865	2.20
B	833	6.26
B-	480	9.16
CCC+ Down	42	23.96
TOTAL	3,093	

FIG. 14

The general description of each rating grade is as follows:

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

Following BSP Circular 855, the Group has set out to subject all accounts to risk rating either on an individual or collective basis.

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

For the Group's consumer loans portfolio, risk assessment is performed on an individual borrower through the use of credit application scorecards, developed alongside Fair Isaac Corp (FICO), for Housing, Auto and Personal Loans. For Corporate Salary Loans, however, a rule-based set of credit criteria on company accreditation and borrower evaluation is used.

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

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

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

Expected Credit Loss

The ECL framework is approached on a group-wide basis, with peculiarities depending on the portfolio and asset classes being assessed.

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

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

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

RISK MONITORING AND REPORTING

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

ANNUAL REPORTS	DESCRIPTION
Industry Exposure Report (IER) - FCDU	FDCU breakdown as to industry

SEMI ANNUAL REPORTS	DESCRIPTION
S&P Rating Model Performance Review	Internal credit risk rating model performance review and backtesting of probability of default
Risk Rating Transition/ Migration and Analysis	Matrices that shows actual performance of the rating system over time

QUARTERLY REPORTS	DESCRIPTION
Bad Debts	Report on accounts considered bad debts following MORB X136.1 definition
Stress Testing of Credit Risk	BSP's Uniform Stress Testing Program for Banks
Loan Portfolio Stress Test	Assessing the loan portfolio's vulnerability to adverse events
NPL Sectoral Analysis	NPL by industry

MONTHLY REPORTS	DESCRIPTION
Expected Credit Loss	Computation of the required allowance for credit losses and monitoring adequacy of booked reserves
Credit Exposure Report (CREDEX)	Credex and BSP code assignment based on the specific reserves and rating of account
Past Due Report	Consolidated Status Reporting of Past Due Accounts as updated by RMs
Non-Performing Loans (NPL)	Report on past due, NPL and Net NPL level and ratio of the bank
New Real Past Due Loans	Monitoring of new problem loans based on lending unit's status/remarks in Past Due Report
Industry Exposure Report (IER)	Monitoring of exposures per industry against internal limit
Alcohol, Tobacco and Gaming Exposures	Mnitoring of exposures to alcohol, tobacco and gaming industries against internal limit
Top 50 Borrowers Top 50 Past Due Loans Top 50 Non-Performing Loans Top 50 Exposures (Group/Individual)	Monitoring of concentration risk
Consolidated Industry Exposure Report	Monitoring concentration risk per Industry of consolidated RCBC, RSB and RLFC Portfolios
Consolidated top Borrowers Report	Monitoring of concentration risk

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

Credit Concentration Risk

Credit Concentration Risk is the risk of loss arising from over-exposure to specific industries, borrower, counterparty, or group. 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 of the NFS.

RISK ASSESSMENT

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

Mathematically, the HHI is the sum of the squares of the relative portfolio shares, divided by the squared portfolio shares sum. If percentages were to represent the relative portfolio shares, the HHI formula is simply the sum of the squares of these percentages, as the square of 100% (the percentage sum) is one (1). For 2018, credit concentration risk for both the parent and the consolidated entity has been assessed as "moderate".

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

The Group works with correlations to further its analysis of concentration risk and stress testing. Using latest national accounts data, the Group regularly tracks correlations among industries to see which of its exposures are likely to move in similar directions.

RISK MONITORING AND REPORTING

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

Market Risk

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

As of end December 2018, the following tables reflect the balances of the Group's portfolios exposed to market risk.

FAIR VALUE THROUGH PROFIT AND LOSS

Fixed Income Portfolio (PhP Million)

	Face Value	Coupon	Weighted Average Years	Weighted Average Book Yield	Modified Duration	Book Value	Market Value	Market Yield
FVTPL								
Peso Denominated Holdings								
CORP BOND	156.27	7.05	2.00	7.02	1.80	156.00	155.62	7.14
FXTN	1425.52	4.24	3.94	6.50	3.20	1339.82	1334.20	6.95
ROP GPN	5.00	5.73	11.21	5.42	6.75	4.99	4.88	6.27
RTB	82.10	4.63	7.17	7.07	5.51	73.22	72.97	7.06
T BILL	717.05	-	0.76	5.55	0.70	687.66	682.54	6.64
Foreign Currency Denominated Holdings								
FGN CORP BOND	1095.50	3.73	0.76	3.05	0.70	1095.97	1093.13	3.34
FGN GOCC	106.58	7.26	0.45	3.00	0.43	109.27	108.34	3.43
FGN SOV BOND	708.32	6.67	1.95	2.87	1.60	725.95	719.12	3.24
FGN T BILL	119.70	0.00	0.30	2.37	0.28	118.86	118.85	2.38
ROP	340.40	7.27	4.25	2.43	3.10	357.92	351.24	2.71
TOTAL FVTPL	4756.44	4.12	2.28	4.57	1.87	4669.65	46	5.03

Foreign Exchange Portfolio (PhP Million)

FOREIGN EXCHANGE RISK EXPOSURES	
USD	-452.35
JPY	-42.54
CHF	82.22
GBP	47.43
EUR	-297.16
CAD	9.09
AUD	-1.66
SGD	89.58
OTHER	109.92
Sum of net long	**338.26**
Sum of net short	**-766.71**
Overall net open position	**766.71**
Total Risk Weighted FX Exposures	**766.71**

Derivatives Portfolio Year-End Profile

FX Swaps	Notional Amount (USD millions)	Notional Amount (PHP millions)
Trading		
Sell/Buy USD (Borrow PHP)	412.05	21,665.67
Buy/Sell USD (Lend PHP)	368.54	19,377.72
GROSS POSITION	780.59	41,043.40
NET POSITION	43.51	-2,287.95

Other Swaps	Peso IRS (PHP Millions)	USD IRS (PHP Millions)	USD-PHP Cross Currency
Trading			
Received Fixed - Pay Float	5,930.00	168.72	124.22
Pay Fixed - Receive Float	5,050.00	277.13	28.82

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Fixed Income Portfolio (PhP Million)

	Face Value	Coupon	Weighted Average Years	Weighted Average Book Yield	Modified Duration	Book Value	Market Value	Market Yield
FVTPL								
Peso Denominated Holdings								
CORP BOND	156.27	7.05	2.00	7.02	1.80	156.00	155.62	7.14
FXTN	1425.52	4.24	3.94	6.50	3.20	1339.82	1334.20	6.95
ROP GPN	5.00	5.73	11.21	5.42	6.75	4.99	4.88	6.27
RTB	82.10	4.63	7.17	7.07	5.51	73.22	72.97	7.06
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ROP	340.40	7.27	4.25	2.43	3.10	357.92	351.24	2.71
TOTAL FVTPL	4756.44	4.12	2.28	4.57	1.87	4669.65	46	5.03

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

RISK ASSESSMENT

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

The market risk metrics in use, each of which has a corresponding limit, include the following:

- **Nominal Position:** An open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure
- **Dollar Value of 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 maximum potential amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking or accrual book assets and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. While the Parent

Bank and RSB use VaR as an important tool for measuring market risk, it is cognizant of its limitations, notably the following:

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.
- The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market volatility.
- VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.
- In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.
- VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

A summary of the VaR position of the trading portfolio as of December 31, 2018 of both the Group and the Parent Bank are found in Note 4.3 of the accompanying NFS.

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

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

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

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

Model Back-Testing

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

RISK MONITORING AND REPORTING

Market risk MIS includes the following:

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

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

Management Action Triggers (MATs)

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

Limit Breaches

Unlike Management Action Triggers, actual limit breaches occur when hard limits, such as position limits, DV01, or MTD loss limits are breached.

The risk-taking units are responsible for monitoring limits and are consequently held accountable for any of their limit breaches.

All limit breaches are reported to Senior Management, ALCO, and subsequently to the ROC.

The plan to address the limit breach is discussed and approved by Senior Management.

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book (IRRBB) is the risk of loss arising from movements in interest rates that affect the bank's banking book positions. IRRBB becomes inherent in the current and prospective interest gapping of the Group's balance sheet. Whereas market (or price) risk is primarily associated with trading income, IRRBB is more concerned with balance sheet positions that have more permanence, and therefore responsible primarily for accrual income.

In general, IRRBB encompasses the following:

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

RISK ASSESSMENT

The construction of an Interest Rate (IR) gap is the starting point of an IRRBB analysis. Such IR gap is based on certain assumptions, the key ones being:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, are not re-priced;
- Debt securities classified under FVOCI and HTC are bucketed based on their repricing profile. Held-for-trading securities are considered non-rate sensitive; and
- For assets and liabilities with no definite repricing schedule or maturity, slotting is based on the Group's empirical assumptions.

The Group's December 31, 2018 IR Gap is as presented in Note 4.3.2 of the NFS.

NII-at-Risk

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

The following table summarizes the potential impact Group's annual net interest income, given the above December 2018 IR Gap. For consistency in the aggregation of the enterprise wide interest rate risk exposures, the UniBank applies the same rate shocks used in determining the stress levels in the investment and trading portfolios:

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

Sensitivity of Earnings	Sep-18	Dec-18
NII-at-Risk (BAU)	4.02%	7.80%
NII-at-Risk (Stress)	4.10%	5.34%

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

RISK CONTROL

Consistent with the view that reputation risk is a product of other material risks, controlling the magnitude of reputation risk is attained by controlling those of the others'.

Quantitative Controls

Limits are quantitative measures based on forward-looking assumptions that form the risk appetite statement of the Bank. These are set to manage the impact of IRRBB to capital (Economic Value of Equity) and earnings (Net Interest Income-at-Risk).

ROLES AND RESPONSIBILITIES

a) The Balance Sheet Management Segment of the Treasury Group, which is part of the first line of defense, shall comply with all limits set, and shall be responsible in managing the Bank's asset and liability mix, repricing gaps, and net interest margin through pricing to mitigate potential IRRBB.

b) The Market and Liquidity Risk Management Division, which is part of the second line of defense, shall identify, measure, control, and monitor IRRBB. Regular reporting and immediate escalation and notification are important to ensure active management of the risk.

c) The Asset and Liability Management Committee approves the Bank's funding initiatives and pricing structure, and endorses to the ROC for its approval, all limits and policies governing IRRBB.

Qualitative Controls

To ensure IRRBB metrics remain reliable and reasonable, models and assumptions used need to undergo the following checks:

a) **Model Validation:** The models to measure IRRBB are validated (regularly or as needed) by a third-party – either internal or external, to assess the conceptual soundness and mathematical calculations of the models used.

b) **Back-Testing:** This involves statistical methods to determine whether a model's risk estimate is consistent with the assumptions on which the estimate is based on.

c) **Independent Assessment:** This involves auditing exercise across the whole risk management process. Internal Audit, as a third line of defense, shall perform regular and independent assessment of the IRRBB process and practices to ensure consistency and compliance with established practices.

RISK MONITORING AND REPORTING

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

Liquidity Risk

Liquidity Risk is the risk of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. A potential or probable loss to earnings and capital arising from the Group's inability to meet its obligations when they fall due may be due to either the Group's inability to liquidate assets or obtain adequate funding, or the inability to unwind large exposures without significantly lowering market prices. BSP Circular 981 is the Group's principal guide for its liquidity risk management activities.

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

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

Stress Testing (LST), the BSP prescribed Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Policies relating to the management of liquidity risk are approved by the ROC.

RISK ASSESSMENT

Liquidity risk is measured using the established Maximum Cumulative Outflow (MCO) method, which in turn is based on historical observations and simulations of prospective liquidity risk events. The starting point an MCO analysis is **liquidity (cash flow) gapping**. Both the parent and the consolidated entity's gap reports are found in Note 4.2 of the accompanying NFS.

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

The Group stress parameters are as follows:

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

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

LIQUIDITY COVERAGE RATIO (LCR)

BSP issued Circular 905 - *Implementation of the Liquidity Coverage Ratio (LCR)*, which requires banks to have an adequate stock of high quality liquid assets (HQLA) that can be easily and immediately converted into cash to absorb shocks arising from significant stress scenario lasting 30 calendar days.

In 2018, to improve the liquidity profile of the Bank and to manage compliance to LCR and new liquidity risk ratio NSFR, the following actions were taken by the Bank: (1) regular forecasting of the ratio versus buffer levels; (2) lengthening the maturity profile of liabilities such as via bond issuance and marketing 5-Yr time deposits and long term negotiable certificate of deposits (LTNCD); and (3) encouraging retail deposits and operating accounts by offering attractive deposit pricing.

The average LCR of the RCBC Parent and Consolidated Group is 158% and 132%, respectively.

LIQUIDITY COVERAGE RATIO DISCLOSURE TEMPLATE

(In Single Currency, Absolute Amount)

RCBC CONSOLIDATED GROUP

NATURE OF ITEM	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLA)		
1. TOTAL STOCK OF HQLA	131,846,275,996	129,197,051,827
EXPECTED CASH OUTFLOWS		
2. Deposits, of which:	406,382,981,563	139,721,683,614
3. Retail Funding	137,312,228,039	15,190,332,497
4. Wholesale funding, of which:	250,276,005,883	124,531,351,117
5. Operational deposits	36,620,372,249	10,986,111,675
6. Non-operational deposits (all counterparties)	213,655,633,634	113,545,239,442
7. Unsecured wholesale funding (all counterparties)	13,511,900,695	12,469,369,988
8. Secured funding	2,228,185	2,228,185
9. Derivatives contracts, of which:	1,031,616,869	1,031,616,869
10. Outflows related to derivative exposures (net)	809,442,119	809,442,119
11. Outflows related to collateral requirements	222,174,750	222,174,750
12. Structured financing instrument	-	-
13. Committed business facilities (all counterparties)	-	-
14. Other contractual obligations within a 30-day period	-	-
15. Other contingent funding obligations	65,653,411,486	1,969,602,345
16. TOTAL EXPECTED CASH OUTFLOWS	486,582,138,797	155,194,501,000
EXPECTED CASH INFLOWS		
17. Secured lending	46,323,845	6,948,577
18. Fully performing exposures (all counterparties)	48,527,596,711	37,457,752,028
19. Other cash inflows	19,501,737,348	19,501,737,348
20. TOTAL EXPECTED CASH INFLOWS	68,075,657,905	56,966,437,953
21. TOTAL STOCK OF HQLA	131,846,275,996	129,197,051,827
22. TOTAL EXPECTED NET CASH OUTFLOWS	418,506,480,892	98,228,063,047
23. LIQUIDITY COVERAGE RATIO (%)		**132%**

LIQUIDITY COVERAGE RATIO DISCLOSURE TEMPLATE

(In Single Currency, Absolute Amount)

RCBC – Parent Bank

NATURE OF ITEM	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLA)		
1. TOTAL STOCK OF HQLA	103,854,277,286	101,336,899,522
EXPECTED CASH OUTFLOWS		
2. Deposits, of which:	298,710,864,677	98,081,929,304
3. Retail Funding	86,517,016,732	9,605,972,732
4. Wholesale funding, of which:	193,871,330,621	88,475,956,571
5. Operational deposits	23,081,376,624	6,924,412,987
6. Non-operational deposits (all counterparties)	170,789,953,996	81,551,543,584
7. Unsecured wholesale funding (all counterparties)	8,592,432,220	8,592,432,220
8. Secured funding	-	-
9. Derivatives contracts, of which:	1,031,554,756	1,031,554,756
10. Outflows related to derivative exposures (net)	809,380,006	809,380,006
11. Outflows related to collateral requirements	222,174,750	222,174,750
12. Structured financing instrument	-	-
13. Committed business facilities (all counterparties)	-	-
14. Other contractual obligations within a 30-day period	-	-
15. Other contingent funding obligations	65,612,790,294	1,968,383,709
16. TOTAL EXPECTED CASH OUTFLOWS	373,947,641,947	109,674,299,988
EXPECTED CASH INFLOWS		
17. Secured lending	-	-
18. Fully performing exposures (all counterparties)	36,569,450,148	26,726,203,948
19. Other cash inflows	18,839,915,724	18,839,915,724
20. TOTAL EXPECTED CASH INFLOWS	55,409,365,873	45,566,119,672
21. TOTAL STOCK OF HQLA	103,854,277,286	101,336,899,522
22. TOTAL EXPECTED NET CASH OUTFLOWS	318,538,276,074	64,108,180,316
23. LIQUIDITY COVERAGE RATIO (%)		**158**%

NET STABLE FUNDING RATIO (NSFR) AND OTHER GUIDELINES

Based on Circular 1007 – *Implementation of Net Stable Funding Ratio (NSFR),* BSP required banks to submit quarterly solo and consolidated group NSFR reports during the observation period starting July to December 2018. This liquidity ratio, which will be implemented in 2019, aims to promote long-term resilience of the Bank against liquidity risk by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

The quarter-end NSFR balances of the RCBC Parent and Consolidated Group are as follows:

Date	Solo	Consolidated	Regulatory Requirement
Sep-18	125.00%	117.71%	100.00%
Dec-18	126.14%	117.66%	100.00%

In addition, BSP issued a draft circular on Intraday Liquidity Reporting for all banks last October 2018 to supplement the Section V: Intraday Liquidity Risk Management of BSP Circular 981. The objective of this additional reporting is to facilitate sound management of intraday liquidity risk as well as provide sufficient understanding and allocation of resources

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

MANAGING OPERATIONAL RISK (ORM TOOLS)

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

1. **Internal Fraud:** Losses due to acts of a type intended to defraud, misappropriate funds/ property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party. Example is theft of bank property by staff.

2. **External Fraud:** Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party. Example includes forgery of the drawer's signature on checks drawn on the bank.

3. **Employment Practices and Workplace Safety (EPWF):** Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events. This includes events arising from organized labor activity.

4. **Clients, Products and Business Practices (CPDP):** Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product. Example is legal liability that may arise from the sale of products to customers deemed without proper risk disclosure.

5. **Damage to Physical Assets:** Losses arising from loss or damage to physical assets from natural disaster or other events such as those caused by natural calamities as well as those caused by terrorism.

6. **Business Disruption and System Failures (BDSF):** Losses arising from disruption of business or system failures such as information systems or telecommunications failure which disables the bank's ability to conduct its business with customers.

7. **Execution, Delivery and Process Management (EDPM):** Losses or events caused due to failure of transaction processing, process management from relations with trade counter parties and vendors/alliance partners/service providers. Example is incomplete legal documentation of credit exposures.

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

Loss Events Reporting

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

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

Key Risk Indicator (KRI)

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

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

Risk and Control Self-Assessment (RCSA)

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

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

The Internal Audit Group and Compliance Office use the self-assessment results as a necessary component in aligning their activities to business priorities to determine where key risks lie within the Group. The Resiliency, Information Security, and Systems Division (RISS) utilizes the results to provide guidance where to strengthen business continuity areas.

RISK ASSESSMENT

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

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

Probability and Severity Analysis

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

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

Control Rating

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

Risk Rating

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

Classification	Risk Score	Remarks
Low	1 – 4	Indicates normal operating condition
Medium	5 – 10	Requires management attention; must take specific actions and document such
High	11 – 25	Requires immediate management attention; further action required

RISK MONITORING AND REPORTING

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

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

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

The Deputy Operational Risk Officers (DOROs)

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

RISK MITIGATION

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

Insurance

One of the ways operational loss is mitigated is through insurance policies maintained by the Group. Securing insurance protects the Group against unexpected and substantial unforeseeable losses.

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

Outsourcing

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

Business Continuity Plan (BCP)

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

The Group's BCP is currently being managed by CRISMS-RISS.

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

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

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

Exception Reporting

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

Risk Awareness

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

Information Security Risk

Information Security Risk is the risk of loss resulting from information security/cyber security breaches.

Information Security Risk Management aims to reduce the disruptions to the Group's operations as a consequence of information security incidents. Concretely, this aim expands to the following objectives:

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

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

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

ASSET IDENTIFICATION AND VALUATION

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

- Inventory of all information assets pertaining to the processes assessed;
- Overall criticality value of each information asset; and
- Sensitivity of process being assessed.

RISK IDENTIFICATION AND ASSESSMENT

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

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

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

RISK TREATMENT

The risk treatment stage aims to determine the overall risk owner who will be responsible for managing the risks identified, and for the strategy, activity, or functions related to the risk.

RISK MONITORING AND REPORTING

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

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

Compliance Risk/Regulatory Risk/ML/TF Risk

The Group differentiates compliance risk as the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities from regulatory risk which refers to risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy. ML/TF Risk represents the Group's risk to being a conduit to money laundering and terrorist financing activities.

The Compliance Risk Management Framework is the tool used by the Regulatory Affairs Group (Compliance Office) to manage compliance risk. This framework operates within the context of the Bank's Enterprise Risk Management Framework. The Compliance Risk Management Framework is embodied in the Group's Compliance Policy Manual (CPM).

COMPLIANCE RISK ASSESSMENT

Risks, including their impact to the Group are evolving; thus, the risk identification and assessment process is performed on a continuing basis. Risks currently identified as material to the Group may be treated differently in succeeding assessments. Any significant change in either the actual risk profile, or the perception of threats, must therefore trigger corresponding action in terms of the management of such threats. The Compliance Office continuously identifies and assesses potential and existing compliance risks to ensure that these are immediately addressed. The Group assesses compliance risk based on impact and likelihood.

COMPLIANCE RISK MONITORING AND REPORTING

The Compliance Office mainly reports to the **Audit and Compliance Committee (ACC)**. Compliance risk is also regularly reported to the **Risk Oversight Committee (ROC)** via Key Risk Indicators (KRI) monitoring under Operational Risk by CRISMS.

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

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

MONEY LAUNDERING / TERRORIST FINANCING RISK MANAGEMENT

In the implementation of the ML/TF Risk Management Framework, RCBC adheres to the highest standards of corporate governance and ML/TF prevention as embodied in the laws and regulations with due consideration of other industry leading practices. The Bank's ML/TF risk management is a holistic, continuous, proactive and systematic process to identify, assess, manage, monitor and report ML/TF risks from a Bank-wide perspective.

The process covers all levels of the Bank - Board of Directors, Senior Management and all personnel. AML/CFT risk management involves assessing the risk attributed to money laundering and financing of terrorism and then implementing an appropriate response to mitigate the risk. RCBC's AML/CFT risk management structure, well-defined roles and responsibilities and transparent escalation process support the commitment to implement an effective AML/CFT risk management.

Money Laundering and Terrorist Financing Prevention Program (MTPP)

The Group's MTPP's main purpose is to comply with any of the provisions of the Philippines' Anti-Money Laundering Act (AMLA), as amended, the Terrorism

Financing Prevention and Suppression Act (TFPSA), their Implementing Rules and Regulations (IRR), and all Anti-Money Laundering council (AMLC) and Bangko Sentral issuances.

It is strategically aligned with the results of the National Risk Assessment (NRA) on Money Laundering (ML) and Terrorist Financing (TF) of the Philippines, a government-wide assessment of the overall exposure of the country to money laundering and its related predicate offenses, terrorism and terrorist financing. The Group's MTPP manual provides a general guide to all employees of the Bank in order to help them better understand and meet their obligations under the aforementioned laws and regulations as well as to support the overall AML/CFT Risk Management and Compliance program of the Bank.

The MTPP manual is maintained by the Compliance Office. It is updated at least once every two (2) years or as needed to properly adhere to new rules and regulations of regulatory agencies, laws of the Republic of the Philippines and other countries, and policies and procedures of the Bank, and presented to the Board of Directors for approval.

The Board and Management have heavily invested in the purchase of and/or subscription to systems or applications that can help mitigate the Group's ML/TF risks.

As a matter of policy, the Group has created a more robust sanctioning system by providing more detailed and specific guidelines in handling employee violations of AML/CTF policies. The Group's AML Sanction Policy addresses both the preventive and penal nature of the sanctioning system, promotes a culture of compliance, and duly recognizes employees that continuously exhibit a high level of compliance with existing AML-related laws and policies.

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

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

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

CORPORATE GOVERNANCE

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

These reports include reporting on the Group's conglomerate structure and material related party transactions.

The Audit and Compliance Committee has oversight over the internal audit and compliance functions. The Risk Oversight Committee oversees the Group's risk governance framework. The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities. The Related Party Transactions Committee evaluates all material related party transactions of the bank to ensure that these are undertaken on arm's length terms. Finally, the AML Committee carries out the mandate of the Board to fully comply with the Anti-Money Laundering Act, as amended, its Revised Implementing Rules and Regulations and the Anti-Money Laundering Regulations under the Manual of Regulations for Banks ("MORB").

RELATED PARTY TRANSACTIONS

In accordance with the requirements of BSP Circular No. 895, the Group has further enhanced its Policy on Related Party Transactions which include, among others:

- Definition of related parties;
- Materiality threshold for RPTs;
- Definition of control;
- Further monitoring, identification and reporting of RPTs;
- Additional provisions on approvals for RPTs, including voting and abstention;
- Provision on when requirement of a fairness opinion issued by an independent adviser is warranted;

- Creation of a Related Party Transactions Management Committee to review related party transactions below materiality threshold;
- Composition of the RPT Committee;
- Provision on Individual and Aggregate Exposures to Related Parties; and
- Provision on periodic formal review of the Group's system and internal controls governing RPTs.

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

OTHERS

ASEAN Corporate Governance Scorecard (ACGS) and the Integrated Annual Corporate Governance Reports (I-ACGR)

In September 2012, the ASEAN CG Scorecard was adopted by the Philippines, replacing the national CG Scorecard for Publicly Listed Companies (PLCs).

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

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

Outsourced and Insourced Banking Activities

The Compliance Office maintains a bank-wide master list to effectively monitor and oversee compliance with all applicable rules and regulations and that no inherent banking function is outsourced.

Exchange of Information

FATCA

The Group has taken great strides to become globally compliant with the Foreign Account Tax Compliance Act (FATCA) and remains steadfast in this direction. The Exchange of Information Division has and continues to render various opinions, answers and give frequent assistance to various units regarding client concerns and FATCA implementation. To ease FATCA compliance for clients, the Group rolled out a new self-certification form for non-U.S. entity clients. This form replaced the U.S. IRS Form (W-8BEN-E) to give its clients a more comprehensible form that covers all mandatory information required under FATCA. The FATCA status tags are likewise updated to comply with the reporting requirements of the IGA.

The bank's Exchange of Information Division Head is also its FATCA Responsible Officer.

COMMON REPORTING STANDARD

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

DATA PRIVACY

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

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

The Compliance Office and the UniBank's Legal Affairs Group have been coordinating closely with Business Units in conducting a bankwide review of all Service Agreements ensuring that Data Sharing Agreements are in place for all contracts with third party service providers.

The Exchange of Information Division is conducting a bank-wide Privacy Impact Assessment (PIA) that determines the DPA's impact to its operations, possible threats, vulnerabilities and risks that can help it strengthen its already strong data privacy policies.

The PIA is the basis of the UniBank's future initiatives in aligning its already existing data privacy-related policies to what is required by the DPA and the international standards set by the European Union in its existing directives. To further educate the UniBank's employees, the Data Privacy E-Learning Module was rolled in May 2018. New employees are also trained on data privacy upon onboarding and branch induction programs.

The UniBank completed its Phase II of its registration with the NPC in March 2018.

The Exchange of Information Division was renamed as Regulatory Affairs Division II as it now handles all compliance-related matters for Digital Banking, IT, Risk Management, Global Transactions Banking, Corporate Planning, Cash Management, and Marketing as it simultaneously handles Compliance Office's compliance functions related with FATCA, CRS and Data Privacy.

Consumer Protection

The Bank's Consumer Protection Program follows the set standards which are reflected in its core principles. These are embedded in the corporate culture to further enhance the governance framework and protect the best interest of the customers. The bank believes that all consumers shall be protected and each one of them shall be given an avenue to air out their concerns and issues in the products and services of the bank.

The complaint reports coming from different channels are analyzed to identify if there are systemic, recurring problems, and weaknesses in the Bank's control procedures or processes. The consolidated report is presented to the Risk Oversight Committee to ensure that bank practices remain effective in addressing the concerns and rights of our consumers.

In 2018, the bank received a total of 29,480 complaints, a 19.5% increase versus previous year, while transaction volume increased by 23.3%. As a percentage of transaction volume, complaints accounted for 0.031% of transactions, declining slightly from 0.032% versus previous year.

Total Complaints

	2018	2017
Complaints	29,480	24,663
Transactions	94.2 million	76.4 million
Complaints to Transactions Ratio	0.031%	0.032%

ATM and Online Banking complaints accounted for 95% of total complaints. As a percentage of transaction volume, ATM and Online Banking complaints accounted for 0.038% and 0.014% of transactions, respectively. Among the ATM complaints, 14,600 were undispensed cash concerns; however, 7,565 or 52% of these were issues from withdrawal transactions via ATM terminals of other banks. Other issues included terminal hardware problems and the normal wear and tear of ATM terminals, which were addressed through regular preventive maintenance.

ATM and Online Banking Complaints

	ATM	Online Banking
Complaints	23,569	4,526
Transactions	61.8 million	32.4 million
Complaints to Transactions Ratio	0.038%	0.014%

Reputation Risk

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

RISK ASSESSMENT

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

Financial Performance

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

Customer

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

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

Internal Processes

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

People

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

RISK CONTROL

Consistent with the view that reputation risk is a product of other material risks, controlling the magnitude of reputation risk is attained by controlling those of the others'.

RISK MONITORING AND REPORTING

The Parent Bank's Marketing Committee (MarComm) consolidates the reputation risk management efforts of the Group. The Chief Marketing Officer of RCBC is the designated Chair of the Committee.

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

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

RISK MITIGATION

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

Capital Management Framework

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

STRATEGIC AND BUSINESS PLANNING

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

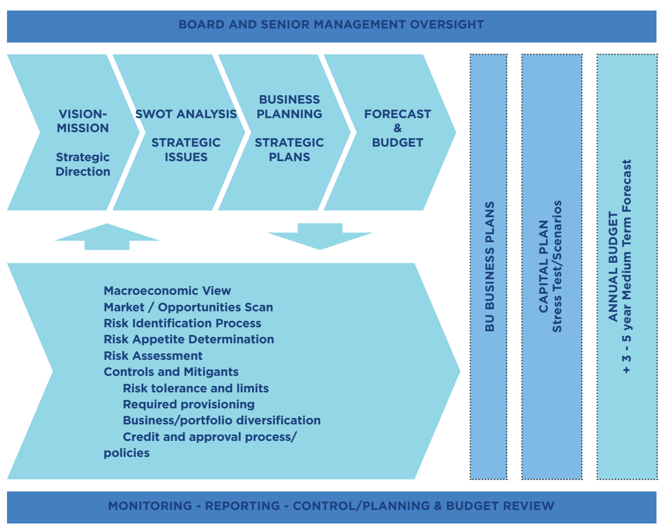


FIG. 16: STRATEGIC AND BUSINESS PLANNING PROCESS

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

RISK-ADJUSTED PROFITABILITY MEASUREMENT (RAPM)

The Risk-Adjusted Profitability Measurement (RAPM) framework allows for the active monitoring and management of risk exposures and allocation of economic capital proportionate to the amount of risk each business unit takes. The end-product is a dashboard for RAPM that results to a measure of Risk-adjusted Return on Capital (RAROC) that may then be used both for performance measurement and capital and strategic planning. Capital allocation as a result of RAROC is also a goal.

The RAPM dashboard is the Group's way of firmly linking risk and capital. The RAPM allows Senior Management to assess the contribution of each business – after considering the related risks – and its return on the capital used. It also allows for capital planning at the business segment and/or subsidiary level, allocating capital based on the identified risks and strategic intent. A view of performance, tempered with the risks and capital requirements, clarifies the components of the risk appetite for each strategy.

The RAPM Framework is illustrated as follows.

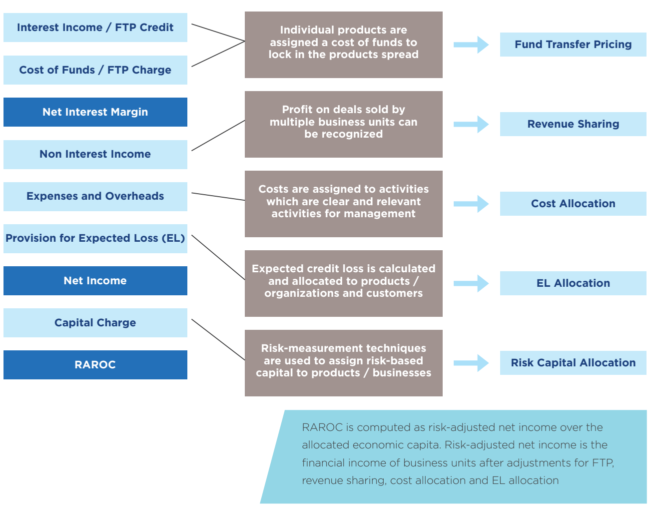


FIG. 18: PROFITABILITY MEASUREMENT FRAMEWORK

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

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

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

IMPLEMENTATION OF BASEL STANDARDS

Capital Adequacy

The Group manages its capital in line with the over-all growth strategy and regulatory requirements, balanced with optimizing value for the stockholder and the Group as a whole. Regulatory developments, primarily the implementation of Basel III components in 2015 were a main consideration for the Group to actively strengthen its capital base.

The Group began its capital build up as early as 2006 to make room for organic growth and/or acquisition plans. By 2009, the Group raised a total of Php22.6 billion of capital (including Basel II eligible capital).

The implementation of Basel III however required additional common equity tier 1 capital and beginning 2010, the Group managed a series of capital raising activities to prepare for this and to further support long term growth plans. In May 2010, the Board approved the amendment of the articles of incorporation to increase the authorized capital from 1.1 billion common shares to 1.4 billion to allow room and flexibility in raising capital.

In March 2011, the International Finance Corp (IFC) invested Php2.13 billion for 73 million shares resulting to 6.4% ownership share, by the end of 2011. In May of the same year, the Group raised Php3.67 billion in common equity, through the investment of Hexagon Investment Holdings Limited ("HIHL") for a 15% ownership and two board seats.

In 2013, the Group raised a total of Php8.2 billion in common equity capital from two different capital raising activities. In March 2013, a total of Php4.1 billion raised coming from various investors through a top-up placement and in April 2013, IFC investment another of Php4.1 billion for an additional 5.6% ownership share in the Group.

The Group again raised capital in 2014. In June, the Group issued Php7 billion of 5.375% Unsecured Subordinated Notes due 2024 which qualify as Tier 2 Capital pursuant to BSP circular 781 (Series of 2013) and are Basel III-compliant. On September of the same year, the Group issued another PhP3.0 billion Tier 2 Capital Notes as part of the BSP approval on May 9, 2014 authorizing the issuance of up to PhP10.0 billion of Tier 2 Notes.

On December 17, 2014, the Group and Cathay Life Insurance Co., Ltd., a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. signed definitive agreements to acquire approximately 20% stake in RCBC on a pro-forma, post-transaction basis comprising 124,242,272 newly-subscribed shares and 155,757,728 existing shares. This transaction effectively cancelled the planned Stock Rights Offering which was earlier approved by the PSE on September 24, 2014.

The strategic investment in April 2015 by Cathay Life, Php7.95 billion of new Core Equity Tier 1 ("CET 1") capital for the Group, is part of RCBC's capital raising strategy in order to comply with the more stringent capital adequacy rules under the new Basel III framework and is expected to enable RCBC to be comfortably above the minimum CET1 requirements of the BSP. In addition, the proceeds from the investment is expected to continue to support the continued growth of RCBC's loan book and increased expansion into the SME and Consumer segments to improve margins and risk diversification/actuarialization. The transaction is also in-line with Cathay's strategy to expand its business in ASEAN region.

On July 24, 2015 the Group redeemed its USD 100 million 9.875% Non-Cumulative Step-up Perpetual Securities ("the Hybrid Tier 1 Notes") as approved by the Board of Directors and by the Bangko Sentral ng Pilipinas last March 30, 2015 and May 27, 2015, respectively. The Hybrid Tier 1 Notes were redeemed for a total price of USD 113.93 million. Hybrid Tier 1 Notes were redeemed earlier than expected as they were classified as not eligible for Basel III requirement.

Rizal Commercial Banking Corporation and Cathay Life Insurance Corp, a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. closed the equity investment deal for a 20% stake in RCBC on April 20, 2015. The key terms of the transaction involved the subscription of primary shares (124,242,272) and the purchase of shares from CVC (119,033,590 shares) and IFC (36,724,138 shares) all at Php64.00 per share.

The foregoing capital raising activities are summarized below:

	2009	2011	2013	2014	2015	2016	2017	2018
Capital raised	P4.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	P5.8bio Tier 1 Common Stock—P2.1bio from IFC and P3.7bio from CVC Capital Partners	P4.1bio Common Stock from a "top-up offering" and P4.1bio Common Stock from additional investment of IFC P5.1bio freed-up capital from sale of RCBC Realty/ Land & Bankard	P10.0bio Unsecured Subordinated Debt Qualifying as Tier II Capital	P7.95 bio Equity Investment			P15.0 bio Common Stock from Stock Rights Offering
Stockholder's Equity (P)	30.5bio	37.846bio	44.8bio	52.6bio	58.1bio	62.1 bio	67.0 bio	81.4 bio
CAR (%)	18.5%	18.5%	16.5%	15.37%	15.72%	16.16%	15.46%	16.13%
Tier 1 Ratio (%)	12.6%	13.7%	16.0%	11.83%	12.55%	12.89%	12.45%	13.38%
Net Income (P)	3.3bio	5.03bio	5.3bio	4.4bio	5.1bio	3.8 bio	4.3 bio	4.3 bio

In January 2018, the Board approved the amendment of the articles of incorporation to further increase the authorized capital from 1.4 billion common shares to 2.6 billion, ahead of the Bank's stock rights offering (SRO) that was successfully completed in July 2018. The additional capital from the SRO amounted to Php15.0 billion which is aimed to strengthen the Bank's capital ratios and fund its business expansion.

In March 2018, the Bank recognized a one-time capital charge amounting to Php66.3 million representing the transition adjustments as of January 1, 2018 to cover provisioning requirements of Expected Credit Losses under BSP Circular 855 and PFRS 9. This adjustment includes the appropriation of retained earnings amounting to Php1.7 billion representing the additional general allowance set by the BSP to meet the minimum 1% floor on top of the actual ECL.

Recovery Planning Process

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

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

Risk and Capital Disclosures

The following are the pertinent risk and capital disclosures for RCBC and its subsidiaries. The figures for the Group and the Parent are calculated based on accounting methodologies prescribed by the BSP for prudential reporting, and therefore may not necessarily tally with the figures stated in the Group's Audited Financial Statements.

The capital adequacy ratio of the Group and the Parent as reported to the BSP as of December 31, 2018 and 2017 under Basel 3 framework are shown in the table below.

	GROUP		PARENT	
	2018	2017	2018	2017
CET 1 Capital	67,539	54,326	53,512	40,873
Tier 1 Capital	67,542	54,329	53,515	40,876
Tier 2 Capital	13,871	13,115	13,173	12,457
Total Qualifying Capital	**81,412**	**67,444**	**66,688**	**53,332**
Credit Risk Weighted Assets	455,812	387,518	368,938	312,090
Market Risk Weighted Assets	8,310	10,376	8,346	10,369
Operational Risk Weighted Assets	40,534	38,375	26,852	25,473
Risk Weighted Assets	**504,657**	**436,269**	**404,136**	**347,932**
Total Capital Adequacy Ratio	**16.13%**	**15.46%**	**16.50%**	**15.33%**
Tier 1 Capital Adequacy Ratio	**13.38%**	**12.45%**	**13.24%**	**11.75%**
Common Equity Tier 1 Ratio	**13.38%**	**12.45%**	**13.24%**	**11.75%**
Capital Conservation Buffer	**7.38%**	**6.45%**	**7.24%**	**5.75%**
Capital Conservation Buffer after DSIB	**6.38%**	**5.95%**	**6.24%**	**5.25%**

The regulatory qualifying capital of the Group and the Parent consists of Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital less regulatory deductions. The components of qualifying capital as of December 31, 2018 and 2017 are as follows:

	GROUP		PARENT	
	2018	2017	2018	2017
Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital				
Paid up common stock	19,356	13,999	19,356	13,999
Additional paid in capital	32,061	22,636	32,061	22,636
Retained Earnings	27,203	24,010	27,203	24,010
Undivided profits	4,372	4,303	4,372	4,303
Other Comprehensive Income				
Net unrealized gains or losses on AFS securities	1,436	1,813	1,436	1,813
Cumulative foreign currency translation	54	85	54	86
Remeasurement of Net Defined Benefit Liability/(Asset)	(1,248)	42	(1,248)	42
Minority interest in subsidiary financial allied undertaking which are less than wholly owned	25	33		
Common Equity Tier 1 (CET1) Capital	**83,260**	**66,921**	**83,234**	**66,889**

	GROUP		PARENT	
	2018	2017	2018	2017
Less: Regulatory Adjustments to CET1 Capital				
Retained Earnings - Appropriated for General Loan Loss Reserves	2,599		2,108	
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1		1,001	
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	196		196	
Deferred tax assets	2,233	2,053	965	1,046
Goodwill	269	158		
Other Intangible Assets	1,943	2,034	1,786	1,874
Defined benefit pension fund assets (liabilities)		107		107
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers brokers and insurance companies), after deducting related goodwill, if any			19,338	18,049
Other equity investments in non-financial allied undertakings and non-allied undertakings	8,466	8,237	4,315	4,935
Reciprocal investments in common stock of other banks/quasi- banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	15	5	15	5
Total Regulatory Adjustments to CET1 Capital	**15,721**	**12,594**	**29,722**	**26,016**
Total Common Equity Tier 1 Capital	**67,539**	**54,326**	**53,512**	**40,873**
Additional Tier 1 (AT1) Capital				
Instruments issued by the bank that are eligible as AT1 Capital	3	3	3	3
Less: Regulatory Adjustments to AT1 Capital				
Total Additional Tier 1 (AT1) Capital	**3**	**3**	**3**	**3**
Total Tier 1 (Common Equity Tier 1 plus Additional Tier 1) Capital	**67,542**	**54,329**	**53,515**	**40,876**
Tier 2 Capital				
Instruments issued by the bank that are eligible as Tier 2 capital	9,986	9,968	9,986	9,968
General loan loss provision	3,885	3,146	3,187	2,488
Total Tier 2 capital	**13,871**	**13,115**	**13,173**	**12,457**
Less: Regulatory Adjustments to Tier 2 Capital				
Total Tier 2 Capital	**13,871**	**13,115**	**13,173**	**12,457**
Total Qualifying Capital	**81,412**	**67,444**	**66,688**	**53,332**

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

	GROUP									
	2018					2017				
		BASEL III					BASEL III			
FRP Equity Accounts	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital
Paid in Capital Stock	19,359	19,356	3		19,359	14,002	13,999	3		14,002
Common Stock	19,356	19,356			19,356	13,999	13,999			13,999
Perpetual and Non-Cumulative Preferred Stock	3		3		3	3		3		3
Additional Paid-in Capital	32,061	32,061			32,061	22,636	22,636			22,636
Retained Earnings	27,203	27,203			27,203	24,010	24,010			24,010
Undivided Profits	4,372	4,372			4,372	4,303	4,303			4,303
Other Comprehensive Income	242	242			242	1,940	1,940			1,940
Minority Interest in Subsidiaries (for consolidated report only)	25	25			25	33	33			33
Total Equity Accounts	**83,262**	**83,260**	**3**		**83,262**	**66,923**	**66,921**	**3**		**66,923**
Other Accounts Eligible as Regulatory Capital										
Unsecured Subordinated Debt				9,986	9,986				9,968	9,968
General Loan Loss Reserves				3,885	3,885				3,146	3,146
Regulatory Adjustments/Deductions to CET1 Capital										
Retained Earnings - Appropriated for General Loan Loss Reserves		(2,599)			(2,599)					
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)		(1)			(1)		(0)			(0)
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates		(196)			(196)					
Deferred tax assets		(2,233)			(2,233)		(2,053)			(2,053)
Goodwill		(269)			(269)		(158)			(158)
Other Intangible Assets		(1,943)			(1,943)		(2,034)			(2,034)
Defined benefit pension fund assets (liabilities)							(107)			(107)
Other equity investments in non-financial allied undertakings and non-allied undertakings		(8,466)			(8,466)		(8,237)			(8,237)
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)		(15)			(15)		(5)			(5)
Total Regulatory Capital	**83,262**	**67,539**	**3**	**13,871**	**81,412**	**66,923**	**54,326**	**3**	**13,115**	**67,444**

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

	PARENT									
	2018					2017				
		BASEL III					BASEL III			
FRP Equity Accounts	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital	FRP	CET1 Capital	Additional Tier 1	Tier 2 Capital	Total Basel III Capital
Paid in Capital Stock	19,359	19,356	3		19,359	14,002	13,999	3		14,002
Common Stock	19,356	19,356			19,356	13,999	13,999			13,999
Perpetual and Non-Cumulative Preferred Stock	3		3		3	3		3		3
Additional Paid-in Capital	32,061	32,061			32,061	22,636	22,636			22,636
Retained Earnings	27,203	27,203			27,203	24,010	24,010			24,010
Undivided Profits	4,372	4,372			4,372	4,303	4,303			4,303
Other Comprehensive Income	242	242			242	1,941	1,941			1,941
Minority Interest in Subsidiaries (for consolidated report only)										
Total Equity Accounts	**83,237**	**83,234**	**3**		**83,237**	**66,892**	**66,889**	**3**		**66,892**
Other Accounts Eligible as Regulatory Capital										
Unsecured Subordinated Debt				9,986	9,986				9,968	9,968
General Loan Loss Reserves				3,187	3,187				2,488	2,488
Regulatory Adjustments/Deductions to CET1 Capital										
Retained Earnings - Appropriated for General Loan Loss Reserves		(2,108)			(2,108)					
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)		(1,001)			(1,001)		(0)			(0)
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates		(196)			(196)					
Deferred tax assets		(965)			(965)		(1,046)			(1,046)
Goodwill										
Other Intangible Assets		(1,786)			(1,786)		(1,874)			(1,874)
Defined benefit pension fund assets (liabilities)							(107)			(107)
Investments in equity of unconsolidated subsidiary banks and quasi- banks, and other financial allied undertakings (excluding subsidiary securities dealers brokers and insurance companies), after deducting related goodwill, if any		(19,338)			(19,338)		(18,049)			(18,049)
Other equity investments in non-financial allied undertakings and non-allied undertakings		(4,315)			(4,315)		(4,935)			(4,935)
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)		(15)			(15)		(5)			(5)
Total Regulatory Capital	**83,237**	**53,512**	**3**	**13,173**	**66,688**	**66,892**	**40,873**	**3**	**12,457**	**53,332**

Components of Regulatory Capital

Regulatory Capital consist of the sum of the following accounts as reported in the BSP Financial Reporting Package (FRP) which are eligible as Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital guided by Circular No. 781 - Basel III Implementing Guidelines on Minimum Capital Requirements

a. Paid in Capital Stock
b. Additional Paid-in Capital Stock
c. Retained Earnings
d. Undivided Profits
e. Other Comprehensive Income
   Net Unrealized Gains or Losses on AFS Securities
   Cumulative foreign currency translation
   Remeasurement of Net Defined Benefit Liability/ (Asset) pertains to Reserves on remeasurements of post-employment defined benefit plan comprise of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions and actual return on plan assets
f. Minority Interest in Subsidiaries (for consolidated report only)

Tier 2 Capital consists of sum of Unsecured Subordinated Debt with main features discussed below and General Loan Loss Reserves, limited to a maximum of 1.00% of credit risk-weighted assets.

Regulatory Adjustments to Capital consists of the sum of the following accounts :

a. Unbooked valuation reserves and other capital adjustment based on latest examination of monetary board (Retained Earnings - Appropriated for General Loan Loss Reserves)
b. Unsecured credit accomodations
c. Unsecured loans, other credit credit accomodations and guarantees granted to subsidiaries and affiliates
d. Deferred Tax Assets pertains to the tax impact of deductible temporary differences such as but not limited to provisions for impairment,minimum corporate income tax and retirement benefits
e. Goodwill represents goodwill of RCBC Savings
f. Other Intangible Assets consist of computer software and branch licenses
g. Defined benefit pension fund assets pertains to the excess of the fair value of the plan assets over the present value of the defined benefit obligation
h. Investments in equity of unconsolidated subsidiary banks for the solo reporting represents carrying amount as reported in the FRP, net of related goodwill
   RCBC Savings Bank
   RCBC Capital Corporation
   RCBC Forex Brokers Corp.
   RCBC Leasing and Finance Corp.
   Merchant Savings & Loan Association inc.
   RCBC Telemoney Europe
   RCBC International Finance Ltd.
i. Other equity investments in non-financial allied undertakings and non-allied undertakings represents investments in various companies such as Niyog Properties, YGC Corporate Services, Honda Cars, GPL Holdings, MICO Equities, Roxas Holdings, Pilipinas Shell, Isuzu Phils. among others

Main Features of Tier 2 Subordinated Debt Issued

On June 27, 2014 the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P 3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P 7 billion Tier 2 Notes.

The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P 10 billion, are as follows :

(a) The Tier 2 Notes shall mature on September 27, 2024, provided that they are not redeemed at an earlier date.
(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on September 26, 2019, and on any Interest Payment Date thereafter, redeem all of the outstanding Tier 2 Notes at redemption price equal to 100% of its face value together with accrued and unpaid interest thereon. The terms and conditions of the Tier 2 Notes also allow for early redemption upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event.
(c) The Tier 2 Notes shall initially bear interest at the rate of 5.375% per annum from and including June 27, 2014 to but excluding September 27, 2019 and shall be quarterly in arrears at the end of each interest period on March 27, June 27, September 27 and December 27 of each year.
(d) Unless the Tier 2 Notes are previously redeemed, the initial interest rate will be reset on September 26, 2019 at the equivalent of the five-year PDST-R2 or the relevant five-year benchmark plus the initial spread of 1.93% per annum Such reset interest shall be payable quarterly in arrears commencing on September 27, 2019 up to and including September 27, 2024, if not otherwise redeemed earlier.
(e) The Tier 2 Notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions as set out in the terms and conditions of the notes, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. Upon the occurrence of a Non-Viability Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go as low as zero. A Non-Viability Write-Down shall have the following effects :
   (i) it shall reduce the claim on the notes of the liquidation;
   (ii) reduce the amount re-paid when a call or redemption is properly exercised; and,
   (iii) partially or fully reduce the interest payments on the notes.

For the features of the other capital instruments please refer to Note 23.1 of the Audited FS for the Preferred Shares.

Full Reconciliation of Regulatory Capital Elements back to the FRP Balance Sheet in the Audited Financial Statements

(In Millions)
RCBC Parent

				December 31, 2018	
EQUITY ACCOUNTS	AUDITED FS	BSP FRP	CHANGE	DETAILS	AMOUNT
Common Stock	19,356	19,356	-		
Preferred Stock	3	3	-		
Capital Paid in Excess of Par	32,061	32,061	-		
Revaluation Reserves	265	242	23	Marked to market adjustment of Equity Securities	119
				Adjustment on retirement plan benefits	(96)
					23
Reserve for Trust Business	406	401	5	Additional provision on Reserves for Trust Business	5
General Loan Loss Reserves	2,112	2,108	4	Additional Requirement on appropriated RE	4
Surplus	26,872	29,065	(2,194)	Additional provision on Reserves for Trust Business	(5)
				Adjustment on ECL transition	(2,010)
				PFRS9 Transition adjustment for RSB	(124)
				Additional Requirement on appropriated RE	(4)
				Profit and Loss and prior year adjustment	(51)
					(2,194)
Total Capital	**81,075**	**83,237**	**(2,162)**		**(2,162)**

Reconciliation for the Group Regulatory Elements are the same as that of the Parent Bank.

Full Reconciliation of Regulatory Capital Elements back to the FRP Balance Sheet in the Audited Financial Statements

(In Millions)
RCBC Parent

				December 31, 2017	
EQUITY ACCOUNTS	AUDITED FS	BSP FRP	CHANGE	DETAILS	AMOUNT
Common Stock	13,999	13,999	-		
Preferred Stock	3	3	-		
Capital Paid in Excess of Par	22,636	22,636	-		
Revaluation Reserves	1,973	1,941	32	Marked to market adjustment of Equity Securities	155
				Fxcy translation adjustment on Equity Investment	(1)
				Adjustment on retirement plan benefits	(122)
					32
Reserve for Trust Business	394	388	6	Additional provision on Reserves for Trust Business	6
Surplus	27,924	27,925	(1)	Additional provision on Reserves for Trust Business	(6)
				Profit and Loss and prior year adjustment	5
					(1)
Total Capital	**66,929**	**66,892**	**38**		**38**

Reconciliation for the Group Regulatory Elements are the same as that of the Parent Bank.

Capital Requirements by type of exposure as of December 31, 2018 and 2017 are as follows:

	December 31, 2018					
	CREDIT RISK		MARKET RISK		OPERATIONAL RISK	
	GROUP	PARENT	GROUP	PARENT	GROUP	PARENT
			(in Millions)			
On- Balance Sheet Assets	428,434	341,578				
Off- Balance Sheet Assets	14,719	14,700				
Counterparty Risk-Weighted Assets in the Banking & Trading Book	12,660	12,660				
Credit Linked Notes in the Banking Book						
Securitization Exposures						
Market Risk-Weighted Assets			8,310	8,346		
Operational Risk using Basic Indicator Approach					40,534	26,852
Total	**455,812**	**368,938**	**8,310**	**8,346**	**40,534**	**26,852**
Capital Requirements	**45,581**	**36,894**	**831**	**835**	**4,053**	**2,685**

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

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government (NG) and those guarantors and exposures with the highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the rating by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporation and Corporates.

Total Credit Risk Exposures by Type, Risk Buckets and Risk Weighted Assets as of December 31, 2018 and 2017 are as follows:

RCBC Group

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

	December 31, 2018									
Type of Exposures	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	144,988	13,489	131,499	95,635		35,864				17,932
Banks	31,494		31,494		1,198	28,594		1,703		16,239
Government corporations	6,817	3,483	3,334			3,013		320		1,827
Corporates	281,787	6,157	275,629		2,175	1,833		271,621		272,973
Housing Loans	43,226	17,452	25,774			22,942		2,832		14,303
MSME Qualified portfolio	10,211		10,211				10,211			7,658
Defaulted exposures	12,462		12,462					3,590	8,872	16,897
Housing Loans	3,590		3,590					3,590		3,590
Others	8,872		8,872						8,872	13,308
ROPA	2,410		2,410						2,410	3,616
All other assets, net of deductions	94,666	349	94,318	17,344	108			76,664	202	76,989
Total on-balance sheet exposures	628,061	40,930	587,130	112,979	3,480	92,246	10,211	356,730	11,485	428,434
Off-balance sheet exposures										
Direct credit substitutes	6,492		6,492					6,492		6,492
Transaction-related contingencies	6,856		6,856					6,856		6,856
Trade-related contingencies	1,371		1,371					1,371		1,371
Others	144,379		144,379	144,379						
Total off-balance sheet exposures	159,098		159,098	144,379				14,719		14,719
Counterparty Risk-Weighted Assets in the Banking Book	20,653		20,653			20,653				10,326
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	452		452		12	124		315		380
Derivatives - exchange rate contracts	2,071		2,071		8	279		1,784		1,925
Credit Derivatives	63		63	33		3		27		28
Total counterparty RWA in trading book	2,586		2,586	33	20	406		2,127		2,334
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**810,397**	**40,930**	**769,466**	**257,391**	**3,501**	**113,305**	**10,211**	**373,575**	**11,485**	**455,812**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**810,397**	**40,930**	**769,466**	**257,391**	**3,501**	**113,305**	**10,211**	**373,575**	**11,485**	**455,812**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

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

	December 31, 2018									
Type of Exposures	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	111,374	13,489	97,885	67,242		30,643				15,322
Banks	30,573		30,573		1,198	28,439		936		14,502
Government corporations	6,292	3,483	2,809			2,489		320		1,565
Corporates	270,334	5,985	264,349		2,175	1,833		260,341		261,693
Housing Loans	33	32	1			1				1
MSME Qualified portfolio	9,782		9,782				9,782			7,336
Defaulted exposures	1,918		1,918					4	1,913	2,875
Housing Loans	4		4					4		4
Others	1,913		1,913						1,913	2,870
ROPA	657		657						657	986
All other assets, net of deductions	48,670		48,670	12,225	48			36,397		36,406
Total on-balance sheet exposures	479,632	22,988	456,644	79,466	3,421	63,405	9,782	297,999	2,571	341,578
Off-balance sheet exposures										
Direct credit substitutes	6,492		6,492					6,492		6,492
Transaction-related contingencies	6,837		6,837					6,837		6,837
Trade-related contingencies	1,371		1,371					1,371		1,371
Others	114,657		114,657	114,657						
Total off-balance sheet exposures	129,357		129,357	114,657				14,700		14,700
Counterparty Risk-Weighted Assets in the Banking Book	20,653		20,653			20,653				10,326
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	452		452		12	124		315		380
Derivatives - exchange rate contracts	2,071		2,071		8	279		1,784		1,925
Credit Derivatives	63		63	33		3		27		28
Total counterparty RWA in trading book	2,586		2,586	33	20	406		2,127		2,334
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**632,228**	**22,988**	**609,240**	**194,157**	**3,441**	**84,464**	**9,782**	**314,825**	**2,571**	**368,938**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**632,228**	**22,988**	**609,240**	**194,157**	**3,441**	**84,464**	**9,782**	**314,825**	**2,571**	**368,938**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

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

Type of Exposures	December 31, 2017									
	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	104,316	1,459	102,857	85,842		17,014				8,507
Banks	21,219		21,219		1,706	17,874		1,638		10,917
Government corporations	8,396	5,103	3,293			2,986		307		1,800
Corporates	259,628	9,472	250,155		1,340	946		247,870		248,610
Housing Loans	39,274	18,425	20,849			17,599		3,250		12,049
MSME Qualified portfolio	10,399		10,399				10,399			7,799
Defaulted exposures	5,507		5,507					1,640	3,867	7,441
Housing Loans	1,640		1,640					1,640		1,640
Others	3,867		3,867						3,867	5,801
ROPA	2,327		2,327						2,327	3,491
All other assets, net of deductions	88,214	358	87,856	14,881	141			72,643	191	72,957
Total on-balance sheet exposures	539,279	34,818	504,462	100,723	3,188	56,420	10,399	327,347	6,386	373,572
Off-balance sheet exposures										
Direct credit substitutes	5,416		5,416					5,416		5,416
Transaction-related contingencies	5,927		5,927					5,927		5,927
Trade-related contingencies	1,204		1,204					1,204		1,204
Others	141,893		141,893	141,893						
Total off-balance sheet exposures	154,440		154,440	141,893				12,546		12,546
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	745		745		2	104		639		691
Derivatives - exchange rate contracts	932		932		20	415		496		708
Credit Derivatives	1		1			1				1
Total counterparty RWA in trading book	1,678		1,678		23	520		1,135		1,400
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**695,397**	**34,818**	**660,580**	**242,617**	**3,210**	**56,940**	**10,399**	**341,028**	**6,386**	**387,518**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**695,397**	**34,818**	**660,580**	**242,617**	**3,210**	**56,940**	**10,399**	**341,028**	**6,386**	**387,518**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

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

				December 31, 2017						
Type of Exposures	Total Exposures*	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
On-Balance Sheet Exposures										
Sovereigns	81,453	1,459	79,993	67,414		12,579				6,290
Banks	19,956		19,956		1,706	17,516		733		8,982
Government corporations	7,886	5,103	2,783			2,476		307		1,545
Corporates	246,969	9,260	237,709		1,340	946		235,423		236,164
Housing Loans	45	42	3			3				2
MSME qualified portfolio	10,399		10,399				10,399			7,799
Defaulted exposures	2,429		2,429					19	2,410	3,634
Housing loans	19		19					19		19
Others	2,410		2,410						2,410	3,614
ROPA	606		606						606	909
All other assets, net of deductions	42,486		42,486	10,415	87			31,984		32,002
Total on-balance sheet exposures	412,228	15,864	396,363	77,829	3,133	33,521	10,399	268,467	3,015	298,176
Off-Balance Sheet Exposures										
Direct credit substitutes	5,416		5,416					5,416		5,416
Transaction-related contingencies	5,895		5,895					5,895		5,895
Trade-related contingencies	1,204		1,204					1,204		1,204
Others	114,460		114,460	114,460						
Total off-balance sheet exposures	126,974		126,974	114,460				12,514		12,514
Counterparty Risk-Weighted Assets in the Banking Book										
Counterparty Risk-Weighted Assets in the Trading Book										
Derivatives - interest rate contracts	745		745		2	104		639		691
Derivatives - exchange rate contracts	932		932		20	415		496		708
Credit Derivatives	1		1			1			1	1
Total counterparty RWA in trading book	1,678		1,678		23	520		1,135	1	1,400
Risk-Weighted Amount of Credit Linked Notes in the Banking Book										
Risk-Weighted Securitization Exposures										
Total	**540,880**	**15,864**	**525,015**	**192,289**	**3,156**	**34,041**	**10,399**	**282,116**	**3,015**	**312,090**
Deductions from Capital										
General loan loss provision (in excess of the amount permitted to be included in Tier 2)										
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination										
Total, net of deductions	**540,880**	**15,864**	**525,015**	**192,289**	**3,156**	**34,041**	**10,399**	**282,116**	**3,015**	**312,090**

* Principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision

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

December 31, 2018										
On-Balance Sheet Assets	Pincipal Amount	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	17,344		17,344	17,344						
Checks and Other Cash Items	108		108		108					22
Due from Bangko Sentral ng Pilipinas (BSP)	56,497		56,497	56,497						
Due from Other Banks	20,342		20,342		1,128	17,670		1,544		10,604
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets	15,643		15,643	14,708		509		426		680
Held-to-Maturity (HTM) Financial Assets	91,133	13,489	77,644	14,393	2,175	41,669		19,407		40,677
Loans and Receivables	396,455	27,442	369,014		69	32,398	10,211	317,464	8,872	354,642
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	10,037		10,037	10,037						
Sales Contract Receivable (SCR)	910		910					707	202	1,011
Real and Other Properties Acquired	2,410		2,410						2,410	3,616
Other Assets	17,182		17,182					17,182		17,182
Total Risk-weighted On-Balance Sheet Assets	**628,061**	**40,930**	**587,130**	**112,979**	**3,480**	**92,246**	**10,211**	**356,730**	**11,485**	**428,434**

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

December 31, 2017										
On-Balance Sheet Assets	Pincipal Amount	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	14,881		14,881	14,881						
Checks and Other Cash Items	141		141		141					28
Due from Bangko Sentral ng Pilipinas (BSP)	58,764		58,764	58,764						
Due from Other Banks	19,632		19,632		1,706	16,438		1,487		10,048
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets										
Held-to-Maturity (HTM) Financial Assets	60,606	1,459	59,147	17,195	1,340	22,345		18,266		29,707
Unquoted Debt Securities Classified as Loans	1,932		1,932					1,932		1,932
Loans and Receivables	351,456	33,358	318,097			17,637	10,399	286,195	3,867	308,613
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	9,883		9,883	9,883						
Sales Contract Receivable (SCR)	1,354		1,354					1,163	191	1,449
Real and Other Properties Acquired	2,327		2,327						2,327	3,491
Other Assets	18,304		18,304					18,304		18,304
Total Risk-weighted On-Balance Sheet Assets	**539,279**	**34,818**	**504,462**	**100,723**	**3,188**	**56,420**	**10,399**	**327,347**	**6,386**	**373,572**

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

On-Balance Sheet Assets	December 31, 2018									
	Pincipal Amount	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	12,225		12,225	12,225						
Checks and Other Cash Items	48		48		48					10
Due from Bangko Sentral ng Pilipinas (BSP)	39,846		39,846	39,846						
Due from Other Banks	19,420		19,420		1,128	17,515		777		9,760
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets	12,093		12,093	12,093						
Held-to-Maturity (HTM) Financial Assets	80,000	13,489	66,511	11,301	2,175	36,433		16,602		35,254
Loans and Receivables	299,079	9,500	289,579		69	9,457	9,782	268,359	1,912	283,306
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	4,002		4,002	4,002						
Sales Contract Receivable (SCR)	28		28					27	1	29
Real and Other Properties Acquired	657		657						657	986
Other Assets	12,234		12,234					12,234		12,234
Total Risk-weighted On-Balance Sheet Assets	**479,632**	**22,988**	**456,644**	**79,466**	**3,421**	**63,405**	**9,782**	**297,999**	**2,571**	**341,578**

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

On-Balance Sheet Assets	December 31, 2017									
	Pincipal Amount	Credit Risk Mitigants (CRM)	Total Credit Risk Exposure after CRM	Risk Weights						Total Risk Weighted Assets
				0%	20%	50%	75%	100%	150%	
Cash on Hand	10,415		10,415	10,415						
Checks and Other Cash Items	87		87		87					17
Due from Bangko Sentral ng Pilipinas (BSP)	47,187		47,187	47,187						
Due from Other Banks	18,368		18,368		1,706	16,080		582		8,963
Financial Assets Designated at Fair Value through Profit or Loss										
Available-for-Sale (AFS) Financial Assets										
Held-to-Maturity (HTM) Financial Assets	48,634	1,459	47,175	12,791	1,340	17,400		15,644		24,612
Unquoted Debt Securities Classified as Loans	1,199		1,199					1,199		1,199
Loans and Receivables	264,791	14,405	250,386			41	10,399	237,557	2,389	248,961
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	7,437		7,437	7,437						
Sales Contract Receivable (SCR)	417		417					397	20	427
Real and Other Properties Acquired	606		606						606	909
Other Assets	13,088		13,088					13,088		13,088
Total Risk-weighted On-Balance Sheet Assets	**412,228**	**15,864**	**396,363**	**77,829**	**3,133**	**33,521**	**10,399**	**268,467**	**3,015**	**298,176**

Market Risk Weighted Assets

	Group				Parent			
	2018		2017		**2018**		2017	
Using Standardized Approach	Notional Amount	Market Risk Weighted Assets (MRWA)	Notional Amount	Market Risk Weighted Assets (MRWA)	Notional Amount	Market Risk Weighted Assets (MRWA)	Notional Amount	Market Risk Weighted Assets (MRWA)
Interest Rate Exposures	90,880	6,101	69,951	4,307	90,003	6,101	69,951	4,307
Equity Exposures								
Foreign Exposures	5,607	2,165	11,288	5,870	5,643	2,201	11,281	5,863
Options	470	44	1,376	200	470	44	1,376	200
Total	**96,957**	**8,310**	**82,615**	**10,376**	**96,115**	**8,346**	**82,608**	**10,369**

Operational Risk-Weighted Assets under Basic Indicator Approach

(Based on 3 Year Average Gross Income)

Nature of Item	Group		Parent	
	2018	2017	**2018**	2017
Net interest income	16,450	15,436	11,293	10,676
Other non-interest income	5,168	5,030	3,028	2,909
Gross Income	21,618	20,467	14,321	13,586
Capital Requirements	**40,534**	**38,375**	**26,852**	**25,473**

Use of Third Party Assessment for Credit Risk

Following the standardized approach for credit risk, the determination of capital requirement is based on an approach that links predefined risk weights to predefined asset classes. Standardized credit risk weights following BSP Circular 538 were used in the credit assessment of these asset exposures. Third party credit assessments in turn were based on the rating by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporation and Corporates.

Moreover, as of December 31, 2018 the Bank had exposures to the following countries via direct exposure to local corporates, the range of issuer ratings of which is indicated:

Country	Rating Range
United States	AAA to BBB-
Mexico	AA-
China	A-

CORPORATE SOCIAL RESPONSIBILITY
FOCUS ON PURPOSE

Believe in commitment
towards uplifting
the lives of people.

CORPORATE SOCIAL RESPONSIBILITY

RCBC Savings Bank strengthens financial inclusion campaign

RCBC Savings Bank (RSB) in partnership with Rotary Club of Mutya ng Pasig, held a financial literacy forum in Buting Senior High School at San Joaquin, Pasig. Participated by over 300 high school students, the RSB Financial Literacy Forum aims to inform and train the young generation on smarter ways of saving and spending.

Facilitated by Ms. Cynthia Bartolome, RSB's Product Manager for Cards, the forum tackled building the habit of saving and the appropriate financial tools to help them manage their allowances more prudently. For starters, RSB's MyWallet Visa Prepaid Card provides the convenience of safe and managed budgeting without the maintaining balance.

A heed to BSP's call for financial inclusion and a reaffirmation of RSB's advocacy towards financial literacy, the forum is the first of the series RSB will be conducting in the coming months. It endeavors financial inclusion by instilling the habit of saving, even at an early age, through its products. Aligned with this advocacy is RSB's WISE Savings Account, a deposit product specially designed for the young ones ages 21 years old and below. Aside from helping maximize their savings' potential through earning an interest, it is also packed with special perks and privileges and comes with free accident insurance. Opening balance starts at 100 pesos only.

RCBC creates first-of-its-kind 'ePiso' Digital Cash

RCBC developed ePiso for the unbanked and underserved Filipinos. These are individuals in grassroots communities who do not have access to open a bank account or cannot afford to open and maintain one. They only transact with cash not only because they feel more secure in tangible exchanges, but most merchants that they transact with also only accept cash. They are hesitant to adopt new technology about their finances because they fear the risk of losing their hard-earned money, but they are also desperately seeking ways to avoid theft and safely store their funds. To this market, every cent counts.

For ePiso's test launch, RCBC focused on two grassroots communities, namely the National Housing Authority's (NHA) settlement community in Brgy. Poblacion, Muntinlupa and the farming communities in Valencia, Bukidnon.

The residents of the NHA community in Brgy. Poblacion, Muntinlupa were mainly composed of low income, daily wage earners. While they are urban-dwellers and can easily have access to banks, they are intimidated by basic banking services so they still do not get them. Moreover, their income flow suggested that they mainly purchase items in small quantities or *tingi-tingi* from local community stores *(sari-sari stores)*. Given this behavior, RCBC recognized that ePiso can make purchase transactions between merchants and users in this community more secure and convenient.

On the other hand, the farming communities in Valencia, Bukidnon were located in remote areas. The residents have to travel for hours to the town proper just so they can request for a loan from a thrift bank and purchase their input supplies. In partnership with its subsidiary, Rizal Microbank, RCBC aimed to make financial loans more secure and accessible to famers with ePiso.

These two communities provide an opportune set-up for RCBC to showcase how ePiso can be a secure method of storing the residents' money as well as make two of these markets' biggest financial transactions, namely purchases and loans respectively, more secure and convenient once digitized.

BOARD OF DIRECTORS

HELEN Y. DEE
Chairperson

CESAR E. A. VIRATA
Corporate
Vice Chairman

GIL A. BUENAVENTURA
President and
Chief Executive Officer

ATTY. LILIA R. BAUTISTA
Independent Director

TZE CHING CHAN
Director

BOARD OF DIRECTORS

GABRIEL S. CLAUDIO
Independent Director

FLORENTINO M. HERRERA
Director

JOHN LAW
Director

ARMANDO M. MEDINA
Independent Director

BOARD OF DIRECTORS

VAUGHN F. MONTES
Independent Director

YUH-SING PENG
Director

MELITO S. SALAZAR, JR.
Independent Director
(Until February 16, 2019)

JUAN B. SANTOS
Independent Director

BOARD OF DIRECTORS

ATTY. ADELITA A. VERGEL DE DIOS

Independent Director

RICHARD GORDON ALEXANDER WESTLAKE

Director

ADVISORY BOARD

ATTY. LILIA B. DE LIMA
Member

FRANCIS C. LAUREL
Member

YVONNE S. YUCHENGCO
Member

MS. HELEN Y. DEE
CHAIRPERSON, NON-EXECUTIVE DIRECTOR
75 years of age, Filipino

BS Commerce, Assumption College, Philippines; Masters in Business Administration, De La Salle University, Philippines

Ms. Helen Y. Dee has been the Bank's Chairperson since June 27, 2005.

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

Ms. Dee is also the Chairperson/President Hydee Management and Resource Corporation; Chairperson of RCBC Savings Bank, RCBC Leasing and Finance Corporation, Landev Corporation, Hi-Esai Pharmaceutical Inc., Mapua Information Technology Center, Inc., Malayan Insurance Co. Inc., and Manila Memorial Park Cemetery, Inc.; a Trustee of Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology); and Vice Chairperson of Pan Malayan Management and Investment Corporation.

She attended continuing education seminars facilitated by RCBC in 2013 covering the following topics: SEC Corporate Governance Initiatives/Trends in Regulatory Framework, Updates on Anti-Money Laundering Act of 2001, Basel III and Financial Regulatory Reform, and Evaluating Risks in Project Finance Transactions. She also attended the Corporate Governance seminars conducted by SGV & Co. for the directors and key officers of RCBC, RCBC Subsidiaries and affiliates on March 22, 2014, September 5, 2015. For 2016, she attended the Corporate Governance Enhancement Session on The Philippine Competition Act and Philippine Competition Commissions conducted by PLDT on May 3, 2016, as well as the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016,

On September 26, 2017, she attended the Cybersecurity Seminar organized by RCBC covering topics on threat briefing and cyber preparedness, and on October 27, 2018, she attended the seminar on Corporate Governance and Financial Technology, also organized by RCBC.

MR. CESAR E.A. VIRATA
VICE CHAIRPERSON, NON-EXECUTIVE DIRECTOR
88 years of age, Filipino

BS Mechanical Engineering and Business Administration (Cum Laude), University of the Philippines; Masters in Business Administration, Wharton Graduate School, University of Pennsylvania, USA

Mr. Cesar E.A. Virata has been a Director of the Bank since 1995, Corporate Vice Chairman since June 2000, and Senior Adviser since 2007.

Mr. Virata's roster of companies where he is also a Director and/or Chairman include, RCBC Savings Bank, RCBC Realty Corp., RCBC Land, Inc., Malayan Insurance Company, Inc., Business World Publishing Corporation, City & Land Developers, Inc., RCBC International Finance, Ltd. (Hong Kong), Luisita Industrial Park Corporation, Niyog Property Holdings, Inc., Cavitex Holdings, Inc., ALTO Pacific Company, Inc., Malayan Colleges, Inc., RCBC Bankard Services Corporation, AY Foundation, Inc., and YGC Corporate Services, Inc., among others.

Mr. Virata is also an Independent Director of the following listed companies outside YGC: Belle Corporation and Lopez Holdings Corporation.

Mr. Virata held various key positions in the Philippine government including Prime Minister, Secretary/Minister of Finance, Chairman of the Committee on Finance of the Batasan Pambansa (National Assembly), member of the Monetary Board, and Chairman of the Land Bank of the Philippines. He likewise served as Governor of the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agricultural Development. He was Chairman of the Development Committee of the World Bank and International Monetary Fund from 1976 to 1980 and Chairman of the Board of Governors of the Asian Development Bank. Prior to his Government positions, he was a Professor and Dean of the College of Business Administration of the University of the Philippines and Principal, SyCip Gorres Velayo and Company, Management Services Division.

He attended continuing education seminars facilitated by RCBC in 2013 covering the following topics: SEC Corporate Governance Initiatives/Trends in Regulatory Framework, Updates on the Anti-Money Laundering Act of 2001, Basel III and Financial Regulatory Reform, and Evaluating Risks in Project Finance Transactions. He also attended the Corporate Governance seminar conducted by SGV & Co. for the directors and key officers of RCBC, RCBC subsidiaries and affiliates on September 5, 2015.

For 2016, he attended the Continuing Education & Training for Directors, "Board on Crisis & IT Fraud Cyber Security) conducted by Belle Corporation, and the Corporate Governance Seminar conducted by the Institute of Corporate Directors, on August 3, 2016.

On September 26, 2017, he attended the Cybersecurity Seminar organized by RCBC covering topics on threat briefing and cyber preparedness, and on October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, also organized by RCBC. He also attended the Corporate Governance Seminar conducted by Institute of Corporate Directors on August 8, 2018.

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

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

Mr. Gil A. Buenaventura has been the Bank's Director, President, and Chief Executive Officer since July 1, 2016.

Mr. Buenaventura also holds directorship and officership positions in GAB Realty Incorporated, RCBC Capital Corporation, RCBC Leasing and Finance Corporation, RCBC Rental Corporation, Rizal Microbank, RCBC Savings Bank, RCBC Forex Brokers Corporation, and Niyog Property Holdings, Inc. He is also a member of the Makati Business Club, Asian Bankers Association, and Bankers Association of the Philippines. Before joining the Bank, he worked in various capacities in other banks and financial institutions, including the following: President and Chief Executive Officer of Development Bank of the Philippines, Chairman/Vice Chairman of the LGU Guarantee Corporation, President and Chief Executive Officer of Prudential Bank, Chairman of Citytrust Securities Corporation, BPI Leasing Corporation, Pilipinas Savings Bank, and Prudential Investments, Inc., Director of BPI Family Savings Bank, and Ayala Plans, Inc., and Executive Vice President of Citytrust Banking Corp., and Vice President of Citibank N.A. Manila, among others.

In 2016, he attended the Corporate Governance Orientation Program conducted by Institute of Corporate Directors. On September 26, 2017, he attended the Cybersecurity Seminar organized by RCBC covering topics on threat briefing and cyber preparedness, and on October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, also organized by RCBC.

MR. TZE CHING I. CHAN
NON-EXECUTIVE DIRECTOR
62 years of age, Chinese

Bachelor of Business Administration and Masters of Business Administration, University of Hawaii, USA; Certified Public Accountant, American Institute of Certified Public Accountants, USA

Mr. Tze Ching I. Chan has been a Director of the Bank since November 28, 2011.

Mr. Chan started with Citibank in Hong Kong as a Management Associate in 1980 and served in various capacities. He was Hong Kong Country Head and Head of Corporate and Investment Banking business for Greater China when he retired from Citi in 2007. He worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) in 2008. Mr. Chan is currently a Senior Adviser at CVC Capital Partners and The Bank of East Asia, Limited, and holds various board seats in listed companies, government statutory bodies, and NGOs including, among others, AFFIN Holdings Berhad, The Community Chest of Hongkong and Hongkong Exchanges and Clearing Limited. Among his government-appointed roles, he is currently Council Chairman of the Hong Kong Polytechnic University, a Member of the Financial Reporting Council of Hong Kong and Hong Kong Tourism Board.

He attended the Orientation on Corporate Governance conducted by Institute of Corporate Directors in March 2012, "Corporate Governance and Listing – What Comes Next?" and "Board Effectiveness – Factors for Long Term Strategy in the Financial Services Industry" conducted by PricewaterhouseCoopers Limited in 2012. He also attended a seminar on Updates in Money Laundering facilitated for the RCBC Board in 2013.

He completed all the modules of the Financial Institutions Directors' Education Programme in March 2016. In 2017, he attended the Non-Executive Director Programme: Global Development of Climate Risk Disclosure by Pricewaterhouse Coopers Limited on March 21, 2017, and on October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, organized by RCBC.

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

MA degree, Oxford University, England; Accredited Fellow, Institute of Directors, New Zealand; International Fellow of Mudara-Institute of Directors, Dubai, United Arab Emirates

Mr. Richard Gordon Alexander Westlake has been a Director of the Bank since October 1, 2014.

Mr. Westlake is the founder and managing director of Westlake Governance Limited, a New Zealand-based globally focused business now regarded of as a leading adviser in Corporate Governance. He has over twenty-five (25) years of experience as a Director and Board Chairman. He is currently the Chairman of the Careerforce Industry Training Organisation Limited and an Independent Director of Dairy Goat Co-Operative (NZ) Ltd., the world's leading producer and exporter of goat milk infant formula. Previous roles include chairmanship of Intergen Limited, the Standards Council of New Zealand; Deputy Chairman of Institute of Geological & Nuclear Sciences Limited; Establishment Chairman of Meteorological Service of New Zealand, and Quotable Value Limited; and he was a founding director of Kiwibank Ltd. for ten (10) years.

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

MR. JOHN LAW
NON-EXECUTIVE DIRECTOR
68 years of age, Dual citizen of France and Taiwan

BS Psychology, Chung Yuan University, Taiwan; Master of Business Administration, Indiana University, USA; MA Poetry, University of Paris, France

Mr. John Law has been a director of the Bank since April 27, 2015.

Mr. Law is also currently a Senior Advisor for Greater China for Oliver Wyman, and is a member of the Board of Directors of Far East Horizon, Ltd. In Hong Kong, BNP Paribas in China, and Khan Bank in Mongolia. In the past, he held Board seats in several financial institutions, including the Industrial Bank (China), Sacombank (Vietnam), SinoPac Securities Ltd. (Taiwan), and worked in various capacities at the International Finance Corporation/World Bank, JP Morgan and Citibank/Citigroup.

He attended the Financial Crises Response: International Consultation conducted by International Finance Corporation/Global Governance Forum in June 2009 and the High Level Meeting on Governance of Bank Subsidiaries also conducted by the International Finance Corporation/Global Governance Forum in March 2014, the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016, and the Cybersecurity Seminar organized by RCBC on September 26, 2017. On October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, also organized by RCBC.

MR. YUH-SHING (FRANCIS) PENG
NON-EXECUTIVE DIRECTOR
47 years of age, TAIWANESE

Bachelor of Science in Control Engineering, National Chiao Tung University, Taiwan; Bachelor of Law, National Taiwan University, Taiwan; Master of Business Administration/Information Management, National Center University, Taiwan

Mr. Yuh-Shing (Francis) Peng has been a director of the Bank since April 27, 2015.

Mr. Peng is an Executive Vice President of Cathay United Bank, handling various departments, particularly the Overseas Management Department and Strategic Planning Division/Investment Management Department. Prior to these positions, he also was Executive Vice President handling the International Banking Department, Corporate Banking Strategy & Product Department, and Offshore Banking Unit of Cathay United Bank. He also served in various capacities with Citibank N.A. in Hongkong, Citibank Taiwan Limited, and Citibank Taipei.

He attended the seminar on Banking Internal Control and Audit in 2010, Trust Industry training for Executives in 2013 and Trust Industry Training for Supervising Officers in 2013 conducted by Taiwan Academy of Banking and Finance. He also attended the internal training on Internal Audit and Check Practice and Debt and Liabilities in 2013 and internal training on Executives Leadership in 2014 by the Cathay United Bank.

He attended the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016 and the Cybersecurity Seminar organized by RCBC on September 26, 2017. Mr. Peng resigned effective March 4, 2019.

ATTY. FLORENTINO M. HERRERA, III
NON-EXECUTIVE DIRECTOR
67 years of age, Filipino

BA Political Science and Bachelor of Laws, University of the Philippines; Member, Integrated Bar of the Philippines

Atty. Florentino M. Herrera III has been a Director of the Bank since August 30, 2016.

Atty. Herrera III is also a Founding Partner of the Herrera Teehankee & Cabrera Law Offices, a Senior Adviser at CVC Asia Pacific Limited, an International Private Equity Firm, and was former Partner of the Angara Abello Concepcion Regala & Cruz Law Offices. He has been engaged in the general practice of law for the past thirty nine (39) years specializing in corporate law practice, and serves as counsel for various companies engaged in banking, management of foreign fund investments, airlines, repair, maintenance and overhaul of aircraft, real estate, resorts, telecommunications, media and PR firms, insurance gaming, shipping, and financing. He also holds Directorship and top management positions in various companies in the Philippine such as Trans-Pacific Oriental Holdings, Co., Inc., Canlubang Golf & Country Club, Inc., Bellagio Properties, Inc., Philippine Airlines, Inc., Lufthansa Technik Philippines, Inc., Macroasia Corporation, Mantrade Development Corporation, Aeropartners, Inc., Regent Resources, Inc., and STI Education Services Group, Inc.

Atty. Herrera also holds positions in the following publicly listed companies outside YGC: Director of Filsyn Corporation and Geograce Resources Philippines, Corporate Secretary of Macroasia Corporation, and Treasurer of Long Trail Holding, Inc.

He attended the Corporate Governance and Risk Management Program d by SGV & Co. on January 30, 2015, the Corporate Governance Orientation Program Class II conducted by Institute of Corporate Directors on November 23, 2016, and Cybersecurity Seminar organized by RCBC on September 26, 2017, and on October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, also organized by RCBC.

MR. ARMANDO M. MEDINA
INDEPENDENT, NON-EXECUTIVE DIRECTOR
69 years of age, Filipino

BA Commerce and Economics and BS Commerce with a major in Accounting, De La Salle University, Philippines

Mr. Armando M. Medina has been an Independent Director of the Bank since 2003.

He is also an Independent Director of RCBC Savings Bank, RCBC Capital Corporation, and Malayan Insurance Co. Inc. He also held directorship and officership positions in other institutions like Great Life Financial Assurance Corporation, Merchant Savings & Loan Association, Inc., RCBC Forex Brokers Corporation, Bankard, Inc., RCBC International Finance Ltd., RCBC Capital Corporation RCBC California International, Inc., Honda Cars Philippines, Isuzu Philippines, Business Harmony Realty, Inc., and Phil. Clearing House Corp.

He attended continuing education seminars conducted by RCBC in 2013 covering the following topics: SEC Corporate Governance Initiatives/Trends in Regulatory Framework, Updates on the Anti-Money Laundering Act of 2001, Basel III and Financing Regulatory Reform, and Evaluating Risks in Project Finance Transactions. He also attended the corporate governance seminars conducted by SGV & Co. for the Directors and key officers of RCBC, RCBC subsidiaries and affiliates on March 22, 2014 and September 5, 2015, and the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016.

In 2017, he attended the Seminar on Corporate Governance by SGV on December 8, 2017, and on October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, organized by RCBC.

MR. JUAN B. SANTOS
INDEPENDENT, NON-EXECUTIVE DIRECTOR
80 years of age, Filipino

BS Business Administration, Ateneo de Manila University, Philippines; Foreign Trade, Thunderbird School of Management, Arizona, USA

Mr. Juan B. Santos has been an Independent Director of the Bank since November 2, 2016.

Mr. Santos is currently a member of the Board of Directors of First Philippine Holdings Corporation, Sun Life Grepa Financial, Inc., Alaska Milk Corporation, East-West Seed ROH Limited (Bangkok, Thailand), House of Investments, Inc., Golden Spring Group (Singapore) Allamanda Management Corp. and Philippine Investment Management (PHINMA), Inc.; a member of the Board of Advisors of Coca-Cola FEMSA Philippines, AMUNDI (Singapore), Mitsubishi Motor Phil. Corp., East-West Seeds Co., Inc., Chairman, Board of Trustee, Dualtech Training Center Foundation, Inc., a trustee of St. Luke's Medical Center, and a consultant of the Marsman-Drysdale Group of Companies.

Prior to joining the Bank, he was Chairman of the Social Security Commission, he served briefly as Secretary of Trade and Industry and was designated as a member of the Governance Advisory Council, and Private Sector Representative for the Public-Private Sector Task Force for the Development of Globally Competitive Philippine Service Industries. He also served as Director of various publicly listed companies, including Philippine Long Distance Telephone Company (PLDT), Philex Mining Corporation, San Miguel Corporation, Equitable Savings Bank, Inc., and PCI Leasing and Finance, Inc.

Mr. Santos also holds positions in the following publicly listed companies: Director of First Philippine Holdings Co. and Independent Director of House of Investments, Inc.

He previously attended the Executive Talks: Corporate Governance Enhancement Session conducted by First Pacific Leadership Academy & Compliance System Legal Group (CSCG) on December 2, 2013, Corporate Governance Requirements under United States Laws and Regulations and the Foreign Corrupt Practice Act of 1977 conducted by Atty. Ma. Lourdes C. Rausa-Chan on April 1, 2014, Corporations-Governance Commission for Government Owned and Controlled Corporations Compliance conducted by Institute of Corporate Directors (ICD) on November 10, 2014, Corporate Governance: what to Expect from Securities and Exchange Commission and Corporate Governance Trends and Current Topics in Developed Economies and their Application in the Philippines and Other Association of Southeast Asian Nations (ASEAN) Countries conducted by Atty. Ma. Lourdes C. Rausa-Chan (Chief Governance Officer – PLDT) and Mr. Danny Y. Yu, Corporate Officer – Philex Mining Corp.) on December 4, 2014, First Philippines Holding Corporation Corporate Governance Seminar conducted by SGV&Co. on August 24, 2015.

For 2016, he attended the Corporate Governance Enhancement on the Philippine Competition Commission conducted by Mr. Emmanuel M. Lombos on May 3, 2016, and Corporate Governance Seminar conducted by Institute of Corporate Directors on August 25, 2016. In 2017, he attended the Cybersecurity Seminar organized by RCBC on September 26, 2017. On August 15, 2018, he attended the Corporate Governance Seminar conducted by SGV & Co.

AMB. LILIA R. BAUTISTA
INDEPENDENT, NON-EXECUTIVE DIRECTOR
83 years of age, Filipino

Bachelor of Laws and Master in Business Administration, University of the Philippines; Master of Laws, University of Michigan, USA, Member, Integrated Bar of the Philippines

Amb. Lilia R. Bautista has been an Independent Director of the Bank since July 25, 2016.

Amb. Bautista holds position as Member of the Board of Directors/Board of Trustees of various Corporations, including RFM Corporation, Transnational Diversified Group, Inc., St. Martin de Porres Charity Hospital, CIBI Foundation, Inc., and Philja Development Center. She was former Director of the Bank of the Philippine Islands and BPI Capital and has held distinguished positions in the public and private sector, including as Members and, subsequently, Chairperson of the WTO Appellate Body, Chairperson of the Securities and Exchange Commission, Ex-Officio Member of the Anti-Money Laundering Council, Acting Secretary of the Department of Trade and Industry, Chairman Ex-Officio of the Board of Investments, and Ambassador Extraordinary and Plenipotentiary, Chief of Mission, Class 1 and Permanent Representative to the United Nations Office, World Trade Organization, World Health Organization, International Labor Organization, and other International Organizations in Geneva, Switzerland.

Amb. Bautista is also an Independent Director of RFM Corporation, a publicly listed company outside YGC.

She attended the Corporate Governance Seminar conducted by Institute of Corporate Directors on September 6, 2016, and the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016. In 2017, she attended the Cybersecurity Seminar organized by RCBC on September 26, 2017.

On September 5, 2018, she attended the Corporate Governance Seminar conducted by the Institute of Corporate Directors, and on October 27, 2018, she attended the seminar on Corporate Governance and Financial Technology, organized by RCBC.

MR. MELITO S. SALAZAR, JR. †
INDEPENDENT, NON-EXECUTIVE DIRECTOR, Filipino

BS Business Administration major in Accounting and Master of Business Administration, University of the Philippines

Mr. Melito S. Salazar, Jr. has been an Independent Director of the Bank since June 27, 2016.

Mr. Salazar, Jr. is also an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc., Sun Life of Canada Prosperity Philippine Equity Fund, Inc., Sun Life Prosperity GS Fund, Inc., Philippines First Insurance Corp., YANMAR Philippines, TECO Philippines and Concepcion Industrial Corporation, a Director of the Chamber of Commerce of the Philippine Islands, Dean of the Centro Escolar University School of Accountancy and Management, columnist of the Manila Bulleting and Regent of the Philippine Normal University.

Mr. Salazar is also an Independent Director of Concepcion Industrial Corporation, a publicly listed company outside YGC.

In the past, he held various key positions in the government, including Monetary Board Member of the Bangko Sentral ng Pilipinas, Undersecretary of the Department of Trade and Industry, and Vice-Chairman & Governor – Board of Investments. He also served as President of the Management Association of the Philippines, the Financial Executive Institute of the Philippines and Chamber of Commerce of the Philippine Islands.

He attended the Seminar on Corporate Governance conducted by Risk, Opportunities, Assessments, and Management (ROAM), Inc. in 2015 and the Corporate Governance Seminar conducted by Institute of Corporate Directors on September 6, 2016. In 2017, he attended the Cybersecurity Seminar organized by RCBC on September 26, 2017.

He passed away on February 16, 2019.

ATTY. ADELITA A. VERGEL DE DIOS
INDEPENDENT, NON-EXECUTIVE DIRECTOR
72 years of age, Filipino

Bachelor of Business Administration and Accounting and Bachelor of Laws (Magna cum Laude), University of the East, Philippines; Certified Public Accountant; Member, Integrated Bar of the Philippines

Atty. Adelita A. Vergel De Dios has been an Independent Director of the Bank since June 27, 2016.

Atty. Vergel De Dios is currently an Independent Director of RCBC Savings Bank, and Member of the Board of Trustees of the Center for Excellence in Governance, Inc., and Center for School Governance, Inc. Prior to these, she was Commissioner of the Insurance Commission, and held directorship and officership positions in various companies including President of the Institute of Corporate Directors, Chairman of the Board of Malayan Insurance Co., Inc., President and Chief Operating Officer of the Philippine Savings Bank (PSBANK), Member of the Board of Trustees of the Asian Reinsurance Corporation (Bangkok, Thailand), and President of the Filipino Merchants Insurance Company.

She attended the Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on November 12, 2016 and the Seminar on Corporate Governance conducted by SGV on December 8, 2017.

MR. VAUGHN F. MONTES, PH.D.
INDEPENDENT, NON-EXECUTIVE DIRECTOR
68 years of age, Filipino

AB Economics, Ateneo de Manila University, Philippines; MS Industrial Economics, Center for Research and Communications (now University of Asia and the Pacific); PhD Business Economics, Wharton Doctoral Programs, University of Pennsylvania, USA

Mr. Vaughn F. Montes has been an Independent Director of the Bank since September 26, 2016.

Mr. Montes has had a long career in banking, twenty-five (25) years of which was with Citibank where he held various roles the last of which was as Director for the bank's Philippine Public Sector business in government fund raisings, transaction banking, and credit ratings advisory, and others. Prior to joining RCBC, he was a Director of the Development Bank of the Philippines (DBP) and in its related companies, namely the DBP Leasing Corporation, Al-Amanah Islamic Investment Bank, and DBP-Daiwa Capital Markets Inc. where he was also Vice Chairman. At present, he is a Trustee of Foundation for Economic Freedom, the Parents for Education Foundation (PAREF) and the Center for Family Advancement. He is a Director of the Center for Excellence in Governance, and a Teaching Fellow on Corporate Governance at the Institute of Corporate Directors. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia, Pennsylvania, USA in the early 1980s.

He attended the seminar on Managing Difficult Conversations in the Board conducted by International Finance Corporation (IFC) & Institute of Corporate Directors (ICD) and Securities and Exchange Commission (SEC) Corporate Governance Forum conducted by the Securities and Exchange Commission, in 2016. In 2017, he attended the Cybersecurity Seminar organized by RCBC on September 26, 2017, and on October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, also organized by RCBC.

MR. GABRIEL S. CLAUDIO
INDEPENDENT, NON-EXECUTIVE DIRECTOR
64 years of age, Filipino

AB Communication Arts, Ateneo de Manila University, Philippines

Mr. Gabriel S. Claudio has been an Independent Director of the Bank since July 25, 2016.

Mr. Claudio served as Presidential Political Adviser to Presidents Fidel V. Ramos and Gloria Macapagal Arroyo. As member of the Cabinet, he also served as Presidential Legislative Adviser; Chief of the Presidential Legislative Liaison Office (PLLO); Cabinet Officer for Regional Development (CORD) for Eastern Visayas; and Acting Executive Secretary. He was Chairman of the Board of Trustees of the Metropolitan Water and Sewerage System (MWSS); Member of the Board of Directors of the Development Bank of the Philippines (DBP); and Member of the Board of Directors of the Philippine Charity Sweepstakes Office (PCSO). Currently, he holds directorships/trusteeships in various public and private institutions such as Philippine Amusement and Gaming Corporation (PAGCOR), Ginebra San Miguel, Inc. (GSMI), Conflict Resolution (CORE) Group Foundation; Risks and Opportunities Assessment Management (ROAM), Inc.; Lion's Club Pasig Host Chapter; and Toby's Youth and Sports Development Foundation.

Mr. Claudio is also a Director of Ginebra San Miguel, Incorporated, a publicly listed company outside YGC.

He attended the Corporate Governance Orientation Program conducted by Institute of Corporate Directors on September 6, 2016, and the Seminar on Corporate Governance conducted by SGV on December 8, 2017. On October 27, 2018, he attended the seminar on Corporate Governance and Financial Technology, organized by RCBC.

YVONNE S. YUCHENGCO
ADVISORY BOARD MEMBER

- RCBC Capital Corporation, Chairman and Director
- Philippine Integrated Advertising Agency, Inc., President and Director
- Malayan Insurance Company, Inc., President and Director
- MICO Equities, Inc., President and Director
- AY Foundation, Inc. Member, Board of Trustees

LILIA DE LIMA
ADVISORY BOARD MEMBER

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

FRANCIS C. LAUREL
ADVISORY BOARD MEMBER

- YKK Philippines, Inc., President and Chief Executive Officer
- Toyota Batangas City, Inc., President and Chief Executive Officer
- Toyota Naga City, Inc., President and Chief Executive Officer
- Philippine-Japan Society, Inc., President and Member of the Board of Trustees
- Philippines-Japan Economic Cooperation Committee, Inc., Senior Adviser
- UP College of Economic and Management Alumni Foundation, Inc. (CEMAFI), Board of Trustees

EUGENE S. ACEVEDO
Deputy Chief
Executive Officer

SENIOR MANAGEMENT

DENNIS C. BANCOD
Chief of Staff,
IT Shared Services & Operations

HORACIO E. CEBRERO III
Treasury

JOHN THOMAS G. DEVERAS
Strategic Initiatives and Asset
Management & Remedial

SENIOR MANAGEMENT

MICHAEL O. DE JESUS
Corporate Banking

ATTY. GEORGE GILBERT G. DELA CUESTA
Legal Affairs

ANA LUISA S. LIM
Compliance & Regulatory Affairs

RICHARD C. LIM
Retail Banking

JAMAL AHMAD
Corporate Risk Management Services

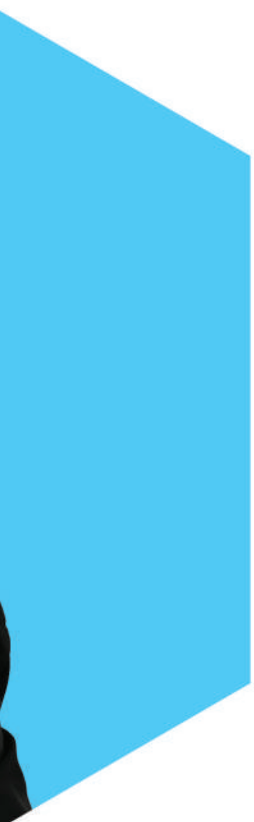
MA. CHRISTINA P. ALVAREZ
Corporate Planning

MARITA E. BUENO
Data Science and Analytics

SENIOR MANAGEMENT

MARGARITA B. LOPEZ
Digital Banking

ELIZABETH E. CORONEL
Conglomerates and Global Corporate Banking Group



SENIOR MANAGEMENT

FLORENTINO M. MADONZA
Controllership

MARIO T. MIRANDA
Trust and Investments

JANE N. MAÑAGO
Wealth Management

EMMANUEL T. NARCISO
Global Transaction Banking

SENIOR MANAGEMENT

MARIA CECILIA F. NATIVIDAD
Marketing

BENNETT CLARENCE D. SANTIAGO
Credit Management

ROWENA F. SUBIDO
Human Resources

EDEL MARY D. VEGAMORA
Internal Audit

HEADS OF SUBSIDIARIES

SIMON JAVIER A. CALASANZ
RCBC Bankard

GERALD O. FLORENTINO
RCBC Securities

JOSE LUIS F. GOMEZ
RCBC Capital Corporation

ROMMEL S. LATINAZO
RCBC Savings Bank

JOSEPH COLIN B. RODRIGUEZ

RCBC Forex Brokers Corporation

RAYMUNDO C. ROXAS

Rizal Microbank

HEADS OF SUBSIDIARIES

ALFONSO C. TANSECO

RCBC Leasing and
Finance Corporation

EUGENE S. ACEVEDO
DEPUTY CHIEF EXECUTIVE OFFICER

Prior to joining RCBC, he held senior leadership positions in five banks. He was President and CEO of Philippine National Bank where he led the bank's rebranding and re-launch of key businesses, resulting into a three-fold rise in the bank's share price.

As SEVP in UnionBank, he transformed retail and corporate banking into major income contributors in three years. He grew the mass market and microfinance businesses through the acquisition of three thrift banks, two rural banks and a remittance company adding over 600 offices to the bank's network.

As Chairman of CitySavings, his team used technology to transform customer experience and produced the highest ROE in the industry, delivering over a third of UnionBank's earnings. As concurrent Chairman of FAIRBank, he oversaw the launch of the first agency banking project in the country, using digitization to enable sari-sari stores to open banking accounts for microfinance customers.

He joined Citibank as an Executive Trainee in 1987. He worked across the Asian region in various capacities: Treasury Auditor for North Asia, Derivatives Marketing Officer in Hong Kong, Treasury Marketing Head in Manila and Asia Regional Head for Derivatives Structuring based in Singapore. He was promoted to Managing Director in 2005 and was Country Treasurer for the Philippines and, later, Hong Kong. In his last post with Citibank, he led the Hong Kong/Taiwan/Macau Global Markets Cluster, and was Treasurer of Citicorp International Ltd.

Mr. Acevedo represented Hong Kong in the Global Board of Education of The Financial Markets Association. He was awarded two citations by the HK Securities Institute for topping two licensing exams for financial markets participants.

Before becoming a banker, Mr. Acevedo was a Physics Lecturer at the University of the Philippines - National Institute of Physics.

He graduated BS Physics, magna cum laude, from the University of San Carlos where he was a DOST scholar, National Science and Technology Awardee for Academic Excellence, Student Council Chairman and, later, recipient of the Outstanding Alumnus Award.

He took his Masters in Business Management at Asian Institute of Management where he was the Javier Nepomuceno Scholar, and had the highest GPA in his class. He completed the Advanced Management Program at the Harvard Business School.

Mr. Acevedo is keenly interested in banking innovation and transformation. He is a Digital Marketing Professional certified by The Wharton School. He has User Experience accreditation from the British Computer Society Chartered Institute of IT. He qualified as a Blockchain Expert and Crypto-currency Expert with The Blockchain Council, and passed the Executive Data Science Certificate of John Hopkins University. He also took the Blockchain and Artificial Intelligence Programs of MIT, the Oxford Fintech Programme, and the Berkeley Digital Transformation Course.

He is a Fellow of the Institute of Corporate Directors, Trustee of De La Salle John Bosco College and the Chairman of the FINEX Financial Inclusion Committee.

JAMAL AHMAD
FIRST SENIOR VICE PRESIDENT
CHIEF RISK OFFICER AND GROUP HEAD OF CORPORATE RISK MANAGEMENT SERVICES

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

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

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

MA. CHRISTINA P. ALVAREZ
SENIOR VICE PRESIDENT
HEAD OF CORPORATE PLANNING GROUP

She has over 18 years of corporate and financial planning experience in banking. She has been with RCBC since 2006, as Head of Financial and Business Planning Division and then as Group Head in 2014. She graduated from the Ateneo de Manila University in 1991 with a degree in Management Economics and earned her Master in Business Management degree in 1998 from the Asian Institute of Management.

REDENTOR C. BANCOD
SENIOR EXECUTIVE VICE PRESIDENT
CHIEF OF STAFF, HEAD OF THE INFORMATION TECHNOLOGY SHARED SERVICES AND OPERATIONS GROUPS

Prior to joining the bank, he was Vice President and General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice President and Chief Technology Officer of Sun Life of Canada (Philippines) Inc. He holds an MBA degree from Northwestern University, Kellogg School of Business and Hong Kong University of Science and Technology. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines, a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University, and has post-graduate studies at the Asian Institute of Management.

MARITA E. BUENO
FIRST SENIOR VICE PRESIDENT
HEAD OF DATA SCIENCE AND ANALYTICS GROUP

Ms. Bueno brings with her twenty five (25) years of banking experience. She has expertise in the fields of Data Science, Business Analytics, Predictive Modeling, Risk Management and Credit Management.

Prior to RCBC, Ms. Bueno was connected with Union Bank of the Philippines as the Data Science and Analytics Group Head.

She had stints with Citi and JP Morgan Chase. She joined Citi in 1994 as a Credit Acquisitions Analyst in Citi's credit card business in New York. In 1995, she managed Citi's credit bureau relationship for the preapproved credit card channel. In 1997, she joined Risk Management where she managed Triad account management system, and various portfolio management programs. She was in the core team responsible for launching Aadvantage & Citi business credit cards.

In 2000, Ms. Bueno joined Risk Management at JP Morgan Chase where she managed the scored underwriting policy for Small Business Financial Services and account management credit policy for the retail business.

In 2004, she returned to Citi as the Risk Manager for Aadvantage and PremierPass credit card acquisitions. In 2005, she moved to Singapore as Vice President for Decision Management. In 2007, she was appointed as the Chief of Staff to Citi's Chief Risk Officer for Asia Pacific in Hong Kong. She returned to Singapore in 2010 as Citi's Regional Director for Credit Products in Decision Management until 2015.

Ms. Bueno is a Magna Cum Laude graduate of St. John's University in New York where she earned her Bachelor of Science degree in Computer Science and obtained her Master of Business Administration in Quantitative Analysis.

HORACIO E. CEBRERO III
SENIOR EXECUTIVE VICE PRESIDENT AND HEAD OF TREASURY GROUP

Prior to joining RCBC he was Treasury Head of the Philippine National Bank. He was previously Treasurer of East West Banking and had stints with other firms as follows: Citibank N.A. (Manila) as Chief Dealer; Asian Bank Corporation as Vice President for Treasury Group, AB Capital and Investment House as Manager for Financial Markets; Anscor Capital and Investment House as Manager for Financial Markets, Asian Savings Bank as Manager for Trust and Investments Division; Asia Trust Development Bank as Account Officer; and at Far East Bank & Trust Company as Account Supervisor for Branch Treasury Marketing and Loans & Credit Analyst for Loans and Credit Department. He also held directorships in various firms as follows : Chairman, PNB Europe; PNB Capital and Investment, PNB Forex Corporation as Director ; and AIG Philam Savings Bank also as Director . He graduated with a Bachelor of Science in Commerce degree major in Marketing Management from De La Salle University. He earned units for a Master of Business Administration at the Graduate School of Business Economics of the same university. He also attended and finished the Stanford Senior Executive Leadership Program (SSELP), an advance 5-part Executive Education Course Series at the Stanford University's Arthur and Toni Rembe Rock Center in HongKong.

ELIZABETH E. CORONEL
FIRST SENIOR VICE PRESIDENT
HEAD OF CONGLOMERATES AND GLOBAL CORPORATE GROUP

Prior to assuming this role she was Head of the Conglomerates and Strategic Corporates Segment. 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, Equitable PCIBank as Vice-President and Head of Corporate Banking Division IV and Citibank as a Corporate Relationship Manager in the Global Consumer Bank. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas graduating Cum Laude and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizuho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

MICHAEL O. DE JESUS
EXECUTIVE VICE PRESIDENT
HEAD OF NATIONAL CORPORATE BANKING GROUP

Prior to joining RCBC, he was head of the Corporate Bank of Philippine National Bank and United Coconut Planters Bank. He also worked with both Citibank New York and Citibank Manila .He has a Bachelor of Arts degree in Economics from Union College in Schenectady, New York and a Masters Degree in Business Administration (Finance) from The Wharton School, University of Pennsylvania.

ATTY. GEORGE GILBERT G. DELA CUESTA
FIRST SENIOR VICE PRESIDENT
CORPORATE SECRETARY AND HEAD OF THE LEGAL AFFAIRS GROUP

Atty. dela Cuesta has over twenty years of professional experience in law and has served as head of the Legal department in various companies such as Asian Terminals, Inc., Mirant (Phils.) Corporation (now, TeaM Energy Corporation), and Hanjin Heavy Industries & Construction Co. Ltd. Earlier on, he served as a lawyer at the Department of Environmental and Natural Resources. He started his legal career at Baker & McKenzie/Quisumbing and Torres. He is a graduate of the University of the Philippines in Diliman where he earned his degrees in Law and in Political Science.

JOHN THOMAS G. DEVERAS
SENIOR EXECUTIVE VICE PRESIDENT
HEAD OF STRATEGIC INITIATIVES AND ASSET MANAGEMENT & REMEDIAL GROUP

Prior to joining RCBC, he was a FIG Investment Officer at the International Finance Corporation (IFC). Before that, he worked at the Philippine National Bank, where he was concurrently President of PNB Capital and Head, Remedial Management Group, with a rank of Senior Vice President. Mr. Deveras also worked at Tokyo-Mitsubishi International (Singapore) from 1999 to 2002, where he was a key member of their SE Asian Mergers & Acquisitions (M&A) Team. He started his formal banking career with Citibank in 1989. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and earned his MBA from the University of Chicago.

ANA LUISA S. LIM
EXECUTIVE VICE PRESIDENT
CHIEF COMPLIANCE OFFICER AND HEAD OF REGULATORY AFFAIRS GROUP

Prior to assuming her current position she was Head of Operational Risk Management and Internal Audit Groups. She earned her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. Ms. Lim is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor.

RICHARD C. LIM
EXECUTIVE VICE PRESIDENT
RETAIL BANKING GROUP

Prior to his appointment, he was seconded to RCBC Savings as Chief Operating Officer.

Mr. Lim previously worked with Maybank, Inc. as Head of Retail Banking. He also handled the following roles in the said bank: Head of Retail Marketing Management, Assistant Vice President for Cash Management Services, Head of Consumer Sales Department, and Cluster Head for Binondo Manila area. He also had stints with other banks namely , Philam Bank -AIG where he worked as Manager for Binondo Branch , International Exchange where he functioned as Assistant Manager/ Sales Officer, Banco De Oro where he was a Marketing Officer, Urban Bank where he performed the role of a Marketing Associate, and Chinabank where he was designated as Officer's Assistant at Cash Department. He graduated from the University of Santo Tomas in 1991 with a degree in Bachelor of Science major in Biology.

MARGARITA B. LOPEZ
FIRST SENIOR VICE PRESIDENT
HEAD OF DIGITAL BANKING GROUP

Prior to joining RCBC, she was a member of the Board of Directors, Corporate Vice President/ Asia Head of Digital, and the Chief Operations Officer of Manulife Financial. She also held the following positions in various institutions: Chief Operations Officer at Philippine AXA Life, Group Head/First Vice President of Electronic Banking Services at Philippine National Bank and Division Head/Vice President of Transactional Banking and Head of Strategic Innovations at the United Coconut Planters Bank. She obtained her Bachelor of Computer Science and Masters in Technology Management, Business and Industry from the University of the Philippines.

Continuing RCBC's focus on inclusion and innovation, Ms. Lopez assisted in ensuring customer centered focus of major touchpoints and paved the way towards RCBC's cashless initiative with the launch of ePiso and the embedding of digital currency in otherwise cash heavy exchanges within various communities and businesses. With the Digital Banking Group, RCBC's fundamentals were strengthened, enabling the bank to reach out and be useful to more customers virtually and to pave the way for strong digital ecosystems the Bank is geared to help and sustain: capitalizing on data, social networks, mobile accessibility and use of AI.

FLORENTINO M. MADONZA
FIRST SENIOR VICE PRESIDENT
HEAD OF CONTROLLERSHIP GROUP

Prior to joining the Bank, he worked at Sycip, Gorres, Velayo and Co. as external auditor. He held various positions in Accounting and Controllership for over 20 years. He completed his Bachelor of Science in Commerce major in Accounting from Araullo University (Cum Laude), and is a Certified Public Accountant.

JANE N. MAÑAGO
SENIOR VICE PRESIDENT
HEAD OF WEALTH MANAGEMENT GROUP

She has extensive exposure in the fields of treasury, marketing, product management, account management and private banking from her tenure with Citibank, Equitable Bank and YGC CSI. She graduated Cum Laude from the University of Santo Tomas with Bachelor of Arts in Behavioral Science and Bachelor of Science in Commerce, major in Business Administration degrees.

MARIO T. MIRANDA
FIRST SENIOR VICE PRESIDENT
HEAD OF TRUST AND INVESTMENTS GROUP

Before joining RCBC, he was the President and CEO of BPI Asset Management and Trust Corporation. and held concurrent Trust Officer functions at BPI Capital Corporation. He also had stints with the following: Trebel Industries , Inc as Corporate Treasurer and Comptroller; Security Pacific National Bank in Los Angeles, CA. as a Management Associate, Bancom Development Corporation (merged with Union Bank) as Credit Evaluation Analyst. He was also a Part-time faculty member of the Mathematics Department, Graduate School of the Ateneo de Manila University. He obtained his Master of Business Administration from the University of California and his degree in Bachelor of Science in Management Engineering from the Ateneo De Manila University

EMMANUEL T. NARCISO
FIRST SENIOR VICE PRESIDENT
HEAD OF GLOBAL TRANSACTION BANKING GROUP

Prior to joining RCBC, he was the Group Head of Transaction Banking in Banco de Oro Unibank, Inc. He was also previously connected with the Hongkong and Shanghai Banking Corporation, where he handled the following roles: Head of Business Banking Division (Philippines), Head of Payments and Cash Management for Vietnam and Philippines. He also worked for Security Bank Corporation as Head of Corporate Transaction Banking Division and Citibank N.A. where his last appointment was as Business Development Head for Global Transaction Services. He started his career in banking as an Analyst/Programmer in the Bank of the Philippine Islands in 1984. He obtained his Bachelor of Arts in Economics (Honors Program) from the Ateneo de Manila University and his Master in Business Management from the Asian Institute of Management.

MARIA CECILIA F. NATIVIDAD
SENIOR VICE PRESIDENT
CHIEF MARKETING OFFICER AND HEAD OF THE MARKETING GROUP

Prior to joining the Bank, she was Head of Marketing for the Philippine and Indochina markets of The Western Union Company. Previously, she was Assistant Vice President and Consumer Marketing Manager of Nestle Philippines, Inc., and a Sales Trainor at Ayala Life Insurance, Inc. She has over twenty (20) years of professional experience in the areas of global and cross border marketing, strategic planning, brand, communications and digital marketing. Ms. Natividad obtained her Bachelor of Science in Management, major in Legal Management degree from the Ateneo de Manila University.

BENNETT CLARENCE D. SANTIAGO
FIRST SENIOR VICE PRESIDENT
HEAD OF CREDIT MANAGEMENT GROUP

Prior to joining the Bank, he was the Head for Small Business Loans under the Consumer Banking Group of BDO. He was also the Head of Credit Risk Control for Commercial Banking in BDO. Prior to BDO, he held various senior risk roles at Citi Commercial Bank Unit of Citibank Manila, Union Bank of the Philippines, and International Exchange Bank. He obtained his Bachelor of Science in Business Administration degree from the University of the Philippines and took up units for Masters in Business Administration from the Ateneo Graduate School of Business.

ROWENA F. SUBIDO
FIRST SENIOR VICE PRESIDENT
HEAD OF HUMAN RESOURCES GROUP

Prior to joining RCBC, she worked with Citibank, N.A. as Senior Vice President and Lead Human Resources Generalist and Senior Vice President and Head of Human Resources for the Institutional Clients Group. She also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Vice President and Human Resources Head. She graduated from the

University of Santo Tomas with a degree in Bachelor of Science major in Psychology. She earned units for Masters in Psychology major in Organizational/Industrial Psychology at De La Salle University.

EDEL MARY G.D. VEGAMORA
EXECUTIVE VICE PRESIDENT
CHIEF AUDIT EXECUTIVE AND HEAD OF INTERNAL AUDIT GROUP

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

Ms. Vegamora had worked as Board of Directors-Member in various legal entities, namely, 2002:Chairman, Board of Directors, & President -The Institute of Internal Auditors Philippines, Inc. ; 1999, 2000, 2001, 2003: Member, Board of Directors -The Institute of Internal Auditors Philippines, Inc. ; 2008: Member, Board of Directors-Sun Life Asset Management Corporation.; 2008:Member, Board of Directors -Sun Life Prosperity Funds (Specific mutual fund corporations); 2001– 2007:Member, Board of Directors, ING Forex Corporation; 2001 – 2005: Member, Board of Directors, ING Securities Philippines, Inc. ; 2005 – 2007: Member, Board of Directors, ING Foundation Philippines.

SIMON JAVIER A. CALASANZ
FIRST SENIOR VICE PRESIDENT
PRESIDENT, RCBC BANKARD SERVICES CORPORATION
(Seconded from RCBC)

A double degree graduate from DLSU majoring in Marketing and Psychology, Mr. Calasanz brings with him over seventeen (17) years of banking experience. He has handled challenging roles in the following areas: Retail Banking and Wealth Management, Contact Centre Management, Consumer Lending, Product Management, Credit Risk and Compliance, Fraud Detection, Management Information Systems and Operations. His last 2 roles with the Hongkong and Shanghai Banking Corporation were as concurrent Head of Sales and Contact Centre Management and Head of Cards and Consumer Assets. He also performed significant roles for the Credit Card Association of the Philippines, Bancnet and Credit Management Association of the Philippines, previous positions were as President/Chairman for CCAP, and Director for both Bancnet and CMAP. He continues to hold a position in the Card Association as Special Advisor to the Board of Directors, and is a regular speaker in universities on financial literacy. He is currently a guest lecturer at Mapua University's Masters in Analytics course.

GERALD O. FLORENTINO
FIRST SENIOR VICE PRESIDENT
PRESIDENT AND CHIEF EXECUTIVE OFFICER, RCBC SECURITIES, INC.
(Seconded from RCBC)

Before joining RCBC, he was Senior Vice President for the Investment Banking Group of the Investment and Capital Corporation of the Philippines. He gained corporate planning expertise from AXA Philippines as Vice President and Head of Strategic Planning, Project Management, Business Development, and AXA Way. He also assumed various positions when he was employed in UCPB for 7 years in which his last appointment was the Head of Cash Management Products for Working Capital Products Group. He graduated from Loyola University of Chicago, Illinois with a degree in Bachelor of Business Administration major in Finance. He obtained his Masters in Business Management from the Asian Institute of Management.

JOSE LUIS F. GOMEZ
PRESIDENT AND CHIEF EXECUTIVE OFFICER
RCBC CAPITAL CORPORATION

His eighteen years in RCBC Capital follows extensive experience in investment banking as well as corporate banking with reputable local and foreign institutions such as Bank of America N.A., AIG Investments Corporation, and Peregrine Capital Philippines, Inc. among others. He holds a Master of Business Administration degree from the Katholieke Universiteit Leuven in Belgium, where he graduated with distinction, and a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

ROMMEL S. LATINAZO
EXECUTIVE VICE PRESIDENT
PRESIDENT AND CHIEF EXECUTIVE OFFICER OF RCBC SAVINGS BANK
(Seconded from RCBC)

Prior to assuming the helm of RCBC Savings, he was RCBC's Head of the Corporate Banking Segment 1 under the Corporate Banking Group. He obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and earned his Masters in Business Administration degree from the University of the Philippines.

JOSEPH COLIN B. RODRIGUEZ
FIRST SENIOR VICE PRESIDENT
PRESIDENT & CEO, RCBC FOREX BROKERS CORPORATION
(Seconded from RCBC)

Prior to his appointment, he was Treasurer of RCBC Savings Bank. 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.

RAYMUNDO C. ROXAS
PRESIDENT, RIZAL MICROBANK

He started as a Microfinance Consultant in March 2009 and became the Head of Lending and Branch Operations of Rizal MicroBank in December of the same year. He was eventually appointed as President on March 21, 2016. Before joining the RCBC Group, he worked as Regional Manager of the United States Agency for International Development (USAID) Microenterprise Access to Banking Services (MABS) Project, Chief Commercial Officer of ACCION International Inner Mongolia Microfinance Company, and Microfinance Department Head of First Isabela Cooperative Bank, Inc. He has more than 25 years of work experience in microfinance. He graduated from the Lyceum of the Philippines University with a Bachelor of Science degree in Psychology (Cum Laude). He completed a Bank Management Development Course in 2000 conducted by the University of the Asia & Pacific and sponsored by the People's Credit and Finance Corporation. He was a product of RCBC's Middle Management Development Program and Leadership Development Program conducted by De La Salle University and John Clements Consultancy respectively.

ALFONSO C. TANSECO
PRESIDENT AND CHIEF EXECUTIVE OFFICER
RCBC LEASING AND FINANCE CORPORATION AND RCBC RENTAL CORPORATION

Immediately after joining RCBC Leasing, he was elected to the Board of Directors of the Phil. Finance Association (PFA), the national governing body of finance and leasing companies, and served as its President from 2014 to 2016. Prior to joining RCBC Leasing, he served as President and CEO of JPNB Leasing and Finance Corporation as well as UCPB Leasing and Finance Corporation. He was formerly the Head of the Govt.

Banking Group-LGUs & NGA/GOCC-Philippine National Bank and held senior officer positions in United Coconut Planters Bank and UCPB Factors and Finance Corporation. Mr. Tanseco has 38 years banking experience with vast exposure in corporate banking, commercial and SME lending as well as remedial credit. He obtained his AB-Economics degree from the Ateneo de Manila University and completed the Bank Management Program at the Asian Institute of Management.

FINANCIAL STATEMENTS 2018

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, 2018 and 2017, 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 mangement 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 clompletion of such audit.

HELEN Y. DEE
Chairperson, Board of Directors

GIL A. BUENAVENTURA
President & Chief Executive Officer

HORACIO E. CEBRERO III
SEVP, Head – Treasury Group

FLORENTINO M. MADONZA
FSVP, Head – Controllership Group

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Report of Independent Auditors

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2018 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 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) Adoption of Expected Credit Loss Model for Loans and Receivables under PFRS 9, Financial Instruments

Description of the Matter

As described in Note 2 to the financial statements, the Group and the Parent Company have adopted on January 1, 2018, the new impairment requirements under PFRS 9, *Financial Instruments*, which fundamentally changed the Group's and the Parent Company's assessment and accounting for impairment losses of its loans and receivables portfolio from an incurred loss model to a forward-looking expected credit loss (ECL) model. As of December 31, 2018, the Group's and the Parent Company's loans and receivables comprise 62% and 58% of the total resources, respectively, while as at January 1, 2018, these comprise 64% and 60% of the Group's and the Parent Company's total resources, respectively. We have identified this area a key audit matter as PFRS 9 is a new and complex accounting standard that:

- requires significant management judgment on the interpretation and implementation of the requirements of the standard in assessing impairment losses based on an ECL model that involves defining when does default occur and what constitute a significant increase in the credit risk of different loans and receivables portfolio;

- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating of the borrower, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,

- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In addition, the application of the ECL model requires comprehensive and complex disclosures on the Group's and the Parent Company's financial statements as at January 1, 2018, and for each reporting period. The impact of the adoption of the ECL model at transition date and as at December 31, 2018 are disclosed in Notes 2 and 11, respectively, while the summary of significant accounting policies, the significant judgment, including estimation applied by management, as those relate to the credit risk assessment process of the Group and the Parent Company are disclosed in Notes 2, 3 and 4 to the financial statements, respectively.

How the Matter was Addressed in the Audit

We obtained an understanding of the Group's and the Parent Company's accounting policies and methodologies applied and we evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Group's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation applied in the development of the ECL model.

With respect to the use of significant judgment, including those involving estimation of inputs and assumptions used in the ECL model, we performed the following:

- assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and evaluated the appropriateness of the specific model applied for each segment of loan portfolio;
- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the significant increase in credit risk, including assignment of a loan or group of loans into different stages of impairment;
- tested the Group's and the Parent Company's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;
- tested loss given default information across various types of loan by inspecting records of historical recoveries, including valuation and cash flows from collateral, and write-offs;
- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown; and,
- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information.

As part of our audit of the ECL methodology, we tested the completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we tested the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and receivables subjected to impairment assessment.

We assessed the appropriateness of the transition adjustments as at January 1, 2018 and evaluated the completeness of the disclosures in the financial statements against the requirements of the relevant standards.

(b) *Fair Value Measurement of Unquoted Securities Classified at Fair Value Through Other Comprehensive Income*

Description of the Matter

The Group and the Parent Company have significant investments in unquoted equity securities measured at fair value through other comprehensive income amounting to P3,989 million and P1,946 million, respectively, as of December 31, 2018. These include equity securities with total fair value of P2,358 million and P339 million for the Group and Parent Company, respectively, on which net fair value loss of P185 million for the Group and fair value loss of P204 million for the Parent Company were recognized in other comprehensive income in 2018, which formed part of the Revaluation Reserves account in the statement of changes in equity. The valuation of these financial instruments involve complex valuation techniques (i.e., price-to-book value method and discounted cash flow method) and significant estimation which are highly dependent on underlying assumptions and inputs such as price-to-book ratios of selected comparable listed entities, application of a certain haircut rate, and appropriate discount rate in computing the present value of future cash flows expected from dividend or redemption payments. These inputs are considered Level 3 unobservable inputs in the fair value hierarchy under PFRS 13, *Fair Value Measurement*, as discussed in Notes 3 and 7 to the financial statements. Accordingly, we have assessed the valuation of the unquoted equity securities as a key audit matter.

How the Matter was Addressed in the Audit

We evaluated the appropriateness of management's valuation methodology in accordance with PFRS 13. For equity security valued using the price-to-book value method, we used our own internal valuation expert to assess and challenge the valuation assumptions used, including the identification and selection of comparable listed entities and the related financial information such as net book value per share and quoted prices of those listed entities. In testing the reasonableness of the haircut rate used, we reviewed available non-financial information relevant to the assessment of the potential marketability of the subject security, and the consistency of the application of the haircut rate used in prior period in light of the current industry and economic circumstances. With respect to the equity security measured using the discounted cash flow method, we evaluated the reasonableness of the amount of future cash flows from the dividend or redemption expected to be received from the instrument based on the contractual arrangement with the counterparty, and the appropriate discount rate used. We also tested the mathematical accuracy of the calculation for both valuation techniques used by management.

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

Description of the Matter

As of December 31, 2018, the Parent Company carries in its financial statements investment securities held under its hold-to-collect (HTC) business model, which are measured at amortized cost amounting to P78,595 million. In 2018, it disposed of a portion of its US dollar-denominated HTC securities with face value of US$57 million (P3,021 million) and carrying amount of P3,205 million. The disposal was made to maintain adequate liquidity buffer for the expected cash outflows for loan drawdowns.

Management assessed that such disposal remains to be consistent with the Parent Company's HTC business model with the objective of collecting contractual cash flows. The assessment to determine whether the disposal of the HTC securities is consistent with the Parent Company's HTC business model is considered a key audit matter because the assessment involves significant judgment such as on the evaluation of the frequency and significance of the disposal that may impact the appropriateness of the Parent Company's business model in managing financial instruments. The disclosures in relation to this matter are included in Note 10 while the disclosures regarding the Parent Company's assessment of the business model applied in managing financial instruments are presented in Note 3 to the financial statements.

How the Matter was Addressed in the Audit

We checked the appropriateness of the Parent Company's disposal of the US dollar-denominated HTC securities by reviewing the documentation of the approval of the Parent Company's Executive Committee on December 20, 2018 as required by the BSP. We assessed whether the disposal was made consistent with the permitted sale events documented in the Parent Company's business model in managing financial assets manual and with the relevant requirements of both the financial reporting standard and the BSP. We also assessed the appropriateness and reasonableness of the underlying data used and the rationale documented by the Parent Company in the determination of the amount of HTC securities disposed of relative to the current and forecasted level of liquidity and to ensure continuing compliance with the regulatory requirements of the BSP.

(d) Recoverability of Deferred Tax Assets

Description of the Matter

The Group's and the Parent Company's deferred tax assets amounted to P2,094 million and P964 million, respectively, as of December 31, 2018. The recognition of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent of the changes in probability that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilized. Determining the probabilities of sufficiency of future taxable profits involves significant management judgment and high estimation uncertainty as it requires preparation of financial forecast and profitability projections which may result in different outcome scenarios, hence, may significantly affect the estimates and decisions made by management whether or not to recognize the deferred tax assets. Accordingly, we identified the recoverability of deferred tax assets as significant area of focus in our audit.

How the Matter was Addressed in the Audit

Our work included, among others, obtaining management's income projections based on its Internal Capital Adequacy Assessment Process document. Relative to this, we reviewed the appropriateness of management's assumptions underlying the recoverability of the deferred tax assets by comparing the forecast to our expectations developed based on historical performance and our understanding of the Group's and the Parent Company's existing growth strategy. We also considered the fact that the Group and the Parent Company have been utilizing the benefits of deferred tax assets since prior periods.

The relevant information about the accounting policies on deferred tax assets and the details of recognized and unrecognized deferred tax assets as of December 31, 2018 are disclosed in Notes 3 and 26 to the financial statements, respectively.

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, 2018, the balance of goodwill, net of allowance for impairment, 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. We identified this area as a key audit matter because the annual impairment test requires significant judgment and is based on assumptions which are internally developed or projected by management. This includes the identification of cash generating units (CGUs) where the goodwill is allocated and the future cash flows of the identified CGUs, which are affected by expected future market or economic conditions. The Group engaged a third party valuation specialist to assist in assessing any impairment on the recognized goodwill. Management's significant assumptions include:

- RCBC Savings Bank, Inc. (RSB)'s business, the identified CGU on which the goodwill is allocated, will continue as a going concern or if merged with the Parent Company under the Plan of Merger as disclosed in Note 1 to the financial statements, will continue to be a CGU for the Group;

- The CGU will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- The CGU's performance forecasts for the next five years.

The Group's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

We assessed the competence, capabilities and qualifications of the third party valuation specialist by considering their qualifications, experience and reporting responsibilities. We evaluated the methodology applied and the assumptions used by management and its valuation specialist, particularly those relating to the forecasted revenue growth and profit margins of RSB by considering its historical financial performance and its specific growth strategy. We compared the long-term growth rate against the industry and market outlook and other relevant external data. In addition, we did not identify event or conditions that may cast significant doubt on the identified CGU's ability to continue as a going concern.

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, 2018, 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, 2018 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 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 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the supplementary information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Securities Regulation Code Rule 68, as amended, of the SEC.

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The engagement partner on the audits resulting in this independent auditors' report is Anthony L. Ng.

PUNONGBAYAN & ARAULLO

By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 7333699, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 26, 2019

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

(Amounts in Millions of Philippine Pesos)

	Notes	GROUP				PARENT COMPANY			
			2018		2017		**2018**		2017
RESOURCES									
CASH AND OTHER CASH ITEMS	9	**P**	**17,392**	P	14,693	**P**	**12,225**	P	10,415
DUE FROM BANGKO SENTRAL NG PILIPINAS	9		**56,495**		58,801		**39,847**		47,186
DUE FROM OTHER BANKS	9		**20,342**		19,818		**19,420**		18,368
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENTS	9		**10,032**		9,831		**4,000**		7,435
TRADING AND INVESTMENT SECURITIES-Net	10		**118,449**		72,932		**100,982**		58,133
LOANS AND RECEIVABLES-Net	11		**398,300**		354,243		**298,744**		265,791
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES-Net	12		**423**		417		**19,928**		19,018
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT-Net	13		**8,415**		8,946		**4,992**		5,197
INVESTMENT PROPERTIES-Net	14		**3,631**		3,399		**2,922**		2,785
DEFERRED TAX ASSETS	26		**2,094**		1,896		**964**		942
OTHER RESOURCES-Net	15		**9,022**		9,012		**6,899**		6,306
TOTAL RESOURCES		**P**	**644,595**	P	553,988	**P**	**510,923**	P	441,576
LIABILITIES AND EQUITY									
DEPOSIT LIABILITIES	17	**P**	**423,399**	P	388,412	**P**	**302,410**	P	288,667
BILLS PAYABLE	18		**56,001**		43,967		**48,759**		36,600
BONDS PAYABLE	19		**53,090**		28,060		**53,090**		28,060
SUBORDINATED DEBT	20		**9,986**		9,968		**9,986**		9,968
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21		**5,277**		4,185		**3,966**		3,218
OTHER LIABILITIES	22		**15,672**		12,369		**11,637**		8,134
Total Liabilities			**563,425**		486,961		**429,848**		374,647
EQUITY	23								
Attributable to:									
Parent Company's Shareholders			**81,144**		66,999		**81,075**		66,929
Non-controlling Interests			**26**		28		**-**		-
			81,170		67,027		**81,075**		66,929
TOTAL LIABILITIES AND EQUITY		**P**	**644,595**	P	553,988	**P**	**510,923**	P	441,576

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

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

		GROUP			PARENT COMPANY		
	Notes	**2018**	2017	2016	**2018**	2017	2016
INTEREST INCOME							
Loans and receivables	11	**P 27,037**	P 21,956	P 19,442	**P 19,394**	P 15,081	P 13,219
Trading and investment securities	10	**3,403**	2,430	3,269	**2,810**	1,955	2,927
Others	9, 24	**493**	378	426	**360**	277	383
		30,933	24,764	23,137	**22,564**	17,313	16,529
INTEREST EXPENSE							
Deposit liabilities	17	**6,295**	3,959	3,269	**3,723**	2,389	2,021
Bills payable and other borrowings	18, 19, 20, 24	**4,149**	2,784	4,161	**3,810**	2,529	3,945
		10,444	6,743	7,430	**7,533**	4,918	5,966
NET INTEREST INCOME		**20,489**	18,021	15,707	**15,031**	12,395	10,563
IMPAIRMENT LOSSES-Net	16	**1,899**	2,155	1,770	**1,306**	1,164	856
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**18,590**	15,866	13,937	**13,725**	11,231	9,707
OTHER OPERATING INCOME							
Service fees and commissions	2	**3,323**	3,138	3,196	**2,211**	1,985	1,762
Foreign exchange gains-net	2, 19	**843**	798	276	**991**	773	244
Trust fees	27	**278**	279	294	**218**	226	243
Share in net earnings of subsidiaries and associates	12	**14**	92	131	**1,299**	2,110	1,500
Trading and securities gains (losses)-net	2, 10	**-**	900	1,619	**(17)**	664	1,663
Miscellaneous-net	25	**1,548**	1,893	1,598	**955**	1,129	1,084
		6,006	7,100	7,114	**5,657**	6,887	6,496
TOTAL OPERATING INCOME		**P 24,596**	P 22,966	P 21,051	**P 19,382**	P 18,118	P 16,203
OTHER OPERATING EXPENSES							
Employee benefits	24	**6,562**	5,991	5,408	**4,472**	4,164	3,666
Occupancy and equipment-related	28, 29	**3,457**	3,185	2,871	**2,669**	2,492	2,180
Taxes and licenses	14	**2,238**	1,821	1,840	**1,523**	1,289	1,287
Depreciation and amortization	13, 14, 15	**1,821**	1,914	1,766	**1,075**	1,085	985
Miscellaneous	25	**5,325**	4,904	5,470	**4,510**	4,083	4,556
		19,403	17,815	17,355	**14,249**	13,113	12,674
PROFIT BEFORE TAX		**5,193**	5,151	3,696	**5,133**	5,005	3,529
TAX EXPENSE (INCOME)	26	**872**	841	(174)	**813**	697	(339)
NET PROFIT		**P 4,321**	P 4,310	P 3,870	**P 4,320**	P 4,308	P 3,868
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 4,320**	P 4,308	P 3,868			
NON-CONTROLLING INTERESTS		**1**	2	2			
		P 4,321	P 4,310	P 3,870			
Earnings Per Share							
Basic and diluted	30	**P 2.62**	P 3.08	P 2.76			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2018**	2017	2016	**2018**	2017	2016
NET PROFIT		**P 4,321**	P 4,310	P 3,870	**P 4,320**	P 4,308	P 3,868
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**(1,269)**	1,510	(325)	**(1,384)**	1,491	(349)
Fair value gains (losses) on equity securities at fair value through other comprehensive income	10, 23	**(1,018)**	(156)	1,442	**(478)**	(269)	1,395
Share in other comprehensive income (losses) of the subsidiaries and associates:							
Actuarial gains on defined benefit plan	12	**6**	4	-	**121**	23	24
Fair value gains (losses) on equity securities at fair value through other comprehensive income	12, 23	**-**	-	-	**(540)**	113	47
		(2,281)	1,358	1,117	**(2,281)**	1,358	1,117
Items that will be reclassified subsequently to profit or loss							
Fair value gains on debt securities at fair value through other comprehensive income	10, 23	**149**	-	-	**149**	-	-
Translation adjustments on foreign operations	12, 23	-	(1)	25	**-**	(1)	25
Reclassification of cumulative translation adjustment on dissolutionof a foreign subsidiary	12, 23	**(32)**	-	-	**(32)**	-	-
		117	(1)	25	**117**	(1)	25
Total Other Comprehensive Income (Loss)	23	**(2,164)**	1,357	1,142	**(2,164)**	1,357	1,142
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 2,157**	P 5,667	P 5,012	**P 2,156**	P 5,665	P 5,010
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 2,156**	P 5,665	P 5,010			
NON-CONTROLLING INTERESTS		**1**	2	2			
		P 2,157	P 5,667	P 5,012			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Millions of Philippine Pesos)

		GROUP										
		ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS										
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2018												
As previously reported		P 13,999	P 3	P 22,635	P 1,974	P 436	(P 97)	P -	P 28,049	P 66,999	P 28	P 67,027
Effect of adoption of PFRS 9	2	-	-	-	456	-	-	2,227	(4,614)	(1,931)	(3)	(1,934)
As restated		13,999	3	22,635	2,430	436	(97)	2,227	23,435	65,068	25	65,093
Transactions with owners	23											
Issuance of common stock		5,357	-	9,426	-	-	-	-	-	14,783	-	14,783
Cash dividends		-	-	-	-	-	-	-	(863)	(863)	-	(863)
Total transactions with owners		5,357	-	9,426	-	-	-	-	(863)	13,920	-	13,920
Net profit for the year		-	-	-	-	-	-	-	4,320	4,320	1	4,321
Other comprehensive loss		-	-	-	(2,164)	-	-	-	-	(2,164)		(2,164)
General loan loss appropriation	23	-	-	-	-	-	-	367	(367)	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	18	-	-	(18)	-	-	-
		5,357	-	9,426	(2,164)	18	-	367	3,072	16,076	1	2,157
Balance at December 31, 2018		**P 19,356**	**P 3**	**P 32,061**	**P 266**	**P 454**	**(P 97)**	**P 2,594**	**P 26,507**	**P 81,144**	**P 26**	**P 81,170**
Balance at January 1, 2017		P 13,999	P 3	P 22,635	P 621	P 415	(P 97)	P -	(P 24,531	P 62,107	P 26	P 62,133
Transaction with owners	23											
Cash dividends		-	-	-	-	-	-	-	(773)	(773)	-	(773)
Net profit for the year		-	-	-	-	-	-	-	4,308	4,308	2	4,310
Other comprehensive income	23	-	-	-	1,357	-	-	-	-	1,357	-	-
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	(4)	-	-	-	4	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	21	-	-	(21)	-	-	-
		-	-	-	1,353	21	-	-	3,518	4,892	2	4,894
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P 1,974	P 436	(P 97)	P -	P 28,049	P 66,999	P 28	P 67,027
Balance at January 1, 2016		P 13,999	P 3	P 22,635	(P 518)	P 388	(P 97)	P -	P 21,695	P 58,105	P 24	P 58,129
Transaction with owners	23											
Cash dividends		-	-	-	-	-	-	-	(1,008)	(1,008)	-	(1,008)
Net profit for the year		-	-	-	-	-	-	-	3,868	3,868	2	3,870
Other comprehensive income	23	-	-	-	1,142	-	-	-	-	1,142	-	1,142
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	(3)	-	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	27	-	-	(27)	-	-	-
		-	-	-	1,139	27	-	-	2,836	4,002	2	4,004
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P 621	P 415	(P 97)	P -	P 24,531	P 62,107	P 26	P 62,133

See Notes to Financial Statements.

	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL EQUITY
		PARENT COMPANY							
Balance at January 1, 2018									
As previously reported		P 13,999	P 3	P 22,635	P 1,974	P 394	P -	P 27,924	P 66,929
Effect of adoption of PFRS 9	2	-	-	-	456	-	1,793	(4,179)	(1,930)
As restated		13,999	3	22,635	2,430	394	1,793	23,745	64,999
Transactions with owners	23								
Issuance of common stock		5,357	-	9,426	-	-	-	-	14,783
Cash dividends		-	-	-	-	-	-	(863)	(863)
Total transactions with owners		5,357	-	9,426	-	-	-	(863)	13,920
Net profit for the year		-	-	-	-	-	-	4,320	4,320
Other comprehensive loss		-	-	-	(2,164)	-	-	-	(2,164)
General loan loss appropriation	23	-	-	-	-	-	319	(319)	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	12	-	(12)	-
		5,357	-	9,426	(2,164)	12	319	3,126	16,076
Balance at December 31, 2018		**P 19,356**	**P 3**	**P 32,061**	**P 266**	**P 406**	**P 2,112**	**P 26,871**	**P 81,075**
Balance at January 1, 2017		P 13,999	P 3	P 22,635	P 621	P 378	P -	P 24,401	P 62,037
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(773)	(773)
Net profit for the year		-	-	-	-	-	-	4,308	4,308
Other comprehensive income	23	-	-	-	1,357	-	-	-	1,357
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	(4)	-	-	4	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	16	-	(16)	-
		-	-	-	1,353	16	-	3,523	4,892
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P 1,974	P 394	P -	P 27,924	P 66,929
Balance at January 1, 2016		P 13,999	P 3	P 22,635	(P 518)	P 356	P -	P 21,560	P 58,035
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,008)	(1,008)
Net profit for the year		-	-	-	-	-	-	3,868	3,868
Other comprehensive income	23	-	-	-	1,142	-	-	-	1,142
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	(3)	-	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	22	-	(22)	-
		-	-	-	1,139	22	-	2,841	4,002
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P 621	P 378	P -	P 24,401	P 62,037

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

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

		GROUP			PARENT COMPANY		
	Notes	**2018**	2017	2016	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 5,193**	P 5,151	P 3,696	**P 5,133**	P 5,005	P 3,529
Adjustments for:							
Interest income		**(30,933)**	(24,764)	(23,137)	**(22,564)**	(17,313)	(16,529)
Interest received		**29,528**	24,455	23,570	**21,261**	17,182	16,962
Interest paid		**(11,392)**	(6,886)	(7,253)	**(8,131)**	(4,733)	(5,889)
Interest expense		**10,444**	6,743	7,430	**7,533**	4,918	5,966
Impairment losses-net	16	**1,899**	2,155	1,770	**1,306**	1,164	856
Depreciation and amortization	13, 14, 15	**1,821**	1,914	1,766	**1,075**	1,085	985
Dividend income	25	**(189)**	(234)	(449)	**(187)**	(196)	(307)
Share in net earnings of subsidiaries and associates	12	**(14)**	(92)	(131)	**(1,299)**	(2,110)	(1,500)
Gains on assets sold	25	**(70)**	(282)	(541)	**(28)**	(199)	(24)
Operating profit before working capital changes		**6,287**	8,160	7,142	**4,099**	4,803	4,049
Decrease (increase) in financial assets at fair value through profit and loss		**(21)**	10,488	(12,967)	**(138)**	10,522	(13,082)
Decrease (increase) in financial assets at fair value through other comprehensive income		**(16,624)**	316	(1,471)	**(13,126)**	139	48
Decrease (increase) in loans and receivables		**(34,119)**	(50,172)	(6,748)	**(22,472)**	(38,690)	4,666
Decrease (increase) in investment properties		**(329)**	(774)	209	**(118)**	(45)	27
Decrease (increase) in other resources		**1,689**	1,693	(528)	**1,036**	139	254
Increase (decrease) in deposit liabilities		**34,987**	35,335	10,715	**13,743**	28,502	(3,905)
Increase (decrease) in accrued interest, taxes and other expenses		**1,037**	(593)	338	**806**	(292)	179
Increase (decrease) in other liabilities		**74**	1,911	(256)	**274**	948	(1,385)
Cash generated from (used in) operations		**(7,019)**	6,364	(3,987)	**(15,896)**	6,026	(9,149)
Income taxes paid		**(1,015)**	(605)	(574)	**(893)**	(477)	(501)
Net Cash From (Used in) Operating Activities		**(8,034)**	5,759	(4,561)	**(16,789)**	5,549	(9,650)
CASH FLOWS FROM INVESTING ACTIVITIES							
Additional investments in securities at amortized cost		**(77,488)**	(33,570)	(11,271)	**(76,286)**	(27,549)	(10,473)
Proceeds from disposal and maturity of securities at amoritzed cost		**47,755**	25,296	61,288	**45,832**	24,251	57,087
Acquisitions of bank premises, furniture, fixtures, and equipment	13	**(1,214)**	(1,521)	(2,782)	**(836)**	(899)	(1,129)
Cash dividends received	12, 25	**189**	296	560	**291**	600	307
Acquisitions of intangible assets	15	**(179)**	(304)	(294)	**(163)**	(267)	(270)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**401**	203	834	**226**	102	317
Net Cash From (Used in) Investing Activities		**(30,536)**	(9,600)	48,335	**(30,936)**	(3,762)	45,839
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	18, 32	**44,522**	20,561	33,668	**42,769**	15,477	31,325
Payments of bills payable	18, 32	**(32,790)**	(14,472)	(45,429)	**(30,912)**	(10,788)	(45,429)
Issuance of bonds payable	19, 32	**23,520**	-	-	**23,520**	-	-
Issuance of common stock	23	**14,783**	-	-	**14,783**	-	-
Dividends paid	23	**(863)**	(773)	(1,008)	**(863)**	(773)	(1,008)
Redemption of bonds payable	19, 32	**-**	(13,687)	-	**-**	(13,687)	-
Net Cash From (Used in) Financing Activities		**49,172**	(8,371)	(12,769)	**49,297**	(9,771)	(15,112)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**10,602**	(12,212)	31,005	**1,572**	(7,984)	21,077
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	**14,693**	15,176	14,070	**10,415**	11,000	10,127
Due from Bangko Sentral ng Pilipinas	9	**58,801**	66,520	50,617	**47,186**	50,871	42,026
Due from other banks	9	**19,818**	25,293	19,701	**18,368**	24,109	18,196
Loans arising from reverse repurchase agreement	9	**9,831**	7,889	-	**7,435**	4,931	-
Interbank loans receivable	9, 11	**38**	515	-	**38**	515	-
		103,181	115,393	84,388	**83,442**	91,426	70,349
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**17,392**	14,693	15,176	**12,225**	10,415	11,000
Due from Bangko Sentral ng Pilipinas	9	**56,495**	58,801	66,520	**39,847**	47,186	50,871
Due from other banks	9	**20,342**	19,818	25,293	**19,420**	18,368	24,109
Loans arising from reverse repurchase agreement	9	**10,032**	9,831	7,889	**4,000**	7,435	4,931
Interbank loans receivable	9, 11	**9,522**	38	515	**9,522**	38	515
		P 113,783	P 103,181	P 115,393	**P 85,014**	P 83,442	P 91,426

See Notes to Financial Statements.

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

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivatives products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

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

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

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Automated teller machines (ATMs)	**1,593**	1,562	**1,136**	1,103
Branches	**497**	473	**330**	306
Extension offices	**12**	35	**2**	25

RCBC is a 41.56%-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 at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City. As of December 31, 2018, Cathay Life Insurance Corporation (Cathay) also owns 23.35% interest in RCBC.

The Parent Company's registered address, which is also its principal office, is 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 at the end of 2018 and 2017:

Subsidiaries/Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2018	2017
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 International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(a)	**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	Remittance	(b)	**-**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.41**	99.41
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	(d)	**99.31**	97.79
RCBC Rental Corporation	Property leasing	(d),(e)	**99.31**	97.79
Special Purpose Companies (SPCs):	Real estate buying and selling	(f)		
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
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
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)		(g)	**100.00**	100.00
Princeway Properties Development Corporation (Princeway)			**100.00**	100.00
Top Place Properties Development Corporation (Top Place)			**100.00**	100.00

Associates	Line of Business	Effective Percentage of Ownership
Associates:		
YGC Corporate Services, Inc. (YCS)	Support services for YGC	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	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 was operational only until March 1, 2016.

Explanatory Notes:

(a) A wholly-owned subsidiary of RCBC IFL.
(b) RCBC North America was dissolved in May 2018 after it has ceased its operations in March 2014 (see Note 12.1).
(c) Wholly-owned subsidiaries of RCBC Capital.
(d) The increase in ownership interest in RCBC LFC resulted from the issuance of shares of stock to the Parent Company after the former has secured in 2018 the Securities and Exchange Commission (SEC) approval of its application for increase in authorized capital stock from which the subscriptions were made (see Note 12.1).
(e) A wholly-owned subsidiary of RCBC LFC.
(f) Except for NPHI, the SPCs are wholly-owned subsidiaries of RSB; the SPCs, except for NPHI and Cajel, will be liquidated in pursuant to BSP recommendation and upon receipt of necessary regulatory clearance (see Note 15.3).
(g) The Parent Company has 48.11% direct ownership interest and 51.89% indirect ownership interest through RSB.

1.3 Plan of Merger

Pursuant to the Plan of Merger dated November 27, 2018 and as approved by the Board of Directors (BOD) of the Parent Company and RSB, RSB shall merge with the Parent Company, with the latter as the surviving entity. Subject to the issuance by the SEC of a Certificate of Merger with its prior approval, and the approval of the BSP and the Philippine Deposit Insurance Corporation, the merger shall become effective on July 1, 2019. The merger will involve the Parent Company acquiring the net assets of RSB in exchange for a number of shares of common stock to be determined based on a certain share exchange ratio to be agreed by both parties. The Plan of Merger was approved by the Parent Company's stockholders in their special meeting held on February 26, 2019.

1.4 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, 2018 (including the comparative financial statements as of December 31, 2017 and for the years ended December 31, 2017 and 2016) were approved and authorized for issue by the BOD of the Parent Company on February 26, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, 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 retrospective changes in the statement of profit or loss for the year ended December 31, 2017 by presenting at net the interest income and interest expense related to the receiving and paying legs of derivative instruments resulting in P354 reclassification in the amount of Interest Income on Trading and Investment Securities account and Interest Expense on Bills Payable and Other Borrowings account, to conform with the current presentation. Other reclassifications in certain accounts under the Other Operating Expenses section were also made for comparative purposes.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.16). All amounts are in millions, except share and 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 2018 that are Relevant to the Group

Except for the versions of PFRS 9, *Financial Instruments*, issued in 2009, 2010 and 2013 with date of initial application on January 1, 2014, which were early adopted by the Group on its 2014 financial statements, the Group adopted for the first time the following new PFRS, interpretation, amendments and improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Transfers of Investment Property
PFRS 9	:	Financial Instruments*
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle) PAS 28	:	Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value

**Adopted by the Group for the first time in 2018 with respect to fair value measurement of eligible debt securities through other comprehensive income and application of expected credit loss (ECL) model in assessing impairment of financial instruments.*

Discussed below are the relevant information about these new PFRS, interpretations, amendments and improvements.

(i) PAS 40 (Amendments), *Investment Property – Transfers of Investment Property*. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments also provided a non-exhaustive list of examples constituting change in use. The application of these amendments has no impact on the Group's financial statements as there were no reclassifications made to and from investment property during the year.

(ii) PFRS 9, *Financial Instruments*. This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. In addition to the principal classification categories for financial assets and financial liabilities and the new general hedge accounting model, which were early adopted by the Group on January 1, 2014, PFRS 9 includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement through other comprehensive income for eligible debt securities; and,
- an ECL model in determining impairment of all debt financial assets that are not measured at fair value through profit or loss (FVPL), including loan commitments and financial guarantee contracts which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

In relation to the adoption of PFRS 9, the Group adopted the financial asset at fair value through other comprehensive income (FVOCI) business model at January 1, 2018, which resulted in certain debt securities reclassified from financial assets at FVPL and at amortized cost to FVOCI category. As also allowed under PFRS 9, certain equity securities were designated at FVOCI and other reclassifications between categories of financial assets were also made by the Group.

With respect to impairment of financial assets, PFRS 9 requires an ECL model replacing the incurred credit loss model under PAS 39. It is no longer required for a credit event to have occurred before credit losses are recognized. The ECL model requires the Group to account for ECL and changes in those ECL at the end of each reporting period to reflect changes in the credit risk of the financial assets since initial recognition. These resulted in the recognition of additional allowance for ECL as at January 1, 2018 on the Group's financial assets measured at amortized cost or at FVOCI, together with loan commitments.

As allowed and in accordance with the transitional provisions of this new standard, the Group applied the modified retrospective application in adopting PFRS 9. Accordingly, comparative figures have not been restated but the Group has provided the related transition disclosure requirements under PFRS 7, *Financial Instruments: Disclosures*.

The following tables show the effects of the adoption of PFRS 9 on the carrying amounts and presentation of certain affected accounts in the statement of financial position as of January 1, 2018:

		Group					
		Investment Securities at					
		FVPL	FVOCI	Amortized Cost	Loans and Receivables	Deferred Tax Assets	Other Liabilities
Balance at December 31, 2017 under PAS 39/PFRS 9		P 7,591	P 5,363	P 59,978	P 354,243	P 1,896	P 12,369
Reclassification of financial assets to (from):							
Debt securities from FVPL to FVOCI	(a)	(105)	105	-	-	-	-
Quoted equity securities from FVPL to FVOCI	(a)	(302)	302	-	-	-	-
Unquoted equity securities from FVPL to FVOCI	(a)	(543)	543	-	-	-	-
Debt securities from FVPL to amortized cost	(b)	(51)	-	54	-	-	-
Debt securities from amortized cost to FVOCI	(c)	-	310	(315)	-	-	-
		(1,001)	1,260	(261)	-	-	-
Allowance/provisions for ECL:							
Loans and receivables	(e)	-	-	-	(1,680)	(124)	-
Investment securities at amortized cost	(d)	-	-	(21)	-	-	-
Loan commitments	(f)	-	-	-	-	-	107
		-	-	(21)	(1,680)	(124)	107
Total impact of adoption of PFRS 9		(1,001)	1,260	(282)	(1,680)	(124)	107
Balance at January 1, 2018 under PFRS 9		**P 6,590**	**P 6,623**	**P 59,696**	**P 352,563**	**P 1,772**	**P 12,476**

		Parent					
		Investment Securities at					
		FVPL	FVOCI	Amortized Cost	Loans and Receivables	Investments in Subsidiaries and Associates	Others Liabilities
Balance at December 31, 2017 under PAS 39/PFRS 9		P 6,553	P 3,439	P 48,141	P 265,791	P 19,018	P 8,134
Reclassification of financial assets to (from):							
Quoted equity securities from FVPL to FVOCI	(a)	(147)	147	-	-	-	-
Unquoted equity securities from FVPL to FVOCI	(a)	(543)	543	-	-	-	-
Debt securities from FVPL to amortized cost	(b)	(51)	-	54	-	-	-
		(741)	690	54	-	-	-
Allowance/provisions for ECL:							
Loans and receivables	(e)	-	-	-	(1,959)	143	-
Investment securities at amortized cost	(d)	-	-	(10)	-	-	-
Loan commitments	(f)	-	-	-	-	-	107
		-	-	(10)	(1,959)	143	107
Total impact of adoption of PFRS 9		(741)	690	44	(1,959)	143	107
Balance at January 1, 2018 under PFRS 9		**P 5,812**	**P 4,129**	**P 48,185**	**P 263,832**	**P 19,161**	**P 8,241**

The effects of the adoption of PFRS 9 on the equity accounts presented in the statement of changes in equity as of January 1, 2018 follow:

		Group Effects on			
		Surplus	Revaluation Reserves	General Loan Loss Reserves	Non-controlling interests
Balance at December 31, 2017 under PAS 39/PFRS 9		P 28,049	P 1,974	P -	P 28
Impact of adoption of PFRS 9:					
Remeasurement of reclassified financial assets					
Unquoted equity securities from FVPL to FVOCI	(a)	(461)	461	-	-
Debt securities from FVPL to amortized cost	(b)	3	-	-	-
Debt securities from amortized cost to FVOCI	(c)	-	(5)	-	-
Increase in allowance for ECL on loans and receivables	(e)	(1,677)	-	-	(3)
Increase in allowance for ECL on debt securities at amortized cost	(d)	(21)	-	-	-
Appropriation of surplus for general loan loss reserves	(e)	(2,227)	-	2,227	-
Tax effect on loan loss reserves	(e)	(124)	-	-	-
Recognition of ECL on loan commitments	(f)	(107)	-	-	-
		(4,614)	456	2,227	(3)
Balance at January 1, 2018 under PFRS 9		**P 23,435**	**P 2,430**	**P 2,227**	**P 25**

		Parent Company Effects on		
		Surplus	Revaluation Reserves	General Loan Loss Reserves
Balance at December 31, 2017 under PAS 39/ PFRS 9		P 27,924	P 1,974	P -
Impact of adoption of PFRS 9:				
Remeasurement of reclassified financial assets				
Unquoted equity securities from FVPL to FVOCI	(a)	(429)	429	-
Debt securities from FVPL to amortized cost	(b)	3	-	-
Increase in allowance for ECL on loans and receivables	(e)	(1,959)	-	-
Increase in allowance for ECL on debt securities at amortized cost	(d)	(10)	-	-
Appropriation of surplus for general loan loss reserves	(e)	(1,793)	-	1,793
Recognition of ECL on loan commitments	(f)	(107)	-	-
Net impact on subsidiaries' financial statements		116	27	-
		(4,179)	456	1,793
Balance at January 1, 2018 under PFRS 9		**P 23,745**	**P 2,430**	**P 1,793**

The nature and details of the changes in the foregoing financial statements accounts arising from the adoption of PFRS 9 are fully discussed below.

(a) *Investment securities reclassified from FVPL to FVOCI*

The Group elected to present in other comprehensive income changes in the fair value of certain investment securities previously classified as at FVPL because these investments are held for long-term strategic investments that are not expected to be sold in the short-to-medium term. As a result, certain debt and equity securities with total fair value of P950 and P690 for the Group and Parent Company, respectively, were reclassified from FVPL to FVOCI and the accumulated fair value gains on those assets amounting to P461 and P429 for the Group and Parent Company, respectively, were reclassified from Surplus to Revaluation Reserves account.

(b) *Debt security reclassified from FVPL to amortized cost*

A certain foreign corporate bond of the Parent Company with fair value of P51 at January 1, 2018, which is no longer held for trading and which is held by the Parent Company for collection of contractual cash flows representing solely payments of principal and interest was reclassified from investment securities at FVPL to investment securities at amortized cost, with the fair value loss amounting to P3, previously recognized in profit or loss, adjusted as an addition to Surplus account.

(c) *Debt securities reclassified from amortized cost to FVOCI*

Debt securities with total carrying amount of P315 were reclassified to FVOCI as the assets are now held by the Group with the objective of collecting the contractual cash flows and selling in the future for liquidity purposes. The assets have fair value of P310 upon reclassification on January 1, 2018 with fair value losses of P5 adjusted to the opening balance of Revaluation Reserve account.

(d) *Expected credit losses on investment in debt securities*

All of the Group's investment in debt securities classified at amortized cost and FVOCI are considered to have low credit risk, and the loss allowance recognized was therefore limited to 12-month expected credit loss. Management considers 'low credit risk' for listed and government bonds to be an investment grade credit rating with at least one reputable rating agency. Other instruments are considered to have low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Additional allowance for ECL recognized on these debt securities as at January 1, 2018 amounted to P21 and P10 for the Group and Parent Company, respectively, adjusted against the opening balance of Surplus account.

(e) *Expected credit losses on loans and receivables*

The Group has subjected its loans and receivables portfolio as at January 1, 2018 to ECL calculation, which resulted in the recognition of additional allowance for ECL for specific loan accounts amounting to P1,677 and P1,959 for the Group and Parent Company, respectively, with adjustment charged against the opening balance of Surplus. In addition, as required by the BSP, the Group and the Parent Company has appropriated from its Surplus an amount of P2,227 and P1,793, respectively, to General Loan Loss Reserves account reported as a separate component in the statements of changes in equity (see Note 23.5). This appropriation represents the excess of the one percent required allowance for credit losses of the BSP over the computed allowance for ECL. These adjustments also resulted in the derecognition of deferred tax asset amounting to P124 recognized by a certain subsidiary on certain loss allowance provided in prior years; hence, affected the carrying amount of the Parent Company's Investments in Subsidiaries and Associates account.

(f) *Exposures at default on loan commitments*

Based on the Parent Company's outstanding lending commitments, management determines the exposures at default related to the future amounts that may be drawn based on historical observations of actual drawdowns and forward-looking forecasts. Required provisions for ECL related to undrawn loan commitments at January 1, 2018 amounted to P107 and is recognized at transition date as part of Other Liabilities account.

(iii) PFRS 15, *Revenue from Contracts with Customers,* together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard replaced PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in this standard is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In applying this new standard, the Group is required to account for revenue arising from contracts with customers following the five-step model as follows:

(a) identify the contract with a customer;
(b) identify the performance obligations;
(c) determine the transaction price;
(d) allocate the transaction price to the performance obligations; and,
(e) recognize revenue when (or as) performance obligations are satisfied.

Management determined that except for gains arising from sale of non-financial assets, certain service charges, commissions and fees, substantial amount of the Group's revenues are generated from financial instruments, which are outside the scope of PFRS 15. For those revenues under the scope of PFRS 15, recognition and measurement did not vary significantly from PAS 18.

In addition, prior to January 1, 2018, the Parent Company accounted for its rewards program with cardholders related to its credit-card operations in accordance with IFRIC 13 which required the Parent Company to allocate a certain portion of the interchange fees it receives from the participating merchants to the loyalty credits awarded to the cardholders for credit card purchase transactions. The Parent Company had assessed that the award credits give rise to a separate deliverable or performance obligation. Consistent with the requirements under PFRS 15, the component of interchange fees allocated to the loyalty points is recognized as revenue upon fulfilment of the obligation (i.e., actual redemption of the award credits by the cardholders). Until the cardholders redeemed the loyalty points, the Parent Company recognizes a liability related to the estimated loyalty points earned by the cardholders but are not yet redeemed as of the end of the reporting period.

The adoption of PFRS 15 has resulted in changes in the Group's accounting policies (see Note 2.14). The Group has applied the new standard retrospectively without restatement, with the cumulative effect of initial application, if any, recognized as an adjustment to the opening balance of Surplus at January 1, 2018. The adoption of PFRS 15 did not result in material adjustments in the financial statements of the Group at the date of initial application.

(iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*. The Interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The adoption of this Interpretation did not have impact on the Group's financial statements as the Group has been accounting for its foreign currency-denominated transactions involving advance consideration consistent with this Interpretation.

(v) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Val*ue, is relevant to the Group. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. The Group's accounting for its investments in associates is not affected by these amendments.

(b) Effective in 2018 that are not Relevant to Group

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Group's financial statements:

PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4, *Insurance Contracts*

(c) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, amendments and annual improvements, and interpretations to existing standards effective for annual periods subsequent to 2018, 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 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability or asset.

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

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the solely payment of principal and interest (SPPI) test on the principal amount outstanding. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

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

(v) PFRS 16, *Leases* (effective from January 1, 2019). This new standard will eventually replace PAS-17-, *Leases*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain.

In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similarly to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17, where lease payments are recognized as expense on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same with those applied in PAS 17. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, treatment of initial direct costs and lessor disclosures.

Management is currently in the process of determining the impact of PFRS 16 and has initially assessed that the application of this new standard would likely result in significant adjustment to the reported resources and liabilities of the Group to account for its long-term leases.

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

(vii) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements effective January 1, 2019, the following are relevant to the Group:

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

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

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

(viii) Amendments to PFRS 3, *Business Combinations – Definition of Business* (effective January 1, 2020). The amendments clarify the definition of a business by providing a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments also clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs.

(ix) Amendments to PAS 1*, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective January 1, 2020). The amendments

clarify the definition of 'materiality' in PAS 1 and how it should be applied. The amendments also improve the explanations of the definition and ensure consistency across all PFRSs and other pronouncements.

2.3 Basis of Consolidation and Accounting for Investments in Subsidiaries and Associates in the Separate Financial Statements

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.2, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Company, using consistent accounting policies.

The Parent Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and, it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method. Under the equity method, all subsequent changes to the ownership interest in the equity of the subsidiaries are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the subsidiaries are credited or charged against the Share in Net Earnings of Subsidiaries and Associates account in the statement of profit or loss.

These changes include subsequent depreciation, amortization, impairment and fair value adjustments of assets and liabilities. Dividends received are accounted for as reduction in the carrying value of the investment.

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

Unrealized gains on transactions between the Parent Company and its subsidiaries are eliminated to the extent of the Parent Company's interest in the subsidiaries. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets that were transferred. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Parent Company.

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

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

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

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. On the other hand, negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at the date of acquisition over acquisition cost and is recognized directly in profit or loss.

(ii) *Pooling of interest method* – is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in a separate reserve account under equity.

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in joint venture. In the consolidated financial statements, investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Under the equity method, the Group recognizes in profit or loss its share in the net earnings or losses of the associates. The cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the associates since the date of acquisition. Dividends received are accounted for as reduction in the carrying value of the investment.

Acquired investments in associates are subject to purchase method of accounting as described in Note 2.3(a(i). However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates. All subsequent changes to the ownership of interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited against Share in Net Earnings of Subsidiaries and Associates account in the Group's statement of profit or loss. These changes include subsequent depreciation, amortization, impairment, and fair value adjustments of assets and liabilities.

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

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

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

(c) Interest in Jointly Controlled Operations

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

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

(d) Transactions with Non-controlling Interests

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

In the consolidated financial statements, the NCI component is shown as part of the consolidated statement of changes in equity.

In the Parent Company's financial statements, impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered (see Note 2.17).

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 Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. For purposes of classifying financial instrument, 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.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and customers, and loans are recognized when cash is received by the Group or advanced to the borrowers.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVPL, transaction costs such as fees and commissions that are incremental or directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FPVL are expensed in profit or loss.

(a) Classification and Measurement of Financial Assets

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

(i) Financial Assets at Amortized Cost

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

- the financial asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect or HTC"); and,

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method, less any allowance for ECL.

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Group's financial assets measured at amortized cost include those presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans Arising from Reverse Repurchase Agreements, 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 equivalents comprise of accounts with original maturities of three months or less, including non-restricted balances of Due from BSP, Due from Other Banks, Loans Arising from Reverse Repurchase Agreements, and Interbank loans receivables (part of Loans and Receivables). Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash comprises cash and other cash items and demand deposits.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2018 and 2017, the Group has not made such designation.

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

Beginning January 1, 2018, financial asset is classified and measured at FVOCI if both of the following conditions are met:

- the financial asset is held under a business model whose objective is achieved by both collecting contractual cash flows and selling ("hold to collect and sell"); and,

- the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding.

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 or a contingent consideration recognized arising from a business combination. Upon adoption of PFRS 9 at January 1, 2018, the Parent Company has designated equity instruments not held for trading into this category.

After initial recognition, financial assets at FVOCI are subsequently 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. Upon disposal, the cumulative fair value gains or losses on equity investments previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Surplus account, while the cumulative fair value gains or losses for debt securities are reclassified to profit or loss.

Any dividends earned on holding 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, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured, unless the dividends clearly represent recovery of a part of the cost of the investment.

Prior to January 1, 2018, the Group's financial assets at FVOCI only include equity investments designated into this category with gains and losses arising from such instruments accounted for similarly with the equity instruments under PFRS 9. There is no FVOCI classification that is available for debt securities prior to January 1, 2018.

(iii) 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, or those that do not qualify under the FVOCI or "hold to collect and sell" business model, 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 debt securities, equity securities, derivative instruments, 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. 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.

(b) Recognition of Interest Income Using Effective Interest Rate Method

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVPL, or at FVOCI (beginning January 1, 2018), is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(c) *Reclassification of Financial Assets*

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.

(d) *Impairment of Financial Assets under PFRS 9 Beginning January 1, 2018*

The Group recognizes a loss allowance for ECL on all financial assets that are measured at amortized cost and debt instruments classified as at FVOCI, as well as financial guarantee and loan commitments. Equity securities, either measured as at FVTPL or designated as at FVOCI, are not subject to impairment.

The Group measures the ECL of a financial asset in such manner that reflects: (i) the time value of money; and, (ii) reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that affect the collectability of the future cash flows of the financial assets.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. The Group recognizes lifetime ECL when there has been a significant increase in credit risk (SICR) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

The Group's ECL model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets and definition of default for purposes of determining ECL are further discussed in Note 4.4.

ECL is a function of the probability of default (PD), loss given default (LGD), and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Note 4.4.

The Group calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Group's lending activities. For these instruments, the Group measures the loss allowance at an amount equal to lifetime ECL.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account. With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserve account, and does not reduce the carrying amount of the financial asset in the statement of financial position. For loan commitments, the loss allowance is recognized as provisions (presented and included as part of Other Liabilities account in the statement of financial position). Where a financial instrument includes a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Group presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(e) *Impairment of Financial Assets under PAS 39 Prior to January 1, 2018*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

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

(iii) the Group granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or,

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Financial Assets Carried at Amortized Cost

For financial assets classified and measured at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

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

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

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

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

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

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

(ii) Financial Assets Carried at Fair Value Through Other Comprehensive Income

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

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

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

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss. If, in a subsequent period, the fair value of such debt instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(f) Financial Liabilities at Amortized Cost

Financial liabilities including deposit liabilities, bills payable, bonds payable, subordinated debt, accrued interest and other expenses, and other liabilities (except derivatives with negative fair value, tax-related payables, post-employment defined benefit obligation and deferred income) 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.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Group and subject to the requirements of BSP Circular No. 888, *Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments.*

(g) Derecognition of Financial Assets

(i) Modification of Loans

When the Group derecognizes a financial asset through renegotiation or modification of the contractual payment terms of the loans due to significant credit distress of the borrower, the Group assesses whether or not the new terms are substantially different to the original terms of the instrument. In making such assessment, the Group considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount between the old financial asset derecognized and the fair value of the new financial asset are recognized as gain or loss in profit or loss upon derecognition. As to the impact on ECL measurement, the expected fair value of the new financial asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes the gain or loss arising from the modification in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) Derecognition of Financial Assets Other than Modification

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 financial asset, the Group recognizes its retained interest in the financial 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.

(h) Derecognition of Financial Liabilities

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

(i) Financial Guarantees and Undrawn Loan Commitments

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not reflected in the statement of financial position. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the irrevocable undrawn loan commitments that will be drawn over their expected life based on the Group's historical observations of actual drawdowns and forward-looking forecasts. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, interest rate swaps, debt warrants, options and credit default swap. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are categorized as Financial Assets at FVPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

2.7 Offsetting Financial Instruments

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

2.8 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

Buildings	20-50 years
Furniture, fixtures and equipment	3-15 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

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 being 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 2.17). 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. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

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

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

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

2.10 Assets Held-for-Sale and Disposal Group

Assets held-for-sale and disposal group, which are presented as part of Other Resources acount, include real and other properties acquired through repossession, foreclosure or purchase that the Group intends to sell within one year from the date of classification as held-for-sale and for which the Group is committed to immediately dispose through an active marketing plan. The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

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

On the other hand, any gain from any subsequent increase in fair value less to costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

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

2.11 Intangible Assets

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

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

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

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but are tested annually for impairment (see Note 2.17). After initial recognition, goodwill and branch licenses are subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account, represents the right given to RSI, a subsidiary engaged in stock brokerage, to preserve its access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in value (see Note 2.17).

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.

2.11 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.

2.12 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.

2.13 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.

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI;

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

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

(d) Share in other comprehensive income or loss of subsidiaries and associates.

Reserve for trust business representing the accumulated amount set aside by the Group under existing regulations requiring the Parent Company and a subsidiary to appropriate and transfer 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.

General loan loss reserves pertain to the accumulated amount of appropriation from Surplus made by the Group arising from the excess of the one-percent general loan loss provisions for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9* (Circular No. 1011) over the computed allowance for ECL.

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.

2.14 Other Income and Expense Recognition

Prior to January 1, 2018, revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the expenses and costs incurred and to be incurred can be measured reliably. In 2018, revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Group's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15. In such case, the Group first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Group also earns service fees and commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Group in accordance with PFRS 15.

For revenues arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

a) *Charges, Fees and Commissions*

The following charges, fees and commissions are recognized as follows:

(i) *Commissions and fees* – these income arising from loans, deposits, and other banking transactions are recognized as income based on agreed terms and conditions with customers which are generally when the services has been performed.

(ii) *Annual membership fees* – pertains to annual fees charged to credit cardholders. Revenues from membership fees are recognized over time from the date of renewal of the credit card until the validity date covered by the said renewal, usually termed as the expiry date of the issued cards. The credit card's validity period is deemed to be servicing period.

(iii) *Interchange fees, 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.

The Parent Company has a rewards program related to its credit card operations, which allows its cardholders to accumulate award credits or loyalty points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the cardholder.

Accordingly, the Parent Company allocates a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders based on relative stand-alone selling price and recognizes liability equivalent to the estimated loyalty points until these are redeemed. Revenue is recognized upon actual redemption by the cardholder.

(iv) *Loan syndication fees*-are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

(v) *Underwriting and arrangers fees* – these fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized at the completion of the underlying transaction and where there are no further obligations to perform under the agreement.

b) *Trust fees*

These are service fees calculated in reference to the net asset value of the funds managed and deducted from the customer's account balance on a monthly basis which are recognized over time as the asset management services are provided. These are also applicable for wealth management and asset custody services that are continuously provided over an extended period of time.

c) *Trading and Securities Gains (Losses)*

These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains as a result of the mark-to-market valuation of investment securities classified as FVPL.

d) Gains on Assets Sold

Gains on assets sold arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale. The Group recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured.

Gains on assets sold are included as part of Miscellaneous income under Other Operating Income account in the statement of profit or loss.

Collections from accounts, which did not qualify from revenue recognition are treated as customers' deposit included as part of Accounts payable under Other Liabilities account in the statement of financial position.

Costs and expenses are recognized in profit or loss upon utilization of the assets and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.19).

2.15 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

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

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

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

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

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

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

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

2.16 Foreign Currency Transactions and Translations

The Group's transactions in foreign currencies are accounted for as follows:

(a) Transactions and Balances

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

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

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

Changes in the fair value of monetary financial assets (debt securities) 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. Accordingly, translation differences related to changes in amortized cost of investment in debt securities are recognized in profit or loss, and other changes in the carrying amount are recognized as gains and losses in other comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

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

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

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

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

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

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.

2.17 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 (including goodwill) with an indefinite useful life or those not yet available for use 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. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction, while in determining value in use, management estimates the expected future cash flows to be generated from the continued use of the asset or 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.

2.18 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interpolated yields of government bonds as calculated by Bloomberg which used BVAL Evaluated Pricing Service to calculate the PHP BVAL Reference Rates in 2018 and as published by Philippine Dealing & Exchange Corp. (PDEx) in 2017. These yields 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) *Short-term Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued Interest, Taxes and Other Expenses in the statement of financial position.

(d) *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.

(e) *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.

(f) *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.

2.19 Borrowing Costs

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

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

2.20 Income Taxes

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

2.21 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.

2.22 Earnings and Dilutive Earnings Per Share

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

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

In cases of redemption of preference shares, the net income used in the computation of basic and diluted EPS is decreased by the excess of the fair value of consideration paid to holders of the instruments over the carrying amount of such repurchased the instruments.

2.23 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.

2.24 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.

The Group's business models 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 applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

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

In connection with the Group's adoption of PFRS 9 on January 1, 2018, the Parent Company's BOD ratified the Executive Committee's approval in October 2017 of the change in the Parent Company's business model to incorporate as part of its investment policy the FVOCI model which now include eligible investments in debt securities that the Parent Company holds to collect and sell. This changes in the investment policy aims to calibrate the Parent Company's strategy and management of liquidity. The introduction of the FVOCI business model allows the Parent Company to invest in high-rated issuers and bonds that qualify as high quality liquid assets while offering yield pick-up. This resulted in reclassification of certain investments in debt securities to FVOCI category [see Note 2.2(a)].

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with the HTC 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.

In 2018 and 2017, the Parent Company disposed of certain debt securities from its HTC portfolio in accordance with its investment policy and has applied these evaluation process to ensure that the disposal is consistent with the Group's HTC business model (see Note 10.3).

(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.

(c) *Evaluation of Impairment of Equity Securities at FVOCI (Applicable Prior to January 1, 2018)*

The determination when an investment in equity securities at FVOCI is other-than-temporarily impaired requires the Group to make judgment. In making this judgment with respect to the Group's outstanding financial assets at FVOCI as of December 31, 2017, 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 and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow. For investments issued by counterparty under bankruptcy, the Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quotes prices for distressed securities) since current bid prices are no longer available.

The Group's investments in equity instruments are no longer subject to impairment assessment in 2018 under PFRS 9.

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

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. As of the end of the reporting period, the Group has certain building which comprise a portion that is held for rental and other portion is used for operations which were classified by the Group as Investment Property or as part of Bank Premises, Furniture, Fixtures and Equipment according to its current use.

(e) *Distinction Between Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities. Based on the provisions of existing relevant lease agreements, the Group has determined that all of its lease arrangements with the Group as the lessee, qualify as operating leases, while for the various lease agreements of RCBC LFC as a lessor, the arrangements are accounted for under finance lease.

In determining whether the lease arrangements of RCBC LFC qualify as a finance lease, the following factors have been considered:

(i) the lease provides the lessee an option to purchase the asset; or,

(ii) the lease transfers ownership of the property at the end of the lease and the related lease terms approximate the estimate useful life of the asset being leased.

(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 presented under Other Resources account if the Group expects that the properties will be recovered through sale rather than use, as Investment Properties if held for rental or for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets in accordance with PFRS 9. At initial recognition, the Group determines the fair value of acquired properties through internal and external appraisal depending on the Group's threshold policy. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property.

The Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.4.

(g) *Assessment of Significant Influence on HCPI in which the Group and Parent Company Holds Less than 20% Ownership*

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

(h) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group's and the Parent Company's legal cases and are based upon the analysis of probable results.

Although the Group does not believe that its on-going proceedings as disclosed in Note 29 will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimation of Expected Credit Loss on Financial Assets*

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Group would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behaviour of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses).

The computation of the ECL also consider the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- internal rating matrix which determines the PD to be assigned to a financial asset;
- criteria for assessing if there has been a significant increase in credit risk and when a financial asset will be transferred between the three stages;
- the Group's definition of default for different segments of credit exposures that considers the regulatory requirements;
- establishing groups of similar financial assets (i.e., segmentation) for the purposes of measuring ECL on a collective basis;
- establishment of LGD parameters based on historical recovery rates of claims against defaulted counterparties across different group of financial instruments; and,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

The explanation of inputs, assumptions and estimation techniques used in measuring ECL and the analysis of the allowance for ECL on various groups of financial instruments is further discussed in Note 4.4.

(b) *Fair Value Measurement for Financial Assets at FVPL and at FVOCI*

The Group carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (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 or other comprehensive income.

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

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

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties, Computer Software, Branch Licenses and Trading Rights*

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's branch licenses and trading rights were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 15. Based on management's assessment as of December 31, 2018 and 2017, 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. Significant judgment is applied by management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Group's future taxable income together with its future tax planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2018 and 2017 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 2.17.

The Group assesses impairment on these non-financial assets and considers the following important indicators:

- significant changes in asset usage;
- significant decline in assets' market value;
- obsolescence or physical damage of an asset;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and,
- significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) Determination of Fair Value of Investment Properties

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

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

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

(g) Valuation of Post-employment Defined Benefits

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

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

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

- The Executive Committee, which meets weekly, has the power to act and pass upon such matters as the Board may entrust to it for action in between BOD meetings. It may also consider and approve loans and other credit related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for Group's capital adequacy and risk management strategy and actions covering credit, market and operational risks under Pillar I 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 and Compliance Committee, which meets monthly, reviews the results of the Internal Audit examinations and recommends remedial actions to the BOD as appropriate.

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

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

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

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

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

- The Related Party Transactions Management Committee (RPT ManCom), composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed RPT within 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 BOD approval. On favorable review, the RPT ManCom endorses the transaction for BOD confirmation.

- The Anti-Money Laundering Management Committee (AMLCom) was created through an order of the Senior Management Committee on June 24, 2002, for the evaluation of the suspicious transaction reports (STR) reported by different units before submission to the Anti-Money Laundering Council (AMLC). The AMLCom assists the BOD in implementing the Group's MLPP in order to ensure compliance with BSP rules and regulations relating to the prevention of money laundering and terrorist financing.

- The AMLCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Operational Risk Management Division, Legal Affairs Division as members, and AML Division as the Rapporteur. The AML Division, through the Chief Compliance Officer, reports to the Audit and Compliance Committee and to the AML Board Committee its monthly activities including the AMLCom meetings.

The Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile.

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

4.1 Group's Strategy in Using Financial Instruments

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

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

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

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while credit-linked notes 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, and interest rate swaps and futures.

4.2 Liquidity Risk

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

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

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

The gap analyses as of December 31, 2018 and 2017 are presented below.

	Group 2018					
	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 51,696	P 1,389	P 2,171	P 756	P 57,771	P 113,783
Investments-net	19,248	5,112	26,288	60,665	7,559	118,872
Loans and receivables-net	25,743	63,353	102,472	98,146	99,064	388,778
Other resources-net	13,497	206	400	57	9,002	23,162
Total resources	110,184	70,060	131,331	159,624	173,396	644,595
Liabilities:						
Deposit liabilities	51,950	10,390	9,920	6,119	345,020	423,399
Bills payable	7,476	42,245	5,095	1,185	-	56,001
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	-	-	9,986	-	9,986
Other liabilities	12,454	41	-	-	8,454	20,949
Total liabilities	71,880	52,676	68,105	17,290	353,474	563,425
Equity	-	-	-	-	81,170	81,170
Total liabilities and equity	71,880	52,676	68,105	17,290	434,644	644,595
On-book gap	38,304	17,384	63,226	142,334	(261,248)	-
Cumulative on-book gap	38,304	55,688	118,914	261,248	-	-
Contingent resources	15,844	-	-	-	-	15,844
Contingent liabilities	15,960	-	-	-	-	15,960
Off-book gap	(116)	-	-	-	-	(116)
Cumulative off-book gap	(116)	(116)	(116)	(116)	(116)	
Periodic gap	**38,188**	**17,384**	**63,226**	**142,334**	**(261,248)**	**(116)**
Cumulative total gap	**P 38,188**	**P 55,572**	**P 118,798**	**P 261,132**	**(P 116)**	**P -**

	Group 2017					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 40,867	P 691	P 1,676	P 581	P 59,366	P 103,181
Investments-net	17,506	1,969	14,818	32,915	6,141	73,349
Loans and receivables-net	33,508	62,507	105,486	83,195	69,509	354,205
Other resources-net	9,027	566	512	38	13,110	23,253
Total resources	100,908	65,733	122,492	116,729	148,126	553,988
Liabilities:						
Deposit liabilities	62,028	9,867	11,234	2,505	302,778	388,412
Bills payable	18,538	15,303	6,379	1,499	2,248	43,967
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	-	9,968	-	9,968
Other liabilities	9,370	69	-	-	7,115	16,554
Total liabilities	89,936	25,239	45,673	13,972	312,141	486,961
Equity	-	-	-	-	67,027	67,027
Total liabilities and equity	89,936	25,239	45,673	13,972	379,168	553,988
On-book gap	10,972	40,494	76,819	102,757	(231,042)	-
Cumulative on-book gap	10,972	51,466	128,285	231,042	-	-
Contingent resources	9,969	-	-	-	-	9,969
Contingent liabilities	10,175	-	-	-	-	10,175
Off-book gap	(206)	-	-	-	-	(206)
Cumulative off-book gap	(206)	(206)	(206)	(206)	(206)	-
Periodic gap	10,766	40,494	76,819	102,757	(231,042)	(206)
Cumulative total gap	P 10,766	P 51,260	P 128,079	P 230,836	(P 206)	P -

	Parent Company 2018					
	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 39,036	P 1,230	P 1,635	P 644	P 42,469	P 85,014
Investments-net	2,095	8,739	25,680	60,792	23,604	120,910
Loans and receivables-net	28,178	47,101	46,971	81,926	85,046	289,222
Other resources-net	8,142	2	23	2	7,608	15,777
Total resources	77,451	57,072	74,309	143,364	158,727	510,923
Liabilities:						
Deposit liabilities	41,379	7,392	10,673	3,580	239,386	302,410
Bills payable	4,988	39,189	3,397	1,185	-	48,759
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	-	-	9,986	-	9,986
Other liabilities	8,671	-	-	-	6,932	15,603
Total liabilities	55,038	46,581	67,160	14,751	246,318	429,848
Equity	-	-	-	-	81,075	81,075
Total liabilities and equity	55,038	46,581	67,160	14,751	327,393	510,923
On-book gap	22,413	10,491	7,149	128,613	(168,666)	-
Cumulative on-book gap	22,413	32,904	40,053	168,666	-	-
Contingent resources	15,703	-	-	-	-	15,703
Contingent liabilities	15,731	-	-	-	-	15,731
Off-book gap	(28)	-	-	-	-	(28)
Cumulative off-book gap	(28)	(28)	(28)	(28)	(28)	-
Periodic gap	**22,385**	**10,491**	**7,149**	**128,613**	**(168,666)**	**(28)**
Cumulative total gap	**P 22,385**	**P 32,876**	**P 40,025**	**P 168,638**	**(P 28)**	**P -**

	Parent Company 2017					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 34,050	P 673	P 1,441	P 501	P 46,777	P 83,442
Investments-net	14,288	507	11,903	46,207	4,246	77,151
Loans and receivables-net	24,958	46,996	62,684	74,279	56,836	265,753
Other resources-net	5,340	346	32	12	9,500	15,230
Total resources	78,636	48,522	76,060	120,999	117,359	441,576
Liabilities:						
Deposit liabilities	49,147	4,402	10,041	2,505	222,572	288,667
Bills payable	16,009	13,906	5,185	1,500	-	36,600
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	-	9,968	-	9,968
Other liabilities	5,109	-	-	-	6,243	11,352
Total liabilities	70,265	18,308	43,286	13,973	228,815	374,647
Equity	-	-	-	-	66,929	66,929
Total liabilities and equity	70,265	18,308	43,286	13,973	295,744	441,576
On-book gap	8,371	30,214	32,774	107,026	(178,385)	-
Cumulative on-book gap	8,371	38,585	71,359	178,385	-	-
Contingent resources	9,824	-	-	-	-	9,824
Contingent liabilities	9,824	-	-	-	-	9,824
Off-book gap	-	-	-	-	-	-
Cumulative off-book gap	-	-	-	-	-	-
Periodic gap	8,371	30,214	32,774	107,026	(178,385)	-
Cumulative total gap	P 8,371	P 38,585	P 71,359	P 178,385	P -	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.

4.2.1 Foreign Currency Liquidity Management

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

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

4.2.2 Liquidity Risk Stress

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

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Group			
	At December 31	**Average**	**Maximum**	**Minimum**
2018:				
Foreign currency risk	P 34	P 38	P 72	P 13
Interest rate risk	730	190	843	47
Overall	**P 764**	**P 228**	**P 915**	**P 60**
2017:				
Foreign currency risk	P 7	P 11	P 32	P 2
Interest rate risk	363	287	501	154
Overall	P 370	P 298	P 533	P 156
2016:				
Foreign currency risk	P 15	P 10	P 28	P 3
Interest rate risk	201	232	425	166
Overall	P 216	P 242	P 453	P 169

	Parent Company			
	At December 31	Average	Maximum	Minimum
2018:				
Foreign currency risk	P 34	P 38	P 71	P 13
Interest rate risk	672	153	773	44
Overall	**P 706**	**P 191**	**P 844**	**P 57**
2017:				
Foreign currency risk	P 7	P 11	P 31	P 2
Interest rate risk	147	125	277	40
Overall	P 154	P 136	P 308	P 42
2016:				
Foreign currency risk	P 15	P 9	P 27	P 3
Interest rate risk	83	102	217	70
Overall	P 98	P 111	P 244	P 73

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
2018:			
Resources:			
Cash and other cash items	P 1,554	P 15,838	P 17,392
Due from BSP	-	56,495	56,495
Due from other banks	19,470	872	20,342
Loans arising from reverse repurchase agreements	-	10,032	10,032
Financial assets at FVPL	3,088	4,482	7,570
Financial assets at FVOCI	506	21,481	21,987
Investment securities at amortized cost-net	73,224	15,668	88,892
Loans and receivables-net	75,755	322,545	398,300
Other resources	66	919	985
	P 173,663	**P 448,332**	**P 621,995**
Liabilities:			
Deposit liabilities	P 86,766	P 336,633	P 423,399
Bills payable	38,671	17,330	56,001
Bonds payable	53,090	-	53,090
Subordinated debt	-	9,986	9,986
Accrued interest and other expenses	849	4,135	4,984
Other liabilities	716	11,228	11,944
	P 180,092	**P 379,312**	**P 559,404**

	Group		
	Foreign Currencies	Philippine Pesos	Total
2017:			
Resources:			
Cash and other cash items	P 1,029	P 13,664	P 14,693
Due from BSP	-	58,801	58,801
Due from other banks	17,922	1,896	19,818
Loans arising from reverse repurchase agreements	37	9,794	9,831
Financial assets at FVPL	1,144	6,447	7,591
Financial assets at FVOCI	51	5,312	5,363
Investment securities at amortized cost-net	50,044	9,934	59,978
Loans and receivables-net	54,940	299,303	354,243
Other resources	456	243	699
	P 125,623	P 405,394	P 531,017
Liabilities:			
Deposit liabilities	P 71,868	P 316,544	P 388,412
Bills payable	36,598	7,369	43,967
Bonds payable	28,060	-	28,060
Subordinated debt	-	9,968	9,968
Accrued interest and other expenses	838	3,091	3,929
Other liabilities	4,157	6,359	10,516
	P 141,521	P 343,331	P 484,852

	Parent Company		
	Foreign Currencies	**Philippine Pesos**	**Total**
2018:			
Resources:			
Cash and other cash items	P 1,300	P 10,925	P 12,225
Due from BSP	-	39,847	39,847
Due from other banks	19,009	411	19,420
Loans and receivables arising from reverse repurchase agreements	-	4,000	4,000
Financial assets at FVPL	3,000	3,690	6,690
Financial assets at FVOCI	-	15,697	15,697
Investment securities at amortized cost-net	68,961	9,634	78,595
Loans and receivables-net	75,625	223,119	298,744
Other resources	66	805	871
	P 167,961	**P 308,128**	**P 476,089**
Liabilities:			
Deposit liabilities	P 79,482	P 222,928	P 302,410
Bills payable	43,404	5,355	48,759
Bonds payable	53,090	-	53,090
Subordinated debt	-	9,986	9,986
Accrued interest and other expenses	830	2,935	3,765
Other liabilities	621	7,421	8,042
	P 177,427	**P 248,625**	**P 426,052**

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2017:			
Resources:			
Cash and other cash items	P 868	P 9,547	P 10,415
Due from BSP	-	47,186	47,186
Due from other banks	17,839	529	18,368
Loans and receivables arising from reverse repurchase agreements	-	7,435	7,435
Financial assets at FVPL	1,145	5,408	6,553
Financial assets at FVOCI	15	3,424	3,439
Investment securities at amortized cost	45,507	2,634	48,141
Loans and receivables-net	54,845	210,946	265,791
Other resources	462	109	571
	P 120,681	P 287,218	P 407,899
Liabilities:			
Deposit liabilities	P 64,400	P 224,267	P 288,667
Bills payable	36,597	3	36,600
Bonds payable	28,060		28,060
Subordinated debt	-	9,968	9,968
Accrued interest and other expenses	796	2,213	3,009
Other liabilities	6,135	533	6,668
	P 135,988	P 236,984	P 372,972

4.3.2 Interest Rate Risk

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

The interest rate gap analyses of financial assets and financial liabilities as of end of the reporting period based on repricing maturities are shown on the succeeding pages. 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 financial assets and financial liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

	Group					
	2018					
	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 44,797	P 423	P 856	P 112	P 67,595	P 113,783
Investments-net	1,227	7,063	22,311	70,923	17,348	118,872
Loans and receivables-net	225,566	31,295	71,307	18,113	42,497	388,778
Other resources-net	208	173	400	57	22,324	23,162
Total resources	271,798	38,954	94,874	89,205	149,764	644,595
Liabilities:						
Deposit liabilities	148,687	21,665	19,122	3,576	230,349	423,399
Bills payable	39,181	3,122	10,943	2,755	-	56,001
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	-	-	9,986	-	9,986
Other liabilities	1,902	152	-	-	18,895	20,949
Total liabilities	189,770	24,939	83,155	16,317	249,244	563,425
Equity	-	-	-	-	81,170	81,170
Total liabilities and equity	189,770	24,939	83,155	16,317	330,414	644,595
On-book gap	82,752	14,015	11,719	72,888	(181,374)	-
Cumulative on-book gap	82,752	96,767	108,486	181,374	-	-
Contingent resources	15,844	-	-	-	-	15,844
Contingent liabilities	15,922	-	-	-	38	15,960
Off-book gap	(78)	-	-	-	(38)	(116)
Cumulative off-book gap	(78)	(78)	(78)	(78)	(116)	-
Periodic gap	**82,674**	**14,015**	**11,719**	**72,888**	**(181,412)**	**(116)**
Cumulative total gap	**P 82,674**	**P 96,689**	**P 108,408**	**P 181,296**	**(P 116)**	**P -**

	Group 2017					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 31,016	P 261	P 484	P 80	P 71,340	P 103,181
Investments-net	9,712	1,969	14,818	32,915	13,935	73,349
Loans and receivables-net	163,355	40,828	87,289	31,778	30,955	354,205
Other resources-net	2,657	374	239	517	19,466	23,253
Total resources	206,740	43,432	102,830	65,290	135,696	553,988
Liabilities:						
Deposit liabilities	136,523	14,161	18,040	2,505	217,183	388,412
Bills payable	32,690	1,225	5,434	1,499	3,119	43,967
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	-	9,968	-	9,968
Other liabilities	1,006	69	-	-	15,479	16,554
Total liabilities	170,219	15,455	51,534	13,972	235,781	486,961
Equity	-	-	-	-	67,027	67,027
Total liabilities and equity	170,219	15,455	51,534	13,972	302,808	553,988
On-book gap	36,521	27,977	51,296	51,318	(167,112)	-
Cumulative on-book gap	36,521	64,498	115,794	167,112	-	-
Contingent resources	9,969	-	-	-	-	9,969
Contingent liabilities	9,977	-	-	-	198	10,175
Off-book gap	(8)	-	-		(198)	(206)
Cumulative off-book gap	(8)	(8)	(8)	(8)	(206)	-
Periodic gap	36,513	27,977	51,296	51,318	(167,310)	(206)
Cumulative total gap	P 36,513	P 64,490	P 115,786	P 167,104	(P 206)	P -

	Parent Company 2018					
	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 32,943	P -	P -	P -	P 52,071	P 85,014
Investments-net	993	6,730	19,322	43,826	50,039	120,910
Loans and receivables-net	217,977	15,240	2,495	15,853	37,657	289,222
Other resources-net	-	2	23	2	15,750	15,777
Total resources	251,913	21,972	21,840	59,681	155,517	510,923
Liabilities:						
Deposit liabilities	85,231	11,504	10,674	3,579	191,422	302,410
Bills payable	36,531	1,631	9,141	1,456	-	48,759
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	-	-	9,986	-	9,986
Other liabilities	1,305	-	-	-	14,298	15,603
Total liabilities	123,067	13,135	72,905	15,021	205,720	429,848
Equity	-	-	-	-	81,075	81,075
Total liabilities and equity	123,067	13,135	72,905	15,021	286,795	510,923
On-book gap	128,846,	8,837	(51,065)	44,660	(131,278)	-
Cumulative on-book gap	128,846	137,683	86,618	131,278	-	-
Contingent resources	15,703	-	-	-	-	15,703
Contingent liabilities	15,731	-	-	-	-	15,731
Off-book gap	(28)	-	-	-	-	(28)
Cumulative off-book gap	(28)	(28)	(28)	(28)	(28)	-
Periodic gap	**128,818**	**8,837**	**(51,065)**	**44,660**	**(131,278)**	**(28)**
Cumulative total gap	**P 128,818**	**P 137,655**	**P 86,590**	**P 131,250**	**(P 28)**	**P -**

	Parent Company 2017					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 26,031	P -	P -	P -	P 57,411	P 83,442
Investments-net	9,021	506	11,903	46,207	9,514	77,151
Loans and receivables-net	157,341	27,556	29,093	29,122	22,641	265,753
Other resources-net	7	346	32	12	14,833	15,230
Total resources	192,400	28,408	41,028	75,341	104,399	441,576
Liabilities:						
Deposit liabilities	88,232	5,873	10,041	2,505	182,016	288,667
Bills payable	30,913	-	4,187	1,500	-	36,600
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	-	9,968	-	9,968
Other liabilities	880	-	-	-	10,472	11,352
Total liabilities	120,025	5,873	42,288	13,973	192,488	374,647
Equity	-	-	-	-	66,929	66,929
Total liabilities and equity	120,025	5,873	42,288	13,973	259,417	441,576
On-book gap	72,375	22,535	(1,260)	61,368	(155,018)	-
Cumulative on-book gap	72,375	94,910	93,650	155,018	-	-
Contingent resources	9,824	-	-	-	-	9,824
Contingent liabilities	9,824	-	-	-	-	9,824
Off-book gap	-	-	-	-	-	-
Cumulative off-book gap	-	-	-	-	-	-
Periodic gap	72,375	22,535	(1,260)	61,368	(155,018)	-
Cumulative total gap	P 72,375	P 94,910	P 93,650	P 155,018	P -	P -

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

	Changes in Interest Rates (in basis points)			
	- 100	- 200	+ 100	+ 200
December 31, 2018				
Group	**(P 1,167)**	**(P 2,334)**	**P 1,167**	**P 2,334**
Parent Company	**(1,420)**	**(2,841)**	**1,420**	**2,841**
December 31, 2017				
Group	(P 586)	(P 1,172)	P 586	P 1,172
Parent Company	(831)	(1,661)	831	1,661

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, 2018 and 2017 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 determine 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 Enterprise Risk Division 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 that 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 or co-terminus with the renewal of the credit line. In addition, adverse economic and market conditions that may impact a certain borrower or a group of borrowers may trigger the Group to conduct a special credit review prior to expiry of credit line.

In 2018, CMG also started identifying homogenous target market and design Credit Programs that will accelerate credit processing of accounts without sacrificing underwriting quality, and, set up enhanced data framework that would deepen the Bank's ability to identify potential problem accounts earlier.

4.4.1 Concentrations of Credit Risk

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

An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 11.1.

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

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

4.4.2 Credit Risk Assessment

The Group's credit risk assessment is performed based on the different segments of financial asset portfolio such as (a) corporate, which generally include corporate banking group loans, commercial and small-medium size segment loans, lease contract and finance receivables, and unquoted debt securities classified as loan (UDSCL); (b) retail, which include housing, auto, credit cards, and microfinance lending; and, (c) treasury, which covers credit exposures on debt securities under the Group's HTC portfolio and FVOCI. The Group also established credit risk assessment procedures for sales contract receivables and other risk assets including accounts receivables.

(a) *Corporate Loans*

Loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. The Group's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions (or industry performance), expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, LGD, and EAD, for purposes of measuring ECL.

The Group uses its internal credit risk rating system (ICRRS) to determine any evidence of potential deterioration in the quality of an instrument that take into consideration both quantitative and qualitative criteria. 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 and under the BSP Circular No. 1011, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Group to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e. Stage 1, 2, 3).

In assessing accounts subject to individual assessment, the Parent Company has established a materiality threshold of P15 for all exposures classified under Stage 3. Such threshold shall be regularly reviewed at the end of reporting period to ensure that it appropriately captures what the Parent Company considers as material items of loan for individual assessment. The provision for ECL for individually assessed exposures shall reflect consideration of the facts and circumstances that affect the repayment of each individual loan as of evaluation date.

The ICRRS is established by the Group in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Group for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time; hence, could lead to the transfer of credit exposure in different stages of impairment. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between a risk rating of A and A- is lower than the difference in the PD between a B and B- risk rating).

In the process of applying the Group's ICRRS in determining the credit quality of loans and receivables, the Group analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Rating Scale	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.
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.*

As part of credit risk assessment documentation and reporting, the Group includes financial instruments rated as AAA to B- under the "Pass" classification, while instruments rated CCC+ and below are grouped under the Watchlisted classification. Generally, "Pass" classification include loans and other credit accommodations that do not have a greater-than-normal credit risk and do not possess the characteristics of classified loans. These are credits that have the apparent ability and willingness to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. On the other hand, watchlisted counterparties are characterized by the following:

- those that belong to an unfavorable industry or has company-specific risk factors which represent a concern;
- the operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance;
- borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility;
- borrower incurs net losses and has salient financial weaknesses, reflected on their financial statements, specifically in profitability.

Split classification/rating may apply for non-performing secured loans and other credit accommodations, depending on the recoverability and liquidity of the collateral. The secured portion may be classified as "substandard" or "doubtful", as appropriate, while the unsecured portion shall be classified "loss" if there is no other source of payment other than the collateral.

In the case of syndicated loans, the Group shall maintain credit information on the borrower, and grade and make provision for its portion of the syndicated loan in accordance with its policy. The lead financial institution or bank shall provide participating financial institutions with the credit information on the borrower upon request by the participating financial institutions and inform the latter if the loan will be classified so as to achieve uniform classification of the syndicated loan.

(a) Retail Products

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

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

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

For the credit card portfolio of the Parent Company, credit risk assessment is performed through segmentation process to diversify the portfolio risk into different homogeneous populations or segments. Over-all account distribution is analyzed for three different snapshots with respect to month-on-month days past due to see consistency in the portfolio.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review by the Group's CMD in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(b) *Debt Securities at Amortized Cost and at FVOCI*

For debt securities, the Group adopts similar credit risk ratings published by reputable external rating agency (such as S&P). These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

4.4.3 Assessment of Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Group assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Group holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Group ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Group's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Using the Group's ICRR, Stage 2 includes credit exposures that are considered 'under-performing' in which risk ratings were downgraded by at least three notches and/or downgraded to CCC+ to Especially Mentioned. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Group's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Group as 'non-performing', which is assessed consistently with the Group's definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Group recognizes a lifetime ECL for all credit-impaired financial assets.

The Group considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. Under the Group's ICRRS, these are exposures rated at least Substandard. For exposures with no internal credit risk rating performed, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Depending on the number of days past due which differ across the various retail products of the Group, a credit exposure may be transferred to Stage 2 or Stage 3. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. As a general rule, an upgrade or transfer of credit exposure from Stage 3 to Stage 1 is allowed when there is sufficient evidence to support that full collection of principal and interest is probable, consistent with the Group's definition of curing period.

For portfolios in respect of which the Group has limited historical data, external benchmark information (e.g. Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

4.4.4 Definition of Default

(a) Loans and receivables

The Group defines a loan instrument as in default, which is aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments, except for the 30 days past due threshold for retail loans of RSB and one day past due for micro-finance loan portfolio of Rizal Microbank. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances and factors that may indicate unlikeliness to pay which may include (a) significant financial difficulty of the issuer or borrower; (b) the restructuring of a loan by the Group, for economic or legal reasons relating to the borrower's financial difficulty, on terms that the Group would not consider otherwise; or (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

An instrument is considered to be no longer in default or have cured when the borrower is able to repay the installments in arrears and the account no longer meets any of the default criteria for a consecutive period of 180 days within which the borrower shall make consecutive payments.

These criteria are consistent with the definition of default used for internal credit risk management purposes that is aligned with the default criteria used for regulatory capital purposes. Such definition is consistently applied in determining PD, LGD, and EAD for each loan portfolio segment and throughout the ECL calculations of the Group.

(b) Investments in debt securities

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL. Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

4.4.5 Modifications of Financial Assets

In certain cases, the Group modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Group is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the performance of the financial asset subsequent to its modification.

The Group may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Group continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

4.4.6 Expected Credit Loss Measurement Inputs

Integral in the Group's established policies in measuring and calculating ECL on financial instrument is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

(a) Key Inputs and Assumptions in the Expected Credit Loss Model

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

(i) Probability of default (PD) represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures which considers both quantitative and qualitative factors. In determining PD, the Group performed segmentation of its credit exposures based on homogenous characteristics [including corporate loan and retail loan (including credit card and microfinance)] and developed a systematic PD methodology for each portfolio. Generally, if a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

(ii) Loss given default (LGD) pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset. For secured credit exposure, the determination of LGD is dependent on the Group's collateral data which are available at the origination of the instrument which takes into account the amount and timing of the cash inflows (actual recovery) and outflows (actual expenses) and on the time value of money. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.

(iii) Exposure at default (EAD) represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable. For lending commitments, the EAD includes the amount of drawn and undrawn irrevocable loan commitments under the contract, which are estimated based on historical observations and forward-looking forecast. For some financial assets (e.g., credit card lending), EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical technique which considers the ability of cardholders to increase its exposure from the time of ECL calculation to the time of default (i.e., credit conversion factor).

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (i.e., an observation period of five years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default. Bad accounts are defaulted accounts classified into three classes such as the non-performing loans, accounts classified as Substandard, Doubtful or Loss, and real past due accounts.

In a risk rating model applied by the Group, a better rating or score denotes less probability of default than those of a worse rating. Identifying the counterparty default is done through a computation of the portfolio's observed default frequency (ODF). In cases when ODF method and the data to be used is limited, the Group may also employ the implied probability of default frequency (IPD) and the application of overlay factors in the PD. Using the historical defaults under the Group's ICRR system based on S&P scale, ODF is calculated per rating class using the cumulative five-year data as the basis for grouping. This represents the actual numbers of bad borrower cases that have occurred during the five-year timeframe. On the other hand, unrated account are distributed to existing S&P rating classes using normal distribution assumption. In cases when there is zero-percent ODF in any of the rating class, these are grouped together with the next rating class with at least one bad borrower using cumulative five-year data. If there is no rating class after certain rating, grouping shall be decided by management.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

For revolving products (such as credit cards and credit line facilities), EAD is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information discussed below.

(b) Overlay of Forward-looking Information

The Group incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Group has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for relevant portfolio of debt instruments.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. To project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used, which means that MEVs tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Group includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Group has identified key drivers for credit risk for its corporate loans portfolio, which include among others, Gross Domestic Product (GDP) growth rate, inflation rate, interest rate (i.e., based on 91-day T-bill Yield), and foreign currency exchange rates. On the other hand, the key drivers for the Group's retail and consumer loans portfolio include unemployment rate, GDP growth rate, consumer spending growth rate, and inflation rate. Using an analysis of historical data, the Group has estimated relationships between MEVs and credit risk and credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs on a regular basis and additional factors may be incorporated from time to time as deemed appropriate.

4.4.7 Credit Risk Exposures

The table below sets out the gross carrying amounts of the exposures to credit risk on financial assets measured at amortized cost and debt securities at FVOCI as of December 31, 2018. Loans and receivables portfolio was summarized based on financial assets segmentation for ECL assessment purposes.

	Group		Parent Company	
	2018	2017	**2018**	2017
Corporate loans	**P 280,953**	P 260,174	**P 271,212**	P 250,784
Retail products				
Housing loans	**48,661**	42,403	**-**	-
Credit cards	**21,550**	16,405	**21,550**	16,405
Other retail products:				
Auto loans	**40,968**	36,590	**-**	-
Microfinance	**1,219**	975	**-**	-
Other receivables from customers	**5,718**	5,651	**3,501**	3,506
Total receivables from customers	**399,069**	362,198	**296,263**	270,695
Cash equivalents	**96,391**	88,488	**72,789**	73,027
Debt securities				
At amortized cost	**89,027**	60,068	**78,621**	48,141
At FVOCI	**15,526**	-	**12,021**	-
	P 600,013	P 510,754	**P 459,694**	P 391,863

Other receivables from customers include sales contract receivables, accrued interest on debt securities, and other receivables.

Cash equivalents includes loans and advances to banks (i.e., Due from BSP, Due from Other Banks, Loans under Reverse Repurchase Agreements, and Interbank Loans Receivables), see Note 9. These are held with central bank and financial institutions counterparties that are reputable and with low credit risk.

The information about the credit exposures on the above financial assets as well as on loan commitments by stages of impairment as of December 31, 2018, shown at their gross carrying amounts with the corresponding allowance for ECL are shown below and in the succeeding pages. All instruments, which were not assessed by the Group for ECL based on individual credit risk rating were evaluated on a collective basis, applying applicable PD and LGD based on the segment of instrument.

The maximum exposure to credit risks for other financial assets including loan commitments is limited to their carrying values as of December 31, 2018 and 2017.

a) *Loans and receivables-Group*

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
Pass					
AAA to BBB	P 8,158	P 4	P 1	P -	P 8,163
BBB- to B-	252,062	495	221	-	252,778
Watchlisted	60	3,348	7,610	-	11,018
Especially mentioned	11	343	90	-	444
Defaulted	687	316	4,074	52	5,129
Unrated	1,081	6	2,334	-	3,421
	262,059	4,512	14,330	52	280,953
Allowance for ECL	(698)	(729)	(5,036)	(36)	(6,499)
Carrying amount	**P 261,361**	**P 3,783**	**P 9,294**	**P 16**	**P 274,454**

Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC – JPL which were acquired as credit-impaired prior to 2018.

	Retail Products			
	Stage 1	Stage 2	Stage 3	Total
Housing loans				
Unclassified	P 41,764	P -	P -	P 41,764
Especially mentioned	331	65	-	396
Substandard	118	5,161	1,032	6,311
Loss	-	-	190	190
	42,213	5,226	1,222	48,661
Allowance for ECL	(145)	(395)	(437)	(977)
Carrying amount	42,068	4,831	785	47,684
Credit cards				
Current	19,815	20	-	19,835
1-29 dpd	430	5	-	435
30-59 dpd	-	220	-	220
60-89 dpd	-	168	-	168
Defaulted	-	-	892	892
	20,245	413	892	21,550
Allowance for ECL	(380)	(163)	(757)	(1,300)
Carrying amount	19,865	250	135	20,250
Other products				
Unclassified	34,869	396	51	35,316
Especially mentioned	21	9	-	30
Substandard	1,730	4,300	740	6,770
Doubtful	-	-	42	42
Loss	-	-	29	29
	36,620	4,705	862	42,187
Allowance for ECL	(204)	(191)	(253)	(648)
Carrying amount	36,416	4,514	609	41,539
	P 98,349	P 9,595	P 1,529	P 109,473
Total gross amount	P 99,078	P 10,344	P 2,976	P 112,398
Total allowance for ECL	(729)	(749)	(1,447)	(2,925)
Total carrying amount	P 98,349	P 9,595	P 1,529	P 109,473

	Other Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Pass				
AAA to BBB	P 1,159	P -	P -	P 1,159
BBB- to B-	203	-	-	203
Watchlisted	-	1	-	1
Defaulted	-	211	232	443
Unrated	3,452	131	329	3,912
	4,814	343	561	5,718
Allowance for ECL	(317)	(129)	(421)	(867)
Carrying amount	P 4,497	P 214	P 140	P 4,851

b) Loans and receivables-Parent

	Corporate Loans			
	Stage 1	Stage 2	Stage 3	Total
Pass				
AAA to BBB	P 8,139	P 4	P 1	P 8,144
BBB- to B-	246,540	24	221	246,785
Watchlisted	60	2,602	7,610	10,272
Especially mentioned	-	248	90	338
Defaulted	-	-	2,575	2,575
Unrated	1,903	6	1,189	3,098
	256,642	2,884	11,686	271,212
Allowance for ECL	(596)	(297)	(4,348)	(5,241)
Carrying amount	**P 256,046**	**P 2,587**	**P 7,338**	**P 265,971**

	Retail Products			
	Stage 1	Stage 2	Stage 3	Total
Credit cards				
Current	P 19,815	P 20	P -	P 19,835
1-29 dpd	430	5	-	435
30-59 dpd	-	220	-	220
60-89 dpd	-	168	-	168
Defaulted	-	-	892	892
	20,245	413	892	21,550
Allowance for ECL	(380)	(163)	(757)	(1,300)
Carrying amount	**P 19,865**	**P 250**	**P 135**	**P 20,250**

	Other Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Pass				
AAA to BBB	P 1,159	P -	P -	P 1,159
BBB- to B-	197	-	-	197
Defaulted	-	211	199	410
Unrated	1,703	-	32	1,735
	3,059	211	231	3,501
Allowance for ECL	(317)	(21)	(162)	(500)
Carrying amount	**P 2,742**	**P 190**	**P 69**	**P 3,001**

c) *Investments in debt securities at amortized cost and at FVOCI*

	Group		Parent Company	
	HTC	FVOCI	HTC	FVOCI
Government securities				
AA+ to A+	P 2,058	P -	P 2,058	P -
BBB+ to BBB-	64,026	15,138	55,326	12,021
	66,084	15,138	57,384	12,021
Corporate debt securities				
AAA	1,352	-	1,352	-
AA+ to A+	2,255	-	2,255	-
A to A-	1,283	-	1,283	-
BBB+ to BBB-	12,135	5	11,967	-
BB+ to BB-	5,828	383	4,380	-
B+ and below	90	-	-	-
	22,943	388	21,237	-
Allowance for ECL	(135)	-	(26)	-
	22,808	388	21,211	-
	P 88,892	**P 15,526**	**P 78,595**	**P 12,021**

Credit exposures for debt securities not held for trading are all classified as Stage 1.

d) *Loan commitments*

The credit quality of the Group's and Parent Company's irrevocable loan commitments with amounts determined after considering credit conversion factor, as of December 31, 2018 follows:

	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Pass				
AAA to BBB	P 1,479	P -	P -	P 1,479
BBB- to B-	24,967	-	-	24,967
Watchlisted	-	16	-	16
Unrated	657	-	-	657
	27,103	16	-	27,119
Allowance for ECL	(10)	-	-	(10)
	27,093	16	-	27,109
Credit cards				
Current	54,153	37	-	54,190
1-29 dpd	341	7	-	348
30-59 dpd	-	71	-	71
60-89 dpd	-	45	-	45
Defaulted	-	-	241	241
	54,494	160	241	54,895
Allowance for ECL	(84)	-	-	(84)
	54,410	160	241	54,811
	P 81,503	**P 176**	**P 241**	**P 81,920**

4.4.8 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2018.

a) *Loans and receivables-Group*

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
Balance at beginning of year	P 757	P 1,574	P 3,484	P 46	P 5,861
Transfers:					
Stage 1 to Stage 2	(290)	290	-	-	-
Stage 1 to Stage 3	(42)	-	42	-	-
Stage 2 to Stage 1	324	(324)	-	-	-
Stage 2 to Stage 3	-	(430)	430	-	-
Stage 3 to Stage 1	1	-	(1)	-	
Stage 3 to Stage 2	-	403	(403)	-	-
Assets derecognized or repaid	(319)	(877)	(331)	-	(1,527)
New assets originated:					
Remained in Stage 1	447	-	-	-	447
Moved to Stage 2 and 3	-	188	1,801	-	1,989
Write-offs	-	-	(148)	-	(148)
Others	(180)	(95)	162	(10)	(123)
	(59)	(845)	1,552	(10)	638
Balance at end of year	**P 698**	**P 729**	**P 5,036**	**P 36**	**P 6,499**

	Retail Products			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Housing loans				
Balance at beginning of year	P 147	P 180	P 767	P 1,094
Transfers:				
Stage 1 to Stage 2	(33)	33	-	-
Stage 2 to Stage 1	327	(327)	-	-
Stage 2 to Stage 3	-	(165)	165	-
Stage 3 to Stage 2		423	(423)	-
Asset derecognized or repaid	(359)	(114)	(75)	(548)
New assets originated:				
Remained in Stage 1	63	-	-	63
Moved to Stage 2 and 3	-	365	3	368
	(2)	215	(330)	(117)
Balance at end of year	145	395	437	977

	Retail Products			
	Stage 1	Stage 2	Stage 3	Total
Credit cards				
Balance at beginning of year	P 260	P 355	P 439	P 1,054
Transfers:				
Stage 1 to Stage 2	(9)	9	-	-
Stage 1 to Stage 3	(25)	-	25	-
Stage 2 to Stage 1	28	(28)	-	-
Stage 2 to Stage 3	-	(61)	61	-
Stage 3 to Stage 1	14	-	(14)	-
Stage 3 to Stage 2	-	42	(42)	-
New assets originated:				
Remained in Stage 1	76	-	-	76
Moved to Stage 2 and 3	-	23	33	56
Write-offs	-	-	(1,129)	(1,129)
Others	36	(177)	1,384	1,243
	120	(192)	318	246
Balance at end of year	380	163	757	1,300
Other products				
Balance at beginning of year	P 90	P 270	P 395	P 755
Transfers:				
Stage 1 to Stage 2	(55)	55	-	-
Stage 1 to Stage 3	(1)	-	1	-
Stage 2 to Stage 1	14	(14)	-	-
Stage 2 to Stage 3	-	(36)	36	-
Assets derecognized or repaid	(11)	(234)	(172)	(417)
New assets originated:				
Remained in Stage 1	167	-	-	167
Moved to Stage 2	-	156	-	156
Write-offs	-	(6)	(7)	(13)
	114	(79)	(142)	(107)
Balance at end of year	204	191	253	648
	P 729	**P 749**	**P 1,447**	**P 2,925**

b) Loans and receivables-Parent

	Corporate Loans			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	P 693	P 1,203	P 2,901	P 4,797
Transfers:				
Stage 1 to Stage 2	(1)	1	-	-
Stage 1 to Stage 3	(1)	-	1	-
Stage 2 to Stage 1	13	(13)	-	-
Stage 3 to Stage 1	1	-	(1)	-
Assets derecognized or repaid	(319)	(877)	(313)	(1,509)
New assets originated:				
Remained in Stage 1	390	-	-	390
Moved to Stage 2 and 3	-	78	1,746	1,824
Write-offs	-	-	(148)	(148)
Others	(180)	(95)	162	(113)
	(97)	(906)	1,447	444
Balance at end of year	**P 596**	**P 297**	**P 4,348**	**P 5,241**

	Retail Products			
	Stage 1	Stage 2	Stage 3	Total
Credit cards				
Balance at beginning of year	P 260	P 355	P 439	P 1,054
Transfers:				
Stage 1 to Stage 2	(9)	9	-	-
Stage 1 to Stage 3	(25)	-	25	-
Stage 2 to Stage 1	28	(28)	-	-
Stage 2 to Stage 3		(61)	61	-
Stage 3 to Stage 1	14	-	(14)	-
Stage 3 to Stage 2		42	(42)	-
New assets originated:				
Remained in Stage 1	76	-	-	76
Moved to Stage 2 and 3	-	23	33	56
Write-offs	-	-	(1,129)	(1,129)
Others	36	(177)	1,384	1,243
	120	(192)	318	246
Balance at end of year	**P 380**	**P 163**	**P 757**	**P 1,300**

c) Investments in debt securities at amortized cost and at FVOCI

In 2018, the Group and Parent Company has recognized ECL amounting to P45 and P15, respectively, for investments in debt securities at amortized cost, which are all in Stage 1, resulting in allowance for ECL as of December 31, 2018 amounting to P135. No ECL was recognized for debt securities at FVOCI acquired during the year.

d) Loan commitments

Allowance for ECL recognized both by the Group and Parent Company related to undrawn loan commitments as of December 31, 2018 amounted to P94, presented as ECL provisions on loan commitments under Other Liabilities account (see Note 22). ECL recognized in profit or loss in 2018 amounted to recovery of P13.

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in the amount of allowance for ECL are presented in Note 4.4.9.

4.4.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tables below provides information how the significant changes in the gross carrying amount of financial instruments in 2018 contributed to the changes in the allowance for ECL.

a) Loans and receivables-Group

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
Balance at beginning of year	P 241,246	P 12,298	P 6,560	P 70	P 260,174
Transfers:					
Stage 1 to Stage 2	(1,648)	1,648	-	-	-
Stage 1 to Stage 3	(123)	-	123	-	-
Stage 2 to Stage 1	1,442	(1,442)	-	-	-
Stage 2 to Stage 3	-	(745)	745	-	-
Stage 3 to Stage 1	2	-	(2)	-	-
Stage 3 to Stage 2	-	932	(932)	-	-
Assets derecognized or repaid	(109,091)	(11,114)	(989)	(18)	(121,212)
New assets originated:					
Remained in Stage 1	130,231	-	-	-	130,231
Moved to Stage 2 and 3	-	2,935	8,973	-	11,908
Write-offs	-	-	(148)	-	(148)
	20,813	(7,786)	7,770	(18)	20,779
Balance at end of year	P 262,059	P 4,512	P 14,330	P 52	P 280,953

	Retail Products			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Housing loans				
Balance at beginning of year	P 41,165	P 922	P 1,675	P 43,762
Transfers:				
Stage 1 to Stage 2	(3,283)	3,283	-	-
Stage 1 to Stage 3	-	-	-	-
Stage 2 to Stage 1	394	(394)	-	-
Stage 2 to Stage 3	-	(2,020)	2,020	-
Stage 3 to Stage 2	-	2,115	(2,115)	-
Assets derecognized or repaid	(3,636)	(908)	(364)	(4,908)
New assets originated:				
Remained in Stage 1	7,573	-	-	7,573
Moved to Stage 2 and 3	-	2,228	6	2,234
	42,213	5,226	1,222	48,661

	Retail Products			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Credit cards				
Balance at beginning of year	P 15,488	P 478	P 439	P 16,405
Transfers:				
Stage 1 to Stage 2	(300)	300	-	-
Stage 1 to Stage 3	(490)	-	490	-
Stage 2 to Stage 1	39	(39)	-	-
Stage 2 to Stage 3	-	(83)	83	-
Stage 3 to Stage 1	14	-	(14)	-
Stage 3 to Stage 2	-	42	(42)	-
New assets originated:				
Remained in Stage 1	3,972	-	-	3,972
Moved to Stage 2 and 3	-	58	45	103
Write-offs	-	-	(1,129)	(1,129)
Others	1,522	(343)	1,020	2,199
	20,245	413	892	21,550
Other products				
Balance at beginning of year	P 32,807	P 4,137	P 625	P 37,569
Transfers:				
Stage 1 to stage 2	(350)	350	-	-
Stage 1 to stage 3	(73)	-	73	-
Stage 2 to stage 1	266	(266)	-	-
Stage 2 to stage 3	-	(388)	388	-
Stage 3 to stage 2	-	-	-	-
Assets derecognized or repaid	(999)	(1,084)	(217)	(2,300)
New assets originated:				
Remained in Stage 1	4,969	-	-	4,969
Moved to Stage 2 and 3	-	1,961	-	1,961
Write-offs	-	(5)	(7)	(12)
	36,620	4,705	862	42,187
Balance at end of year	**P 99,078**	**P 10,344**	**P 2,976**	**P 112,398**

b) Loans and receivables-Parent

	Corporate Loans			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	P 236,435	P 10,465	P 3,884	P 250,784
Transfers:				
Stage 1 to Stage 2	(49)	49	-	-
Stage 1 to Stage 3	(109)	-	109	-
Stage 2 to Stage 1	95	(95)	-	-
Stage 3 to Stage 1	2	-	(2)	-
Assets derecognized or repaid	(109,033)	(9,519)	(927)	(119,479)
New assets originated:				
Remained in Stage 1	129,301	-	-	129,301
Moved to Stage 2 and 3	-	1,984	8,770	10,754
Write-offs	-	-	(148)	(148)
	20,207	(7,581)	7,802	20,428
Balance at end of year	**P 256,642**	**P 2,884**	**P 11,686**	**P 271,212**

	Retail Products			
	Stage 1	Stage 2	Stage 3	Total
Credit cards				
Balance at beginning of year	P 15,488	P 478	P 439	P 16,405
Transfers:				
Stage 1 to Stage 2	(300)	300	-	-
Stage 1 to Stage 3	(490)	-	490	-
Stage 2 to Stage 1	39	(39)	-	-
Stage 2 to Stage 3	-	(83)	83	-
Stage 3 to Stage 1	14	-	(14)	-
Stage 3 to Stage 2	-	42	(42)	-
New assets originated:				
Remained in Stage 1	3,972	-	-	3,972
Moved to Stage 2 and 3	-	58	45	103
Write-offs	-	-	(1,129)	(1,129)
Others	1,522	(343)	1,020	2,199
	4,757	(65)	453	5,145
Balance at end of year	**P 20,245**	**P 413**	**P 892**	**P 21,550**

The Group's receivables arising from salary loans are generally fully recoverable as those are collected through salary deductions, except for those receivables from resigned employees which were provided with full ECL allowance.

Allowance for ECL for other receivables increased by P411 and P296 for the Group and the Parent Company, respectively, in 2018 from the allowance for ECL recognized at the beginning of the year amounting to P456 and P204, for the Group and the Parent Company, respectively. At the Group level, the significant transaction that mainly contributed to this change pertains to the P316 increase in accounts receivables recognized by a subsidiary which were classified as Stage 3 as of December 31, 2018. On the other hand, increase in the allowance for ECL of the Parent Company is mainly attributed to a certain defaulted other receivable amounting to P120 classified as Stage 3.

c) Investment in debt securities at amortized cost and at FVOCI

	Group		Parent Company	
	HTC	FVOCI	HTC	FVOCI
Balance at beginning of year	P 60,068	P -	P 48,141	P -
Effect of adoption of PFRS 9 (see Note 2.2)	(261)	415	54	-
Assets purchased	77,488	19,828	76,286	16,364
Assets derecognized	(48,268)	(4,690)	(45,860)	(4,493)
Fair value gains	-	(27)	-	150
Balance at end of year	**P 89,027**	**P 15,526**	**P 78,621**	**P 12,021**

4.4.10 Impaired Financial Assets – Comparative Information under PAS 39

For comparative information, the table below provides the details of exposures to credit risk as of December 31, 2017, summarized based on the Group's impairment assessment methodology under PAS 39.

	Group		Parent	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
Especially mentioned	P 1,308	P -	P -	P -
Sub-standard	4,181	-	995	-
Doubtful	250	-	22	-
Loss	1,222	-	159	-
Gross amount	6,961	-	1,176	-
Unearned interest and discount	(46)	-	-	-
Allowance for impairment	(2,249)	-	(276)	-
Carrying amount	4,666	-	900	-
Collectively Assessed for Impairment				
Unrated	103,319	-	18,314	-
BBB+ to BBB-	21,128	-	21,128	-
BB+ to BB	40,848	-	40,848	-
BB- to BB	76,321	-	76,321	-
B to B-	105,963	-	105,480	-
CCC+ and below	581	-	581	-
Especially mentioned	105	-	105	-
Sub-standard	678	-	678	-
Doubtful	726	-	656	-
Loss	125	-	125	-
Gross amount	349,794	-	264,236	-
Unearned interest and discount	(771)	-	(332)	-
Allowance for impairment	(4,451)	-	(3,632)	-
Carrying amount	344,572	-	260,272	-
UDSCL	1,939	-	1,177	-
Other receivables	4,359	-	4,476	-
Allowance for impairment	(1,293)	-	(1,034)	-
Carrying amount	5,005	-	4,619	-
Neither Past Due Nor Impaired	-	68,879	-	54,004
Total Carrying Amount	P 354,243	P 68,879	P 265,791	P 54,004

4.4.11 Collateral Held as Security and Other Credit Enhancements

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

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2018 and 2017.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2018 are presented below.

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Real properties	P 128,714	P 19,441	P 5,656	P 153,811
Chattel	51,450	21,290	4,286	77,026
Hold-out deposits	9,175	21	620	9,816
Equity securities	6,437	-	-	6,437
Others	36,405	275	1,096	37,776
	P 232,181	**P 41,027**	**P 11,658**	**P 284,866**

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Real properties	P 92,120	P 10,891	P 3,787	P 106,798
Hold-out deposits	9,175	21	274	9,470
Equity securities	6,437	-	-	6,437
Chattel	5,398	37	-	5,435
Others	32,799	241	740	33,780
	P 145,929	**P 11,190**	**P 4,801**	**P 161,920**

The comparative information on the estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2017 based on PAS 39 credit quality description is shown below.

	Group	Parent Company
Against individually impaired		
Real property	P 1,164	P 1,164
Chattels	207	-
Against classified accounts but not impaired		
Real property	54,256	42,594
Chattels	10,959	1,434
Equity securities	5,356	5,356
Others	630	270
Against neither past due nor impaired		
Real property	95,088	76,200
Chattels	55,026	-
Hold-out deposits	15,799	14,380
Others	28,017	25,105
	P 266,502	P 166,503

The Group and Parent Company has recognized certain properties arising from foreclosures in settlement of loan account amounting to P672 and P202, respectively, in 2018 and P2,360 and P19, respectively, in 2017 (see Note 14.1).

The Group's and Parent Company's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Group and Parent Company does not generally use the non-cash collateral for its own operations.

There were no changes in the Group and Parent Company's collateral policies in 2018 and 2017.

4.4.12 Write-offs

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Group's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written off.

4.4.13 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company adopts a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

4.5 Operational Risk

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

The Operational Risk Management 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 designated operational risk 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).

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 Marketing Council chaired by the head of the Parent Company's Chief Marketing Officer.

4.5.2 Legal Risk and Regulatory Risk Management

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

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

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Together with the Terrorism Financing Prevention and Suppression Act (CFT) which was passed in June 2012 by virtue of RA No. 10168, these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations.

Under the AMLA, as amended, the Group is required to submit Covered Transaction Reports (CTRs). CTRs involve single transactions in cash or other equivalent monetary instruments in excess of P0.5 within one banking day. The Group is also required to submit STRs to the AMLC in the event that there are reasonable grounds to believe that any amounts processed are the proceeds of money laundering or terrorist financing activities.

The AMLA requires the Group to safe keep, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including official documents that establish and record their true and full identity. In addition, transactional documents are required to be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be retained for five years after their closure.

Meanwhile, all records of accounts with court cases must be preserved until resolved with finality.
On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding prior rules and regulations on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile. In compliance with the risk-based approach mandated by the Circular, the Group profiles its clients based on their level of risk, specifically, Low, Normal, or High. These risk levels have their corresponding level of due diligence, specifically, Reduced, Average or Enhanced. BSP Circular No. 706 was later amended by BSP Circular No. 950.

The Group's MLPP is revised annually to ensure that its KYC policies and guidelines are updated. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records prior to account opening. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, a Group Head's approval is necessary.

The Group's Chief Compliance Officer, through the Anti-Money Laundering Division, monitors AML/CFT compliance by conducting regular compliance testing of the head office and business units. Results of its AML/CFT activities and compliance monitoring are regularly reported to the AMLCom, Senior Management Committee and the BOD to ensure that all AML/CFT matters are appropriately escalated.

In 2016, the Group instituted reforms aimed to reinforce its AML/CFT controls. The Group significantly lowered the thresholds for remittances, required more posting reviews during the day, and strengthened the process for escalation, fraud and unusual transactions. In addition, the Group has embarked on a re-engineering of its settlements and business center operations, and the consolidation and strengthening of its fraud management framework.

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

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

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

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

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

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

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

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

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

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P2,000, P400, P300 and P300, respectively.

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

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

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;
(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iii) deposit for subscription of Tier 2 capital;
(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB);
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

In the calculation of Risk-based Capital Adequacy Ratio, the total Qualifying Capital is expressed as a percentage of Total Risk Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by credit risk mitigation (CRM).

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular 538.

The Group's and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as of December 31, 2018 and 2017 follows:

		Group		Parent Company
2018:				
Tier 1 Capital				
CET 1	**P**	**67,539**	**P**	**53,512**
AT1		**3**		**3**
		67,542		**53,515**
Tier 2 Capital		**13,871**		**13,173**
Total Qualifying Capital	**P**	**81,413**	**P**	**66,688**
Total Risk – Weighted Assets	**P**	**504,657**	**P**	**404,136**
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk-weighted assets		**16.13%**		**16.50%**
Tier 1 Capital Ratio		**13.38%**		**13.24%**
Total CET 1 Ratio		**13.38%**		**13.24%**
2017:				
Tier 1 Capital				
CET 1	P	54,326	P	40,873
AT1		3		3
		54,329		40,876
Tier 2 Capital		13,115		12,456
Total Qualifying Capital	P	67,444	P	53,332
Total Risk – Weighted Assets	P	436,269	P	347,932
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk weighted assets		15.46%		15.33%
Tier 1 Capital Ratio		12.45%		11.75%
Total CET 1 Ratio		12.45%		11.75%

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

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

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

(a) Banks must have a process for assessing capital adequacy relative to their risk profile, operating environment, and strategic/business plans;
(b) The Bank's ICAAP is the responsibility of the BOD, must be properly documented and approved and with policies and methodologies integrated into banking operations;
(c) The Bank's ICAAP should address other material risks – Pillar 2 risks – in addition to those covered by Pillar 1, with risk measurement methodologies linked to the assessment of corresponding capital requirement both on a business-as-usual (BAU) and stressed scenario;
(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,
(e) The Bank's ICAAP document must be submitted to the BSP every January 31 of each year, beginning 2011.

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

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

(a) *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Group's credit exposures. Aside from using a simplified application of the HHI, concentration is estimated using the Comprehensive Concentration Index (CCI). The capital charge is estimated by calculating the change in the Economic Capital (EC) requirement of the credit portfolio as an effect of credit deterioration in the largest industry exposure.

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

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

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

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

(f) *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treats strategic business risk as a catch-all risk, and expresses its estimate as a cap on additional risk-weighted assets given other risks and the desired level of capital adequacy. The Group maintains that the assessment of strategic risk is embedded in the budget of the Group. Its capital impact therefore on a business-as-usual case is already expressed in the amount of risk projected to be taken on in the forecast years. However, the Group does recognize the need to set up processes that would enable to put a number to the risk incurred by going into specific strategies.

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

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

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

	Group			
	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 113,783**	**P 113,783**	P 103,181	P 103,181
Investment securities-net	**88,892**	**86,876**	59,978	56,396
Loans and receivables-net	**388,778**	**401,745**	354,205	358,354
Other resources	**985**	**985**	699	699
	592,438	**603,389**	518,063	518,630
At fair value:				
Investment securities at FVPL	**7,570**	**7,570**	7,591	7,591
Investment securities at FVOCI	**21,987**	**21,987**	5,363	5,363
	29,557	**29,557**	12,954	12,954
	P 621,995	**P 632,946**	P 531,017	P 531,584
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 423,399**	**P 424,437**	P 388,412	P 388,528
Bills payable	**56,001**	**56,001**	43,967	43,967
Bonds payable	**53,090**	**55,281**	28,060	29,465
Subordinated debt	**9,986**	**9,955**	9,968	10,299
Accrued interest and other expenses	**4,984**	**4,984**	3,929	3,929
Other liabilities	**11,944**	**11,944**	10,516	10,516
	559,404	**562,602**	484,852	486,704
At fair value – Derivative financial liabilities	**894**	**894**	483	483
	P 560,298	**P 563,496**	P 485,335	P 487,187

	Parent Company			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and cash equivalents	P 85,014	P 85,014	P 83,442	P 83,442
Investment securities-net	78,595	76,228	48,141	47,784
Loans and receivables-net	289,222	299,846	265,753	266,382
Other resources	871	871	571	571
	453,702	461,959	397,907	398,179
At fair value:				
Investment securities at FVPL	6,690	6,690	6,553	6,553
Investment securities at FVOCI	15,697	15,697	3,439	3,439
	22,387	22,387	9,992	9,992
	P 476,089	P 484,346	P 407,899	P 408,171
Financial Liabilities				
At amortized cost:				
Deposit liabilities	P 302,410	P 303,448	P 288,667	P 288,783
Bills payable	48,759	48,759	36,600	36,600
Bonds payable	53,090	55,281	28,060	29,465
Subordinated debt	9,986	9,955	9,968	10,299
Accrued interest and other expenses	3,765	3,765	3,009	3,009
Other liabilities	8,042	8,042	6,668	6,668
	426,052	429,250	372,972	374,824
At fair value –				
Derivative financial liabilities	894	894	483	483
	P 426,946	P 430,144	P 373,455	P 375,307

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	Collateral received	Net amount
December 31, 2018					
Loans and receivables – Receivable from customers	11	P 389,073	(P 9,814)	(P 6,437)	P 372,822
Trading and investment securities – Investment securities at amortized cost	10	118,449	(25,438)	-	93,011
Other resources – Margin deposits	15	19	-	(19)	-

	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position: Financial instruments	Related amounts not set off in the statements of financial position: Collateral received	Net amount
		Group			
December 31, 2017					
Loans and receivables – Receivable from customers	11	P 352,845	(P 15,799)	(P 5,356)	P 331,690
Trading and investment securities – Investment securities at amortized cost	10	72,932	(7,437)	-	65,495
Other resources – Margin deposits	15	23	-	(23)	-

	Notes	**Gross amounts recognized in the statements of financial position**	**Related amounts not set off in the statements of financial position: Financial instruments**	**Related amounts not set off in the statements of financial position: Collateral received**	**Net amount**
		Parent Company			
December 31, 2018					
Loans and receivables – Receivable from customers	11	**P 289,940**	**(P 9,470)**	**(P 6,437)**	**P 274,033**
Trading and investment securities – Investment securities at amortized cost	10	**100,982**	**(25,438)**	**-**	**75,544**
Other resources – Margin deposits	15	**19**	**-**	**(19)**	**-**
December 31, 2017					
Loans and receivables – Receivable from customers	11	P 264,631	(P 14,380)	(P 5,356)	P 244,895
Trading and investment securities – Investment securities at amortized cost	10	58,133	(7,437)	-	50,696
Other resources – Margin deposits	15	23	-	(23)	-

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

	Notes	**Gross amounts recognized in the statements of financial position**	**Related amounts not set off in the statements of financial position: Financial instruments**	**Related amounts not set off in the statements of financial position: Collateral received**	**Net amount**
		Group			
December 31, 2018					
Deposit liabilities	17	**P 423,399**	**(P 9,814)**	**P -**	**P 413,585**
Bills payable	18	**56,001**	**(25,438)**	**-**	**30,563**
Other liabilities – Derivative financial liabilities	22	**894**	**-**	**(862)**	**32**
December 31, 2017					
Deposit liabilities	17	P 388,412	(P 15,799)	P -	P 372,613
Bills payable	18	43,967	(7,437)	-	36,530
Other liabilities – Derivative financial liabilities	22	483	-	(23)	460

		Parent Company			
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position: Financial instruments	Collateral received	Net amount
December 31, 2018					
Deposit liabilities	17	**P 302,410**	**(P 9,470)**	**P -**	**P 292,940**
Bills payable	18	**48,759**	**(25,438)**	**-**	**23,321**
Other liabilities – Derivative financial liabilities	22	**894**	**-**	**(19)**	**875**
December 31, 2017					
Deposit liabilities	17	P 288,667	(P 14,380)	P -	P 274,287
Bills payable	18	36,600	(7,437)	-	29,163
Other liabilities – Derivative financial liabilities	22	483	-	(23)	460

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

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

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

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

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2018 and 2017.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2018:				
Financial assets at FVPL:				
Government securities	P 3,511	P -	P -	P 3,511
Corporate debt securities	1,660	-	-	1,660
Equity securities	675	-		675
Derivative assets	-	1,724	-	1,724
	5,846	1,724	-	7,570
Financial assets at FVOCI –				
Equity securities	2,045	427	3,989	6,461
Government securities	15,138	-	-	15,138
Corporate debt securities	388	-	-	388
	17,571	427	3,989	21,987
Total Resources at Fair Value	**P 23,417**	**P 2,151**	**P 3,989**	**P 29,557**
Derivative liabilities	**P -**	**P 894**	**P -**	**P 894**

	Group			
	Level 1	Level 2	Level 3	Total
2017:				
Financial assets at FVPL:				
Government securities	P 4,386	P -	P -	P 4,386
Corporate debt securities	462	-	-	462
Equity securities	1,081	-	543	1,624
Derivative assets	29	1,090	-	1,119
	5,958	1,090	543	7,591
Financial assets at FVOCI – Equity securities	3,456	197	1,710	5,363
Total Resources at Fair Value	P 9,414	P 1,287	P 2,253	P 12,954
Derivative liabilities	P -	P 483	P -	P 483

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
2018:				
Financial assets at FVPL:				
Government securities	P 3,419	P -	P -	P 3,419
Corporate debt securities	1,547	-	-	1,547
Derivative assets	-	1,724	-	1,724
	4,966	1,724	-	6,690
Financial assets at FVOCI –				
Equity securities	1,475	255	1,946	3,676
Government securities	12,021	-	-	12,021
	13,496	255	1,946	15,697
Total Resources at Fair Value	**P 18,462**	**P 1,979**	**P 1,946**	**P 22,387**
Derivative liabilities	**P -**	**P 894**	**P -**	**P 894**
2017:				
Financial assets at FVPL:				
Government securities	P 4,289	P -	P -	P 4,289
Corporate debt securities	455	-	-	455
Equity securities	147	-	543	690
Derivative assets	29	1,090	-	1,119
	4,920	1,090	543	6,553
Financial assets at FVOCI – Equity securities	1,761	197	1,481	3,439
Total Resources at Fair Value	P 6,681	P 1,287	P 2,024	P 9,992
Derivative liabilities	P -	P 483	P -	P 483

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 and corporate debt securities are categorized within Level 1 of the fair value hierarchy.

In 2018, fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used Bloomberg Valuation Service (BVAL). These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables. In 2017, fair value is determined to be the reference price per PDEx which had been based on price quoted or actually dealt in an active market. For other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

b) *Equity Securities*

The fair values of equity securities classified as financial assets at FVPL and FVOCI as of December 31, 2018 and 2017 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 with fair value categorized within Level 3, their fair value is determined through valuation techniques such as market-based approach (price-to-book value method) using current market values of comparable listed entities, discounted cash flow method, net asset value method, or dividend discounted model.

The price-to-book value method use to value a certain equity security of the Parent Company uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value adjusted by a certain valuation discount. The price-to-book ratio used in the fair value measurement as of December 31, 2018 and 2017 ranges from 0.620:1 to 2.110:1 and from 0.578:1 to 2.290:1, respectively. Increase or decrease in the price-to-book ratio and net asset value would result in higher or lower fair values, all else equal.

For a certain preferred equity security, the Group has used the discounted cash flow method applying a discount rate of 6.28% to determine the present value of future cash flows from dividends or redemption expected to be received from the instrument.

A reconciliation of the carrying amounts of Level 3 equity securities at the beginning and end of 2018 and 2017 is shown below.

	Group		
	Financial Assets at FVOCI	Financial Assets at FVPL	Total
2018:			
Balance at beginning of year	P 1,710	P 543	P 2,253
Additions	2,000	-	2,000
Reclassification	543	(543)	-
Fair value losses-net	(264)	-	(264)
Balance at end of year	**P 3,989**	**P -**	**P 3,989**
2017:			
Balance at beginning of year	P 1,744	P 586	P 2,330
Fair value losses	(34)	(43)	(77)
Balance at end of year	P 1,710	P 543	P 2,253

	Parent Company		
	Financial Assets at FVOCI	Financial Assets at FVPL	Total
2018:			
Balance at beginning of year	P 1,481	P 543	P 2,024
Reclassifications	543	(543)	-
Fair value losses-net	(78)	-	(78)
Balance at end of year	**P 1,946**	**P -**	**P 1,946**
2017:			
Balance at beginning of year	P 1,515	P 586	P 2,101
Fair value losses	(34)	(43)	(77)
Balance at end of year	P 1,481	P 543	P 2,024

As permitted by the transitional provisions under PFRS 9, the Parent Company has reclassified by designation at January 1, 2018 certain private equity securities with fair value of P543 from FVPL category as of December 31, 2017 to FVOCI [see Note 2.2(a)].

There were neither transfers between the levels of the fair value hierarchy nor gains or losses recognized in the statements of profit or loss for Level 3 financial assets in 2018 and 2017.

(c) Derivative Assets and Liabilities

The fair value of the Group's derivative assets categorized within Level 1 is determined directly based on published price quotation available in Bloomberg 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**
2018:				
Financial Assets:				
Cash and other cash items	P 17,392	P -	P -	P 17,392
Due from BSP	56,495	-	-	56,495
Due from other banks	20,342	-	-	20,342
Loans arising from reverse repurchase agreements	10,032	-	-	10,032
Investment securities at amortized cost	86,876	-	-	86,876
Loans and receivables-net	-	-	401,745	401,745
Other resources	-	-	985	985
	P 191,137	**P -**	**P 402,730**	**P 593,867**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 424,437	P 424,437
Bills payable	-	-	56,001	56,001
Bonds payable	-	55,281	-	55,281
Subordinated debt	-	9,955	-	9,955
Accrued interest and other expenses	-	-	4,984	4,984
Other liabilities	-	-	11,944	11,944
	P -	**P 65,236**	**P 497,366**	**P 562,602**
2017:				
Financial Assets:				
Cash and other cash items	P 14,693	P -	P -	P 14,693
Due from BSP	58,801	-	-	58,801
Due from other banks	19,818	-	-	19,818
Loans arising from reverse repurchase agreements	9,831	-	-	9,831
Investment securities at amortized cost	56,396	-	-	56,396
Loans and receivables-net	-	-	358,354	358,354
Other resources	-	-	699	699
	P 159,539	P -	P 359,053	P 518,592

	Group			
	Level 1	Level 2	Level 3	Total
Financial Liabilities:				
Deposit liabilities	P -	P -	P 388,528	P 388,528
Bills payable	-	-	43,967	43,967
Bonds payable	-	29,465	-	29,465
Subordinated debt	-	10,299	-	10,299
Accrued interest and other expenses	-	-	3,929	3,929
Other liabilities	-	-	10,516	10,516
	P -	P 39,764	P 446,940	P 486,704

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
2018:				
Financial Assets:				
Cash and other cash items	P 12,225	P -	P -	P 12,225
Due from BSP	39,847	-	-	39,847
Due from other banks	19,420	-	-	19,420
Loans arising from reverse repurchase agreements	4,000	-	-	4,000
Investment securities at amortized cost	76,228	-	-	76,228
Loans and receivables-net	-	-	299,846	299,846
Other resources	-	-	871	871
	P 151,720	**P -**	**P 300,717**	**P 452,437**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 303,448	P 303,448
Bills payable	-	-	48,759	48,759
Bonds payable	-	55,281	-	55,281
Subordinated debt	-	9,955	-	9,955
Accrued interest and other expenses	-	-	3,765	3,765
Other liabilities	-	-	8,042	8,042
	P -	**P 65,236**	**P 364,014**	**P 429,250**
2017:				
Financial Assets:				
Cash and other cash items	P 10,415	P -	P -	P 10,415
Due from BSP	47,186	-	-	47,186
Due from other banks	18,368	-	-	18,368
Loans arising from reverse repurchase agreements	7,435	-	-	7,435
Investment securities at amortized cost	47,784	-	-	47,784
Loans and receivables-net	-	-	266,382	266,382
Other resources	-	-	571	571
	P 131,188	P -	P 266,953	P 398,141

	Parent Company			
	Level 1	Level 2	Level 3	Total
Financial Liabilities:				
Deposit liabilities	P -	P -	P 288,783	P 288,783
Bills payable	-	-	36,600	36,600
Bonds payable	-	29,465	-	29,465
Subordinated debt	-	10,299	-	10,299
Accrued interest and other expenses	-	-	3,009	3,009
Other liabilities	-	-	6,668	6,668
	P -	P 39,764	P 335,060	P 374,824

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 Agreements*

Due from BSP pertains to deposits made to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreements 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 consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg in 2018 and as published in PDEx in 2017 as discussed more fully in Note 7.2(a).

(c) *Deposits Liabilities and Borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing 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 Level 2 fair value of bonds payable and subordinated debt is determined based on the average of ask and bid prices as appearing on Bloomberg. For bills payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(d) *Other Resources and Other Liabilities*

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

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P5,298 and P4,940 in the Group's financial statements and P6,267 and P6,161 in the Parent Company's financial statements as of December 31, 2018 and 2017, respectively (see Note 14.3). The fair value hierarchy of these properties as of December 31, 2018 and 2017 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 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, location and zoning, and accessibility, or any physical or legal restrictions on the use of the property, the fair value will be categorized as Level 3. The most significant input into this valuation approach is the price per square feet, hence, the higher the price per square feet, the higher the fair value.

(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 for investment properties in both years.

8. SEGMENT INFORMATION

8.1 Business Segments

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

(a) *Retail* – principally handles the business centers offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, credit cards, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products. This segment includes portfolios of RSB, Rizal Microbank, and RBSC.

(b) *Corporate* – principally handles loans and other credit facilities and deposit and current accounts for corporate, small and medium enterprises and institutional customers. This segment includes portfolio of RLFC.

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

(d) *Others* – consists of other subsidiaries except for RSB, Rizal Microbank, and RBSC which are presented as part of Retail, and RLFC which is presented under Corporate.

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 2018 and 2017.

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, 2018, 2017 and 2016 follow:

	Retail	Corporate	Treasury	Others	Total
2018:					
Revenues					
From external customers					
Interest income	P 24,744	P 22,873	P 4,711	P 126	P 52,454
Interest expense	(7,788)	(13,802)	(3,178)	(12)	(24,780)
Net interest income	16,956	9,071	1,533	114	27,674
Non-interest income	4,249	2,625	1,228	837	8,939
	21,205	11,696	2,761	951	36,613
Intersegment revenues					
Interest income	-	3,165	-	6	3,171
Non-interest income	531	-	-	-	531
	531	3,165	-	6	3,702
Total net revenues	21,736	14,861	2,761	957	40,315
Expenses					
Operating expenses excluding depreciation and amortization	13,467	2,793	625	279	17,164
Depreciation and amortization	762	416	14	4	1,196
	14,229	3,209	639	283	18,360
Segment operating income	**P 7,507**	**P 11,652**	**P 2,122**	**P 674**	**P 21,955**
Total resources and liabilities					
Total resources	**P 149,800**	**P 272,160**	**P 109,199**	**P 5,957**	**P 537,116**
Total liabilities	**P 418,787**	**P 147,709**	**P 14,703**	**P 1,685**	**P 582,884**
2017:					
Revenues					
From external customers					
Interest income	P 19,692	P 15,162	P 3,398	P 44	P 38,296
Interest expense	(4,262)	(9,464)	(2,161)	(3)	(15,890)
Net interest income	15,430	5,698	1,237	41	22,406
Non-interest income	3,962	2,660	1,738	1,388	9,748
	19,392	8,358	2,975	1,429	32,154
Intersegment revenues					
Interest income	-	2,892	-	7	2,899
Non-interest income	499	-	-	-	499
	499	2,892	-	7	3,398
Total net revenues	19,891	11,250	2,975	1,436	35,552

	Retail	Corporate	Treasury	Others	Total
Expenses					
Operating expenses excluding depreciation and amortization	12,233	2,302	551	284	15,370
Depreciation and amortization	828	425	13	5	1,271
	13,061	2,727	564	289	16,641
Segment operating income	P 6,830	P 8,523	P 2,411	P 1,147	P 18,911
Total resources and liabilities					
Total resources	P 136,979	P 266,519	P 83,728	P 5,355	P 492,581
Total liabilities	P 402,961	P 190,891	P 20,692	P 713	P 615,257
2016:					
Revenues					
From external customers					
Interest income	P 17,075	P 13,416	P 16,537	P 34	P 47,062
Interest expense	(3,199)	(7,799)	(5,976)	(3)	(16,977)
Net interest income	13,876	5,617	10,561	31	30,085
Non-interest income	3,636	1,748	1,960	1,200	8,544
	17,512	7,365	12,521	1,231	38,629
Intersegment revenues					
Interest income	-	2,235	-	4	2,239
Non-interest income	460	-	-		460
	- 460	2,235	-	4	2,699
Total net revenues	17,972	9,600	12,521	1,235	41,328
Expenses					
Operating expenses excluding depreciation and amortization	P 11,264	P 1,965	P 546	P 749	P 14,524
Depreciation and amortization	800	359	9	7	1,175
	12,064	2,324	555	756	15,699
Segment operating income	P 5,908	P 7,276	P 11,966	P 479	P 25,629
Total resources and liabilities					
Total resources	P 122,900	P 235,070	P 98,302	P 5,048	P 461,320
Total liabilities	P 363,581	P 162,314	P 28,297	P 709	P 544,901

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.

	2018	2017	2016
Revenue			
Total segment revenues	**P 40,315**	P 35,552	P 41,328
Unallocated income	**(9,928)**	(6,844)	(15,620)
Elimination of intersegment revenues	**(3,893)**	(3,587)	(2,886)
Net revenues as reported in profit or loss	**P 26,494**	P 25,121	P 22,822
Profit or loss			
Total segment operating income	**P 21,955**	P 18,911	P 25,629
Unallocated profit	**(13,932)**	(11,203)	(19,186)
Elimination of intersegment profit	**(3,702)**	(3,398)	(2,700)
Group net profit as reported in profit or loss	**P 4,321**	P 4,310	P 3,743
Resources			
Total segment resources	**P 537,116**	P 492,581	P 461,320
Unallocated assets	**110,252**	63,355	62,310
Elimination of intersegment assets	**(2,773)**	(2,061)	(2,417)
Total resources	**P 644,595**	P 553,875	P 521,213
Liabilities			
Total segment liabilities	**P 582,884**	P 615,257	P 554,901
Unallocated liabilities	**(16,686)**	(126,235)	(93,423)
Elimination of intersegment liabilities	**(2,773)**	(2,061)	(2,418)
Total liabilities	**P 563,425**	P 486,961	P 459,060

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2018, 2017 and 2016 follow:

	Philippines	**Asia and Europe**	**Total**
2018:			
Statement of profit or loss			
Total income	P 36,930	P 9	P 36,939
Total expenses	32,580	38	32,618
Net profit (loss)	**P 4,350**	**(P 29)**	**P 4,321**
Statement of financial position			
Total resources	**P 644,451**	**P 144**	**P 644,595**
Total liabilities	**P 563,355**	**P 70**	**P 563,425**
Other segment information			
Depreciation and amortization	**P 1,821**	**P -**	**P 1,821**

	Philippines		United States		Asia & Europe		Total	
2017:								
Statement of profit or loss								
Total income	P	32,212	P	-	P	6	P	32,218
Total expenses		27,877		-		31		27,908
Net profit (loss)	P	4,335	P	-	(P	25)	P	4,310
Statement of financial position								
Total resources	P	553,731	P	1	P	143	P	553,875
Total liabilities	P	486,889	P	1	P	71	P	486,961
Other segment information – Depreciation and amortization	P	1,930	P	-	P	-	P	1,930
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
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

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		Parent Company	
	2018	2017	**2018**	2017
Cash and other cash items	**P 17,392**	P 14,693	**P 12,225**	P 10,415
Due from BSP	**56,495**	58,801	**39,847**	47,186
Due from other banks	**20,342**	19,818	**19,420**	18,368
Loans arising from reverse repurchase agreements	**10,032**	9,831	**4,000**	7,435
Interbank loans receivables (see Note 11)	**9,522**	38	**9,522**	38
	P 113,783	P 103,181	**P 85,014**	P 83,442

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 Note 17), to serve as clearing account for interbank claims and to comply with existing trust regulations. Due from BSP also includes Overnight Deposit and Term Deposit Accounts. The balance of Overnight Deposit amounted to P8 and P2,017 for the Group as of December 31, 2018 and 2017, respectively, while the Parent Company has no such deposits at the end of both years. In addition, Term Deposit Accounts amounted to P5,000 and P200 for the Group, and nil and P200 for the Parent Company as of December 31, 2018 and 2017, respectively.

Overnight deposit bears interest of 3.0% in 2018, and 2.5% in 2017 and 2016, while term deposit account earns interest of 4.2%, 3.4%, and 3.3% in 2018, 2017 and 2016, respectively.

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Foreign banks	**P 18,843**	P 17,724	**P 18,708**	P 17,284
Local banks	**1,499**	2,094	**712**	1,084
	P 20,342	P 19,818	**P 19,420**	P 18,368

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Foreign currencies	**P 19,470**	P 17,922	**P 19,009**	P 17,839
Philippine peso	**872**	1,896	**411**	529
	P 20,342	P 19,818	**P 19,420**	P 18,368

Interest rates per annum on these deposits in other banks range from 0.00% to 2.50% in 2018, from 0.00% to 1.20% in 2017, and from 0.35% to 1.00% in 2016.

The Group has loans from BSP as of December 31, 2018 and 2017 arising from overnight lending from excess liquidity which earn effective interest of 3.00% to 4.50% in 2018 and 3.50% in 2017. These loans normally mature within 30 days. Interest income earned from these financial assets is presented under Interest Income account in the statements of profit or loss.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2018	2017	**2018**	2017
Financial assets at FVPL	**P 7,570**	P 7,591	**P 6,690**	P 6,553
Financial assets at FVOCI	**21,987**	5,363	**15,697**	3,439
Investment securities at amortized cost	**88,892**	59,978	**78,595**	48,141
	P 118,449	P 72,932	**P 100,982**	P 58,133

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVPL is composed of the following:

	Group		Parent Company	
	2018	2017	**2018**	2017
Government securities	**P 3,511**	P 4,386	**P 3,419**	P 4,289
Corporate debt securities	**1,660**	462	**1,547**	455
Equity securities	**675**	1,624	**-**	690
Derivative financial assets	**1,724**	1,119	**1,724**	1,119
	P 7,570	P 7,591	**P 6,690**	P 6,553

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Held-for-trading	**P 5,171**	P 4,848	**P 4,966**	P 4,744
Designated as at FVPL	**675**	1,624	**-**	690
Derivative financial assets	**1,724**	1,119	**1,724**	1,119
	P 7,570	P 7,591	**P 6,690**	P 6,553

Equity securities are composed of listed shares of stock traded at the PSE and shares of stock designated as at FVPL. There were no dividend income earned on these equity securities in 2018, 2017 and 2016.

Upon adoption of PFRS 9 at January 1, 2018, certain equity securities with carrying amount of P845 and debt securities with carrying amount of P105 were reclassified by the Group from financial assets at FVPL to FVOCI category. These include equity securities amounting to P543 reclassified by the Parent Company [see Note 2.2(a)] and Note 10.2. Also, certain debt securities of the Parent Company with carrying amount of P51 were reclassified from FVPL to amortized cost [see Note 2.2(a)] and Note 10.3.

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

	2018	2017	2016
Peso denominated	**3.25%-8.13%**	2.13%-8.75%	1.63%-12.13%
Foreign currency denominated	**2.05%-11.63%**	2.95%-10.63%	1.30%-11.63%

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year.

Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

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

	Notional Amount	**Fair Values**	
		Assets	**Liabilities**
2018:			
Currency swaps and forwards	P 67,420	P 1,376	P 567
Interest rate swaps and futures	35,378	309	305
Debt warrants	5,531	17	-
Options	1,240	3	22
Credit default swap	946	19	-
	P 110,515	**P 1,724**	**P 894**
2017:			
Currency swaps and forwards	P 51,060	P 911	P 402
Interest rate swaps and futures	26,999	174	80
Debt warrants	6,250	29	-
Options	3,718	5	1
Credit default swap	25	-	-
	P 88,052	P 1,119	P 483

Derivative liabilities amounting to P894 and P483 as of December 31, 2018 and 2017, respectively, are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The significant portion of such derivative liabilities have maturity periods of less than a year.

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

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31, 2018 and 2017 consist of:

	Group		Parent Company	
	2018	2017	**2018**	2017
Quoted equity securities	**P 2,472**	P 3,653	**P 1,730**	P 1,958
Unquoted equity securities	**3,989**	1,710	**1,946**	1,481
Government debt securities	**15,138**	-	**12,021**	-
Corporate debt securities	**388**	-	**-**	-
	P 21,987	P 5,363	**P 15,697**	P 3,439

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

The Group and the Parent Company made reclassifications of certain equity and debt securities from financial assets at FVPL to FVOCI category at January 1, 2018 [see Note 2.2(a)] and Note 10.1. In addition, debt securities with fair value of P310 were reclassified from investment securities at amortized cost to FVOCI [see Note 2.2(a)] and Note 10.3.

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2018 and 2017 are unquoted equity securities with fair value of P3,989 and P1,710, respectively, determined using the net asset value, dividend discounted model, discounted cash flow method, or a market-based approach (price-to-book value method), hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2). These unquoted equity securities include investments of the Parent Company with fair value of P1,946 and P1,481 as of December 31, 2018 and 2017, respectively.

The fair value changes of equity securities classified as at FVOCI and held by the Group as of December 31, 2017 are recognized as an adjustment in other comprehensive income and presented in the statements of comprehensive income under items that will not be reclassified subsequently to profit or loss (see Note 10.5). Effective January 1, 2018, the Group acquires and holds corporate debt securities under its financial assets at FVOCI category. Similar with equity securities, fair value gains or losses arising from these securities are recognized in other comprehensive income. However, gains or losses are reclassified to profit or loss upon disposal.

As a result of the Group's disposal of certain equity securities classified as at FVOCI, the related fair value gain of P4 in 2017 and P3 in 2016 recognized in other comprehensive income prior to the year of disposal was transferred from Revaluation Reserves to Surplus account during those years. There were no disposal of equity securities classified as at FVOCI in 2018.

In 2018, 2017 and 2016, dividends on these equity securities were recognized amounting to P189, P234 and P449 by the Group and, P187, P196 and P307 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, 2018 and 2017 consist of:

	Group		Parent Company	
	2018	2017	**2018**	2017
Government securities	**P 66,084**	P 39,044	**P 57,384**	P 29,379
Corporate debt securities	**22,943**	21,024	**21,237**	18,762
	89,027	60,068	**78,621**	48,141
Allowance for impairment	**(135)**	(90)	**(26)**	-
	P 88,892	P 59,978	**P 78,595**	P 48,141

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Philippine peso	**P 15,668**	P 9,934	**P 9,634**	P 2,634
Foreign currencies	**73,224**	50,044	**68,961**	45,507
	P 88,892	P 59,978	**P 78,595**	P 48,141

Interest rates per annum on government securities and corporate debt securities range from 3.63% to 8.00% in 2018, 2.13% to 8.60% in 2017 and 2.13% to 8.44% in 2016 for peso denominated securities, and 1.63% to 10.63% in 2018, 1.63% to 10.63% in 2017 and 1.40% to 10.63% in 2016 for foreign currency-denominated securities.

Upon adoption of PFRS 9 at January 1, 2018, certain debt securities of the Parent Company with carrying amount of P51 were reclassified from financial assets at FVPL to amortized cost [(see Note 2.2(a)] and Note 10.1. In addition, debt securities with fair value of P310 were reclassified from investment securities at amortized cost to FVOCI [see Note 2.2(a)] and Note 10.2.

In December 2018, the Parent Company disposed of certain US dollar-denominated bonds under its HTC portfolio with aggregate carrying amount of P3,113, resulting in net gains amounting to P69. The disposal was made in order to maintain adequate liquidity buffer for the expected cash outflows for loan drawdowns. In 2017, the Parent Company also disposed from its HTC portfolio certain peso and US dollar-denominated bonds with aggregate carrying amount of P22,279 which resulted in net gains of P684. The disposal was made to ensure the Parent Company's continuing regulatory compliance with the required minimum CET 1 ratio.

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

The above disposals of investment securities were approved by the Executive Committee of the Parent Company in compliance with the documentation requirements of the BSP.

The Group and the Parent Company recognized ECL on investment securities at amortized cost amounting to P24 and P15, respectively, in 2018 (see Note 16).

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, 2018 and 2017, investment securities of both the Group and the Parent Company with an aggregate amortized cost of P25,438 and P7,437, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 18).

10.4 Interest Income from Trading and Investment Securities

Interest income from trading and investment securities recognized by the Group and Parent Company in 2018, 2017 and 2016 are shown below.

	Group		
	2018	2017	2016
Debt securities at FVPL	**P 441**	P 293	P 938
Debt securities at FVOCI	**136**	-	-
Debt securities at amortized cost	**2,826**	2,137	2,331
	P 3,403	P 2,430	P 3,269

	Parent Company		
	2018	2017	2016
Debt securities at FVPL	**P 338**	P 203	P 931
Debt securities at FVOCI	**113**	-	-
Debt securities at amortized cost	**2,359**	1,752	1,996
	P 2,810	P 1,955	P 2,927

10.5 Trading and Securities Gains (Losses)

The Group and the Parent Company recognized trading and securities gains (losses) in its trading or disposals of investment securities, including their fair value changes, in 2018, 2017, and 2016 as follows:

	Group		
	2018	2017	2016
Profit or loss:			
Financial assets at FVPL	**(P 117)**	P 195	P 267
Debt securities at FVOCI	**48**	-	-
Investment securities at amortized cost	**69**	705	1,352
	P -	P 900	P 1,619
Other comprehensive income (loss):			
Equity securities at FVOCI	**(P 1,018)**	**(P 156)**	**P 1,442**
Debt securities at FVOCI	149	-	-
	(P 869)	(P 156)	P 1,442

	Parent Company		
	2018	2017	2016
Profit or loss:			
Financial assets at FVPL	**(P 134)**	(P 20)	P 136
Debt securities at FVOCI	**48**		
Investment securities at amortized cost	**69**	684	1,527
	(P 17)	P 664	P 1,663
Other comprehensive income (loss):			
Equity securities at FVOCI	**(P 478)**	(P 269)	P 1,395
Debt securities at FVOCI	**149**	-	-
	(P 329)	(P 269)	P 1,395

11. LOANS AND RECEIVABLES

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Receivables from customers:				
Loans and discounts	**P 340,011**	P 319,099	**P 244,420**	P 233,549
Credit card receivables	**21,550**	16,405	**21,550**	16,405
Customers' liabilities on acceptances, import bills and trust receipts	**21,075**	12,404	**21,075**	12,404
Bills purchased	**3,112**	2,612	**3,055**	2,605
Lease contract receivables	**3,403**	2,893	**-**	-
Receivables financed	**587**	249	**-**	-
	389,738	353,662	**290,100**	264,963
Unearned discount	**(665)**	(817)	**(160)**	(332)
	389,073	352,845	**289,940**	264,631
Other receivables:				
Interbank loans receivables (see Note 9)	**9,522**	38	**9,522**	38
Accrued interest receivables	**4,498**	3,094	**3,537**	2,232
Accounts receivables [see Notes 15.3 and 28.5 (a) and (b)]	**2,452**	2,641	**1,565**	2,206
UDSCL	**1,963**	1,939	**1,162**	1,177
Sales contract receivables	**1,083**	1,679	**59**	449
	19,518	9,391	**15,845**	6,102
	408,591	362,236	**305,785**	270,733
Allowance for impairment (see Note 16)	**(10,291)**	(7,993)	**(7,041)**	(4,942)
	P 398,300	P 354,243	**P 298,744**	P 265,791

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

	2018	2017	2016
Loans and discounts:			
Philippine peso	**5.79%**	5.00%	5.08%
Foreign currencies	**4.53%**	3.63%	3.50%
Credit card receivables	**16.00%-24.00%**	17.00%-27.00%	19.00%-29.00%
Lease contract receivables	**8.00%-19.00%**	8.00%-20.00%	8.00%-20.00%
Receivables financed	**8.00%-14.00%**	11.00%-12.50%	10.00%-12.00%

Included in UDSCL as of December 31, 2018 and 2017 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. 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 ECL. This note receivable with carrying amount of P342 as of December 31, 2017 has been provided with full allowance for ECL as part of the Parent Company's transition adjustment to increase its allowance for ECL on specific loans upon adoption of the ECL model at January 1, 2018.

Also included in UDSCL is RSB's 10-year note with carrying amount of P801 and P761 as of December 31, 2018 and 2017, respectively, and bears 6.44% interest per annum. This pertains to the agreement entered into in June 2017 with a third party for the sale of various foreclosed real properties with book value of P1,127, for a total consideration of P1,385; of which P396 and P989 (with present value of P742 on date of sale) were in the form of cash and note receivable, respectively. Accordingly, the Group recognized a gain on sale amounting to P11 and is presented as part of Gains on assets sold under Miscellaneous income in the 2017 statement of profit or loss (see Notes 15.3 and 25.1).

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, 2018 and 2017, the outstanding balance amounted to P182 and P192, respectively. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 28). Management has assessed that this receivable is fully recoverable.

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	
	2018	2017	**2018**	2017
Real estate, renting and other related activities	**P 85,759**	P 81,927	**P 53,100**	P 52,669
Electricity, gas and water	**74,686**	64,794	**74,379**	64,453
Consumer	**64,085**	54,196	**23,282**	18,055
Wholesale and retail trade	**45,153**	40,500	**39,669**	35,692
Manufacturing (various industries)	**44,600**	35,034	**43,355**	33,504
Financial intermediaries	**24,262**	21,521	**22,207**	19,534
Transportation and communication	**22,869**	22,918	**16,077**	17,162
Other community, social and personal activities	**10,545**	14,799	**5,956**	10,755
Agriculture, fishing and forestry	**4,559**	4,928	**4,003**	4,479
Hotels and restaurants	**3,981**	4,133	**3,937**	4,133
Mining and quarrying	**1,456**	1,922	**1,285**	1,779
Others	**7,118**	6,173	**2,690**	2,416
	P 389,073	P 352,845	**P 289,940**	P 264,631

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	
	2018	2017	**2018**	2017
Secured:				
Real estate mortgage	**P 113,299**	P 86,193	**P 63,582**	P 42,326
Chattel mortgage	**44,271**	37,975	**1,699**	623
Hold-out deposits	**9,814**	15,799	**9,470**	14,380
Other securities	**18,733**	26,718	**15,149**	25,375
	186,117	166,685	**89,900**	82,704
Unsecured	**202,956**	186,160	**200,040**	181,927
	P 389,073	P 352,845	**P 289,940**	P 264,631

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

	Group		Parent Company	
	2018	2017	**2018**	2017
Due within one year	**P 79,185**	P 92,550	**P 75,279**	P 71,992
Due beyond one year	**309,888**	260,295	**214,661**	192,639
	P 389,073	P 352,845	**P 289,940**	P 264,631

11.2 Non-performing Loans and Allowance for Credit Loss

NPLs included in the total loan portfolio of the Group and the Parent Company as of December 31, 2018 and 2017 are presented below, net of allowance for impairment in compliance with the BSP Circular No. 772, *Amendments to Regulations on Non-performing Loans*.

	Group		Parent Company	
	2018	2017	**2018**	2017
Gross NPLs	**P 9,173**	P 7,907	**P 3,779**	P 2,851
Allowance for impairment	**(4,857)**	(3,416)	**(2,274)**	(1,394)
	P 4,316	P 4,491	**P 1,505**	P 1,457

Based on BSP regulations, NPLs shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan receivable shall be considered as non-performing when the total amount of arrearages reaches 10% of the total loan receivable balance.

Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals.

A reconciliation of the allowance for impairment on loans and receivables at the beginning and end of 2018 and 2017 is shown below (see Note 16).

	Group		Parent Company	
	2018	2017	**2018**	2017
Balance at beginning of year	**P 7,993**	P 7,411	**P 4,942**	P 4,792
Effect of adoption of ECL model [see Note 2.2(a)]	**1,680**	-	**1,959**	-
Impairment losses during the year	**1,879**	2,076	**1,294**	1,086
Accounts written off and others	**(1,261)**	(1,494)	**(1,154)**	(936)
Balance at end of year	**P 10,291**	P 7,993	**P 7,041**	P 4,942

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

	Notes	Group 2018	Group 2017
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		**265**	231
Share in net earnings for the year		**14**	92
Share in actuarial gains on defined benefit plan	23.4	**6**	4
Cash dividends	28	**(2)**	(62)
Others		**(12)**	-
Balance at end of year		**271**	265
Carrying amount		**P 423**	P 417

	Notes	Parent Company 2018	Parent Company 2017
Acquisition costs of subsidiaries:			
RSB		**P 3,190**	P 3,190
RCBC Capital		**2,231**	2,231
Rizal Microbank		**1,242**	1,242
RCBC LFC		**1,187**	1,187
RCBC JPL		**375**	375
RCBC Forex		**150**	150
RCBC Telemoney		**72**	72
RCBC IFL		**58**	58
RCBC North America		**-**	134
Total acquisition costs		**8,505**	8,639
Accumulated equity in net earnings:			
Balance at beginning of year		**9,562**	7,817
Share in the effect of adoption of PFRS 9	2.2	**143**	-
Share in net earnings for the year		**1,290**	1,960
Share in actuarial gains on defined benefit plan	23.4	**115**	19
Share in fair value gains (losses) on financial assets at FVOCI	23.4	**(540)**	113
Translation adjustment on foreign operations	23.4	**-**	(1)
Cash dividends	28	**-**	(315)
Others		**123**	(31)
Balance at end of year		**10,693**	9,562
Carrying amount of investment in subsidiaries *(carried forward)*		**P 19,198**	P 18,201

		Parent Company	
		2018	2017
Carrying amount of investment in subsidiaries *(carried forward)*		**P 19,198**	P 18,201
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		**277**	182
Share in net earnings for the year		**9**	150
Share in actuarial gains on defined benefit plan	23.4	**6**	4
Cash dividends	28	**(102)**	(59)
Balance at end of year		**190**	277
		730	817
Carrying amount		**P 19,928**	P 19,018

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 nil and P102, respectively, in 2018, P315 and P59, respectively, in 2017, and P232 and P110, respectively, in 2016.

12.1 Information About Investments in Subsidiaries

In February 2018, RCBC North America was dissolved which resulted in the reclassification of the cumulative translation adjustment to profit or loss amounting to P32 (see Note 1.2).

In August 2018, the BOD of the Parent Company approved the additional capital infusion to RCBC LFC amounting to P800, which was paid to the latter in November 2018 after RCBC LFC's BOD approved the increase in its authorized capital stock in its meeting held in October 2018. As the application for the increase in authorized capital stock is not yet filed by RCBC LFC to the SEC as of December 31, 2018, the P800 deposit for future stock subscription is recognized and presented as part of Other Resources account in the 2018 statement of financial position of the Parent Company (see Note 15).

On February 23, 2015, the Parent Company's BOD approved the subscription to P500 worth of shares of stock of RCBC LFC. In 2016, RCBC LFC filed its application with the SEC for increase in authorized capital stock after it has secured the certificate of authority to amend the articles of incorporation from the BSP. This application was approved by the SEC on April 24, 2018 which resulted in the issuance of shares to the Parent Company, hence, increase in the latter's ownership interest (see Note 1.2).

12.2 Information About Investments in Associates

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

The table below presents the summary of the financial information of the Group's significant associates as of and for the years ended December 31:

	Resources	Liabilities	Revenues	Net Profit (Loss)
2018:				
HCPI	**P 6,910**	**P 3,717**	**P 27,664**	**P 35**
LIPCO	**993**	**5,236**	**23**	**(482)**
2017:				
HCPI	P 6,110	P 2,965	P 25,215	P 589
LIPCO	982	4,743	27	(341)

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 2018 and 2017 are shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2018					
Cost	P 1,270	P 3,400	P 11,032	P 1,102	P 16,804
Accumulated depreciation and amortization	-	(1,400)	(6,989)	-	(8,389)
Net carrying amount	**P 1,270**	**P 2,000**	**P 4,043**	**P 1,102**	**P 8,415**
December 31, 2017					
Cost	P 1,283	P 3,368	P 9,684	P 1,167	P 15,502
Accumulated depreciation and amortization	-	(1,318)	(5,238)	-	(6,556)
Net carrying amount	P 1,283	P 2,050	P 4,446	P 1,167	P 8,946
January 1, 2017					
Cost	P 1,289	P 3,315	P 9,858	P 1,100	P 15,562
Accumulated depreciation and amortization	-	(1,226)	(5,460)	-	(6,686)
Net carrying amount	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2018					
Cost	P 771	P 2,421	P 6,447	P 867	P 10,506
Accumulated depreciation and amortization	-	(1,078)	(4,436)	-	(5,514)
Net carrying amount	**P 771**	**P 1,343**	**P 2,011**	**P 867**	**P 4,992**
December 31, 2017					
Cost	P 771	P 2,419	P 6,196	P 890	P 10,276
Accumulated depreciation and amortization	-	(1,000)	(4,079)	-	(5,079)
Net carrying amount	P 771	P 1,419	P 2,117	P 890	P 5,197
January 1, 2017					
Cost	P 777	P 2,381	P 5,882	P 815	P 9,855
Accumulated depreciation and amortization	-	(932)	(3,731)	-	(4,663)
Net carrying amount	P 777	P 1,449	P 2,151	P 815	P 5,192

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2018 and 2017 is shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 1,283	P 2,050	P 4,446	P 1,167	P 8,946
Additions	-	47	877	290	1,214
Disposals	(13)	(12)	(275)	(31)	(331)
Reclassifications	-	2	(131)	129	-
Depreciation and amortization charges for the year	-	(87)	(874)	(453)	(1,414)
Balance at December 31, 2018, net of accumulated depreciation and amortization	**P 1,270**	**P 2,000**	**P 4,043**	**P 1,102**	**P 8,415**

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876
Additions	-	47	779	695	1,521
Disposals	(6)	(8)	(81)	(24)	(119)
Depreciation and amortization charges for the year	-	(78)	(650)	(604)	(1,332)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 1,283	P 2,050	P 4,446	P 1,167	P 8,946

	Parent Company				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 771	P 1,419	P 2,117	P 890	P 5,197
Additions	-	34	606	196	836
Disposals	-	(4)	(191)	(29)	(224)
Depreciation and amortization charges for the year	-	(106)	(521)	(190)	(817)
Balance at December 31, 2018, net of accumulated depreciation and amortization	**P 771**	**P 1,343**	**P 2,011**	**P 867**	**P 4,992**
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 777	P 1,449	P 2,151	P 815	P 5,192
Additions	-	40	576	283	899
Disposals	(6)	(2)	(75)	(18)	(101)
Depreciation and amortization charges for the year	-	(68)	(535)	(190)	(793)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 771	P 1,419	P 2,117	P 890	P 5,197

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, 2018 and 2017, 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 P5,136 and P4,357, respectively, as of December 31, 2018 and P3,789 and P3,638, respectively, as of December 31, 2017.

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 2018 and 2017 are shown below.

	Group			Parent Company		
	Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
December 31, 2018						
Cost	P 1,566	P 2,659	P 4,225	P 644	P 2,544	P 3,188
Accumulated depreciation	-	(502)	(502)	-	(260)	(260)
Accumulated impairment (see Note 16)	(92)	-	(92)	-	(6)	(6)
Net carrying amount	**P 1,474**	**P 2,157**	**P 3,631**	**P 644**	**P 2,278**	**P 2,922**
December 31, 2017						
Cost	P 2,472	P 1,534	P 4,006	P 995	P 2,005	P 3,000
Accumulated depreciation	-	(549)	(549)	-	(215)	(215)
Accumulated impairment (see Note 16)	(58)	-	(58)	-	-	-
Net carrying amount	P 2,414	P 985	P 3,399	P 995	P 1,790	P 2,785
January 1, 2017						
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

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2018 and 2017 follow:

	Group		Parent Company	
	2018	2017	**2018**	2017
Balance at January 1, net of accumulated depreciation and impairment	**P 3,399**	P 3,229	**P 2,785**	P 2,816
Additions	**672**	2,360	**202**	19
Disposals	**(382)**	(1,822)	**(17)**	(7)
Reclassification	**39**	-	**-**	-
Depreciation charges for the year	**(97)**	(289)	**(48)**	(43)
Impairment losses	**-**	(79)	**-**	-
Balance at December 31, net of accumulated depreciation and impairment	**P 3,631**	P 3,399	**P 2,922**	P 2,785

As of December 31, 2018 and 2017, 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 P672 and P202, respectively, in 2018, and P2,360 and P19, respectively, in 2017 in settlement of certain loan accounts.

In September 2014, the Parent Company sold to a third party buyer a certain non-performing investment properties consisting of land and building with a total carrying amount of P774 for a total consideration of P740, consisting of P35 cash as down payment, P40 accounts receivable and P665 sales contract receivable with no interest and payable in staggered amount for a period of four years (see Note 11). The sales contract receivable was initially recognized at its fair value resulting in the recognition of a day-one loss amounting to P5 which is included as part of allowance for impairment. These receivables with outstanding balance of P365 as of December 31, 2017 were fully collected in 2018.

The total gain recognized by the Group and the Parent Company from disposals of investment properties both amounted to P26 in 2018, P159 and P33, respectively, in 2017, and loss of P421 and P12, respectively, in 2016, which is presented as part of Gains on assets sold – net 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 P414 both in 2018, P416 and P400, respectively, in 2017, and P414 and P399, respectively, in 2016 and are presented as part of Rentals under Miscellaneous Income account in the statement of profit or loss [see Notes 25.1 and 28.5(a)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P54 and P32, respectively, in 2018, P41 and P15, respectively, in 2017, P62 and P54, respectively, in 2016.

14.3 Valuation and Measurement of Investment Properties

The fair value of investment properties as of December 31, 2018 and 2017, based on the available appraisal reports, amounted to P5,298 and P4,940, respectively, for the Group; and, P6,267 and P6,161, respectively, for the Parent Company (see Note 7.4).

15. OTHER RESOURCES

Other resources consist of the following:

	Notes	Group 2018		Group 2017		Parent Company 2018		Parent Company 2017	
Creditable withholding taxes		**P**	**2,362**	P	2,110	**P**	**2,197**	P	1,976
Branch licenses	15.1		**1,000**		1,000		**1,000**		1,000
Software	15.2		**945**		977		**786**		874
Assets held-for-sale and disposal group	15.3		**931**		1,594		**268**		862
Refundable and other deposits			**736**		491		**646**		392
Prepaid expenses	15.4		**717**		538		**464**		274
Goodwill	15.5		**426**		426		**-**		-
Unused stationery and supplies			**298**		288		**251**		229
Returned checks and other cash items			**171**		87		**158**		69
Deferred charges			**121**		132		**118**		129
Foreign currency notes			**59**		98		**48**		87
Margin deposits	15.6		**19**		23		**19**		23
Deposit for future stock subscription	12.1		**-**		-		**800**		-
Inter-office float items			**-**		81		**13**		107
Miscellaneous	15.7		**1,465**		1,358		**131**		286
			9,250		9,203		**6,899**		6,308
Allowance for impairment	15.5, 16		**(228)**		(191)		**-**		(2)
		P	**9,022**	P	9,012	**P**	**6,899**	P	6,306

The expected recovery of the other resources follows:

	Group 2018		Group 2017		Parent Company 2018		Parent Company 2017	
Within one year	**P**	**6,404**	P	6,334	**P**	**4,731**	P	4,070
More than one year		**2,618**		2,678		**2,168**		2,236
	P	**9,022**	P	9,012	**P**	**6,899**	P	6,306

15.1 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country.

15.2 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2018 and 2017 is shown below.

	Group 2018		Group 2017		Parent Company 2018		Parent Company 2017	
Balance at beginning of year	**P**	**1,035**	P	960	**P**	**874**	P	850
Additions		**179**		304		**163**		267
Amortization		**(269)**		(287)		**(251)**		(243)
Balance at end of year	**P**	**945**	P	977	**P**	**786**	P	874

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Assets Held-for-Sale and Disposal Group

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

In 2015, RSB classified a portion of investment properties amounting to P1,351 as assets held-for-sale since the carrying amount of those properties will be recovered principally through a sale transaction. The properties were readily available for immediate sale in its present condition and that management believes that the sale was highly probable at the time of reclassification. In June 2017, the properties were sold to a third party with total consideration of P1,385; of which P396 and P989 (present value is P742) were in the form of cash and note receivable, respectively (see Note 11).

In 2013, the Parent Company entered into a joint venture agreement with a third party developer to develop certain investment properties for the purpose of recovering the cost through eventual sale which led to the reclassification of the properties amounting to P337 as assets held-for-sale. This joint arrangement is accounted for as a jointly controlled operation as there was no separate entity created under this joint venture agreement. The joint venture agreement stipulates that the Parent Company shall contribute parcels of land and the co-venturer shall be responsible for the planning, conceptualization, design, construction, financing and marketing of units to be constructed on the properties.

In 2017, the joint venture agreement was terminated and both parties entered into a contract of sale, with the joint venturer property developer purchasing the properties contributed by the Parent Company at a consideration of P551 resulting in a gain from sale of P198, which is recognized as part of Gains on assets sold – net under Miscellaneous Income account in the 2017 statement of profit or loss (see Note 25.1). The outstanding receivables related to this transaction as of December 31, 2017 amounted to P463 and is presented as part of Accounts receivables under Loans and Receivables account in the 2017 statement of financial position (see Note 11).

In 2009, in accordance with the letter received by RSB from BSP dated March 26, 2009, RSB reclassified certain investment properties to equity investments as its investment in subsidiaries in its separate financial statements which resulted in the inclusion of the assets, liabilities, income and expenses of the SPCs of RSB in the Group's consolidated financial statements.

The approval of the BSP through the MB is subject to the following conditions: (i) RSB should immediately dissolve the SPCs once the underlying dacioned real property assets were sold or disposed of; and, (ii) the equity investments in the SPCs shall be disposed of within a reasonable period of time.

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

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

On December 23, 2013, the BOD of RSB approved the foregoing SPCs' redemption of the SPCs' respective preferred shares for a total consideration of P1,555. This transaction resulted in the recognition of a redemption loss by RSB amounting to P185 which is reported in the 2013 consolidated financial statements of the Group as part of Other Reserves account pending the eventual retirement of these redeemable preferred shares. On May 30, 2014 and on October 16, 2014, the retirement of the preferred shares was approved by the BOD and SEC, respectively; hence, the retirement of shares was executed by RSB. Consequently, the amount of the redemption loss was transferred directly to Surplus account from Other Reserves account as the redemption of shares of these SPCs is considered transaction between owners within the Group (see Note 23.6).

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 in the near future, 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.

15.4 Prepaid Expenses

Prepaid expenses include prepayments for insurance, taxes and licenses, and software maintenance.

15.5 Goodwill

The goodwill recognized by the Group as of December 31, 2018 and 2017 pertains to the following:

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

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

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2018 and 2017, 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 16, 2019 and January 28, 2018 with valuation date as of the end of 2018 and 2017, respectively, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

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

15.6 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.

15.7 Miscellaneous

Miscellaneous account includes various deposits, advance rentals, service provider fund and other assets.

16. ALLOWANCE FOR EXPECTED CREDIT LOSS AND IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized below.

	Notes	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Balance at beginning of year					
Loans and receivables	11	**P 7,903**	P 7,321	**P 4,942**	P 4,792
Investment securities at amortized cost	10.3	**90**	90	**-**	-
Investment properties	14	**58**	34	**-**	-
Other resources	15	**191**	288	**2**	1
		8,242	7,733	**4,944**	4,793
Effect of adoption of the ECL model	2.2				
Loans and receivables		**1,680**	-	**1,959**	-
Investment securities at amortized cost		**21**	-	**10**	-
		1,701	-	**1,969**	-
Impairment losses (recovery):					
Loans and receivables	11	**1,879**	2,076	**1,295**	1,086
Investment securities at at amortized cost	10.3	**24**	-	**15**	-
Loan commitments	4.4.8(d)	**(13)**	-	**(13)**	-
Investment properties	14	**-**	79	**-**	-
Other resources	15	**9**	-	**9**	78
		1,899	2,155	**1,306**	1,164
Charge-offs and other adjustments...		**(1,087)**	(1,646)	**(1,146)**	(1,013)
Balance at end of year					
Loans and receivables	11	**10,291**	7,903	**7,041**	4,942
Investment securities at at amortized cost	10.3	**135**	90	**26**	-
Investment properties	14	**92**	58	**6**	-
Other resources	15	**237**	191	**-**	2
		P 10,755	P 8,242	**P 7,073**	P 4,944

17. DEPOSIT LIABILITIES

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

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Demand	**P 56,413**	P 51,996	**P 43,650**	P 40,857
Savings	**174,107**	165,187	**147,771**	141,160
Time	**179,724**	161,727	**97,834**	97,148
Long-term Negotiable Certificate of Deposits (LTNCD)	**13,155**	9,502	**13,155**	9,502

	P 423,399	P 388,412	**P 302,410**	P 288,667

The Parent Company's LTNCDs as of December 31, 2018 and 2017 are as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2018	Outstanding Balance 2017
September 28, 2018	March 28, 2024	5.50%	**P 3,580**	P -
August 11, 2017	February 11, 2023	3.75%	**2,502**	2,502
December 19, 2014	June 19, 2020	4.13%	**2,100**	2,100
November 14, 2013	May 14, 2019	3.25%	**2,860**	2,860
November 14, 2013	May 14, 2019	0.00%	**2,113**	2,040
			P 13,155	P 9,502

The Parent Company's LTNCDs were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes. As of December 31, 2018 and 2017, unamortized debt issue cost amounted to P27 and P20, respectively. Amortization of debt issue cost of P1 in 2018, P3 in 2017 and P2 in 2016, is recorded as part of Interest expenses in the statements of profit or loss.

The maturity profile of the deposit liabilities follows:

	Group		Parent Company	
	2018	2017	**2018**	2017
Within one year	**P 62,340**	P 71,895	**P 48,771**	P 53,549
One year to more than five years	**16,039**	13,739	**14,253**	12,546
Non-maturing	**345,020**	302,778	**239,386**	222,572
	P 423,399	P 388,412	**P 302,410**	P 288,667

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.11% to 3.28% in 2018, 0.10% to 1.84% in 2017, and 0.13% to 1.38% in 2016. The total interest expense incurred by the Group and the Parent Company on deposit liabilities amounted to P6,295 and P3,723, respectively, in 2018, P3,959 and P2,389, respectively, in 2017, and P3,269 and P2,021, respectively, in 2016.

Under existing BSP regulations, non-FCDU deposit liabilities, including tax exempt LTNCDs, of the Parent Company is subject to reserve requirement equivalent to 20% from May 30, 2014 to March 1, 2018, 19% from March 2, 2018 to May 31, 2018, and 18% from June 1, 2018 and thereafter, while RSB and Rizal Microbank are subject to reserve requirement equivalent to 8% both in 2018 and 2017. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 4% in 2018 and 6% in 2017. As of December 31, 2018 and 2017, 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 P51,409 and P55,386 for the Group and P39,770 and P46,986 for the Parent Company as of December 31, 2018 and 2017, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group				Parent Company			
	2018		2017		**2018**		2017	
Foreign banks	**P**	**40,613**	P	33,102	**P**	**40,613**	P	33,102
Local banks		**15,386**		10,862		**8,144**		3,495
Others		**2**		3		**2**		3
	P	**56,001**	P	43,967	**P**	**48,759**	P	36,600

The maturity profile of bills payable follows:

	Group				Parent Company			
	2018		2017		**2018**		2017	
Within one year	**P**	**49,721**	P	33,841	**P**	**44,177**	P	29,915
Beyond one year but within five years		**5,095**		6,379		**3,397**		5,185
More than five years		**1,185**		3,747		**1,185**		1,500
	P	**56,001**	P	43,967	**P**	**48,759**	P	36,600

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	2018	2017	2016
Group			
Peso denominated	**1.05%-8.25%**	1.06%-4.50%	0.88%-2.98%
Foreign currency denominated	**1.05%-4.50%**	1.06%-3.46%	0.10%-2.86%
Parent Company			
Foreign currency denominated	**1.05%-4.50%**	1.06%-3.46%	0.10%-2.86%

The total interest expense incurred by the Group on the bills payable amounted to P1,541 in 2018, P891 in 2017, and P931 in 2016.

As of December 31, 2018 and 2017, certain bills payable availed under repurchase agreements are secured by the Group's and Parent Company's investment securities (see Note 10.3).

19. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)		Outstanding Balance			
					2018		2017	
March 15, 2018	March 16, 2023	4.13%	$	450	**P**	**23,560**	P	-
November 2, 2015	February 2, 2021	3.45%		320		**16,826**		15,977
January 21, 2015	January 22, 2020	4.25%		243		**12,704**		12,083
			$	1,013	**P**	**53,090**	P	28,060

In March 2018, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$450 bearing an interest of 4.13% per annum, payable semi-annually in arrears every March 16 and September 16 of each year. The Senior Notes, unless redeemed, will mature on March 16, 2023. As of December 31, 2018, the peso equivalent of this outstanding bond issue amounted to P23,560.

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, 2018 and 2017, the peso equivalent of this outstanding bond issue amounted to P16,826 and P15,977, 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, 2018 and 2017, the peso equivalent of this outstanding bond issue amounted to P12,704 and P12,083, respectively.

The interest expense incurred on these bonds payable amounted to P1,911 in 2018, P1,155 in 2017, and P1,715 in 2016. The Group and Parent Company recognized foreign currency exchange losses related to these bonds payable amounting to P1,489 in 2018, P118 in 2017, and P516 in 2016, which are netted against Foreign exchange gains presented under Other Operating Income account in the statements of profit or loss.

20. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7,000 Tier 2 Notes.

The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10,000, are as follows:

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

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

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

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

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

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

The total interest expense incurred by the Group and Parent Company on the notes amounted to P555 in 2018, P554 in 2017, and P553 in 2016.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2018	2017	**2018**	2017
Accrued expenses	**P 2,916**	P 2,809	**P 2,329**	P 2,171
Accrued interest	**2,068**	1,120	**1,436**	838
Taxes payable	**293**	256	**201**	209
	P 5,277	P 4,185	**P 3,966**	P 3,218

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.

These obligations are expected to be settled within one year after the reporting period.

22. OTHER LIABILITIES

Other liabilities consist of the following:

		Group		Parent Company	
	Notes	**2018**	2017	**2018**	2017
Accounts payable	28.5(a), 28.5(c)	**P 6,291**	P 6,451	**P 3,590**	P 3,735
Bills purchased – contra		**1,847**	1,079	**1,791**	1,074
Manager's checks		**1,545**	1,575	**919**	835
Post-employment defined benefit obligation	24.2	**1,481**	111	**1,420**	33
Derivative financial liabilities	10.1	**894**	483	**894**	483
Outstanding acceptances payable		**880**	405	**880**	405
Deposit on lease contracts		**471**	342	**122**	105
Payment orders payable		**432**	193	**418**	181
Other credits		**392**	370	**241**	232
Unearned income		**380**	296	**347**	273
Withholding taxes payable		**304**	243	**218**	143
Sundry credits		**125**	121	**117**	96
Advance rentals		**106**	92	**106**	92
ECL provisions on loan commitments	4.4.8(d)	**94**	-	**94**	-
Guaranty deposits		**57**	62	**57**	62
Due to BSP		**29**	39	**24**	39
Miscellaneous		**344**	507	**399**	346
		P 15,672	P 12,369	**P 11,637**	P 8,134

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

Miscellaneous liabilities include unclaimed balances for deposits and other miscellaneous liabilities.

The maturity profile of other liabilities follows:

	Group		Parent Company	
	2018	2017	**2018**	2017
Within one year	**P 13,271**	P 11,484	**P 9,797**	P 7,702
More than one year	**2,401**	885	**1,840**	432
	P 15,672	P 12,369	**P 11,637**	P 8,134

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock of the Parent Company are as follows:

	Number of Shares		
	2018	2017	2016
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Issued and outstanding:			
Balance at beginning of year	**276,845**	293,987	310,145
Conversion of shares during the year	**(8,958)**	(17,142)	(16,158)
Balance at end of year	**267,887**	276,845	293,987
Common stock – P10 par value			
Authorized:			
Balance at beginning of year	**1,400,000,000**	1,400,000,000	1,400,000,000
Increase during the year	**1,200,000,000**	-	-
Balance at end of year	**2,600,000,000**	1,400,000,000	1,400,000,000
Issued and outstanding:			
Balance at beginning of year	**1,399,916,364**	1,399,912,464	1,399,908,746
Issuance of shares during the year	**535,710,378**	-	-
Conversion of shares during the year	**2,033**	3,900	3,718
Balance at end of year	**1,935,628,775**	1,399,916,364	1,399,912,464

As of December 31, 2018 and 2017, there are 756 and 758 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 P28.50 per share and P55.35 per share as of December 31, 2018 and 2017, 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	April 2015	124,242,272
Stock rights offering	Various	July 2018	535,710,378

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 Issuance of Common Shares, Purchase and Reissuance of Treasury Shares

On November 27, 2017, the BOD of the Parent Company approved the increase in the Parent Company's authorized capital through the increase in the authorized common stock from 1,400,000,000 shares to 2,600,000,000 shares at P10 par value per share or for a total capital stock of P14,000 to P26,000. The BOD also approved the amendment of the Parent Company's Articles of Incorporation for the principal purpose of reflecting the said increase in authorized capital. These resolutions were approved by the Parent Company's stockholders representing at least two-thirds of its outstanding capital stock in a special meeting held on January 29, 2018. In the same meeting, the Parent Company's BOD approved the stock rights offering (Rights Offer) to be subscribed out of the increase in the authorized capital. The increase in authorized capital stock and the Rights Offer were approved by the BSP and SEC on June 29, 2018 and July 4, 2018, respectively. The offering of the stock rights representing 535,710,378 common shares (with equivalent amount of P5,357) occurred from June 25 to June 29, 2018 and the shares were listed at the PSE on July 16, 2018 (see Note 28). The Rights Offer and issuance generated P15,000 proceeds, reduced by P217 issue costs; hence, resulting in P9,426 excess of consideration received over par value recognized in Capital Paid in Excess of Par account in the 2018 consolidated statement of changes in equity.

In 2015, the Parent Company issued common shares to Cathay 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.

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.

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.

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.

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
January 25, 2016	P 0.6495	P 0.02	March 21, 2016	January 25, 2016	*	March 23, 2016
April 25, 2016	0.0660	0.02	June 21, 2016	April 25, 2016	June 16, 2016	June 21, 2016
April 25, 2016	0.7200	1,007.94	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
April 25, 2016	0.7200	0.21	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
July 25, 2016	0.0676	0.02	September 21, 2016	July 25, 2016	September 16, 2016	October 11, 2016
November 2, 2016	0.0724	0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017
January 30, 2017	0.0749	0.02	March 21, 2017	January 30, 2017	March 22, 2017	March 24, 2017
April 24, 2017	0.0807	0.02	June 21, 2017	April 24, 2017	April 26, 2017	June 23, 2017
April 24, 2017	0.5520	772.75	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
April 24, 2017	0.5520	0.15	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
July 31, 2017	0.0840	0.02	September 21, 2017	July 31, 2017	September 5, 2017	September 22, 2017
October 30, 2017	0.0840	0.02	December 21, 2017	October 30, 2017	December 12, 2017	December 22, 2017
January 29, 2018	0.0919	0.02	March 21, 2018	January 29, 2018	March 1, 2018	March 28, 2018
March 26, 2018	0.0616	862.35	April 27, 2018	March 26, 2018	April 5, 2018	May 7, 2018
March 26, 2018	0.0616	0.17	April 27, 2018	March 26, 2018	April 5, 2018	May 7, 2018
April 30, 2018	0.1080	0.03	June 21, 2018	April 30, 2018	June 14, 2018	June 25, 2018
July 30, 2018	0.1108	0.03	September 21, 2018	July 30, 2018	September 4, 2018	September 24, 2018
November 26, 2018	0.0111	0.03	December 21, 2018	November 26, 2018	*	December 28, 2018

** Not applicable, BSP approval not anymore required during these periods*

In 2015, the BSP, through the Monetary Board, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability upon the approval of the BOD 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 P10,883 and P9,839 as of December 31, 2018 and 2017, respectively, is not currently available for distribution as dividends.

23.4 Revaluation Reserves

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

	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance as of January 1, 2018				
As previously reported	P 1,968	P 85	(P 79)	P 1,974
Effect of adoption of PFRS 9 (see Note 2.2)	456	-	-	456
As restated	2,424	85	(79)	2,430
Actuarial losses on defined benefit plan			(1,263)	(1,263)
Fair value loss on financial assets at FVOCI	(869)	-	-	(869)
Reversal of cumulative translation adjustment on dissolution of a foreign subsidiary	-	(32)	-	(32)
Other comprehensive loss	(869)	(32)	(1,263)	(2,164)
Balance as of December 31, 2018	**P 1,555**	**P 53**	**(P 1,342)**	**P 266**
Balance as of January 1, 2017	P 2,128	P 86	(P 1,593)	P 621
Fair value losses on financial assets at FVOCI	(156)	-	-	(156)
Actuarial gains on defined benefit plan	-	-	1,514	1,514
Translation adjustments on foreign operation	-	(1)	-	(1)
Other comprehensive income (loss)	(156)	(1)	1,514	1,357
Transfer from fair value gains on financial asset at FVOCI to Surplus	(4)	-	-	(4)
Balance as of December 31, 2017	P 1,968	P 85	(P 79)	P 1,974
Balance at January 1, 2016	P 689	P 61	(P 1,268)	(P 518)
Actuarial losses on defined benefit plan	-	-	(325)	(325)
Fair value gains on financial assets at FVOCI	1,442	-	-	1,442
Translation adjustments on foreign operation	-	25	-	25
Other comprehensive income (loss)	1,442	25	(325)	1,142
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2016	P 2,128	P 86	(P 1,593)	P 621

23.5 Appropriation for General Loan Loss Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Group shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as of the end of the reporting period, except for accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed allowance for ECL on those exposures is less than one percent of the general loan loss provisions required, the deficiency is recognized through appropriation from the Group's available Surplus. Such appropriation is considered as Tier 2 capital subject to the limit provided under the CAR framework. The outstanding balance of appropriation for General Loan Loss Reserves as of December 31, 2018 include appropriation recognized at January 1, 2018 upon adoption of the ECL model under PFRS 9 amounting to P2,227 and P1,793 (see Note 2.2) for the Group and Parent Company, respectively, and the additional appropriation made in 2018 amounting to P367 and P319 for the Group and Parent Company, respectively.

23.6 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 15.3).

As of December 31, 2018, this account consists of reserves arising from the acquisition of RCBC LFC and Rizal Microbank for a total of P97.

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

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

	Group		
	2018	2017	2016
Short-term employee benefits	**P 6,034**	P 5,617	P 5,039
Post-employment defined benefits	**528**	374	369
	P 6,562	P 5,991	P 5,408

	Parent Company		
	2018	2017	2016
Short-term employee benefits	**P 4,138**	P 3,857	P 3,386
Post-employment defined benefits	**334**	307	280
	P 4,472	P 4,164	P 3,666

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 2018 and 2017.

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

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Present value of the obligation	P 4,800	P 4,995	P 3,880	P 4,126
Fair value of plan assets	(3,321)	(4,891)	(2,460)	(4,100)
Effect of asset ceiling test	2	7	-	7
Deficiency of plan assets	P 1,481	P 111	P 1,420	P 33

The Group's and Parent Company's post-employment defined benefit obligation as of December 31, 2018 and 2017 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 2018	Group 2017	Parent Company 2018	Parent Company 2017
Balance at beginning of year	**P 4,995**	P 4,953	**P 4,126**	P 4,156
Current service cost	**528**	374	**334**	307
Interest expense	**303**	274	**248**	230
Remeasurements – actuarial losses (gains) arising from changes in:				
– financial assumptions	**(848)**	(230)	**(636)**	(206)
– experience adjustments	**216**	(113)	**155**	(125)
– demographic assumptions	**(9)**	-	**-**	-
Benefits paid by the plan	**(385)**	(263)	**(347)**	(236)
Balance at end of year	**P 4,800**	P 4,995	**P 3,880**	P 4,126

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

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Balance at beginning of year	**P 4,891**	P 3,218	**P 4,100**	P 2,599
Interest income	**292**	186	**245**	149
Return (loss) on plan assets (excluding amounts included in net interest)	**(1,908)**	1,174	**(1,865)**	1,167
Contributions paid into the plan	**431**	576	**327**	421
Benefits paid by the plan	**(385)**	(263)	**(347)**	(236)
Balance at end of year	**P 3,321**	P 4,891	**P 2,460**	P 4,100

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 2018	Group 2017	Parent Company 2018	Parent Company 2017
Cash and cash equivalents	**P 473**	P 402	**P 343**	P 311
Debt securities:				
Corporate debt securities	**86**	299	**-**	-
Government bonds	**407**	127	**4**	4
Equity securities:				
Financial intermediaries	**1,778**	3,354	**1,609**	3,124
Transportation and communication	**166**	208	**158**	208
Electricity, gas and water	**100**	170	**97**	169
Diversified holding companies	**46**	26	**20**	22
Others	**24**	22	**1**	1
Unquoted long-term equity investments	**140**	169	**140**	169
UITF	**93**	107	**80**	85
Investment properties	**6**	6	**6**	6
Loans and receivables	**2**	1	**2**	1
	P 3,321	P 4,891	**P 2,460**	P 4,100

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

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

The returns on plan assets are as follows:

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Fair value gains (losses)	**(P 1,908)**	P 1,174	**(P 1,865)**	P 1,167
Interest income	**292**	186	**245**	149
Actual returns	**(P 1,616)**	P 1,360	**(P 1,620)**	P 1,316

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 2018	Group 2017	Group 2016
Reported in profit or loss:			
Current service cost	**P 528**	P 374	P 369
Net interest expense	**11**	88	62
	P 539	P 462	P 431

	Group		
	2018	2017	2016
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**P 848**	P 230	P 73
– Experience adjustments	**(216)**	113	(2)
– Demographic assumptions	**9**	-	6
Effect of asset ceiling test	**(2)**	(7)	-
Return (loss)on plan assets (excluding amounts included in net interest)	**(1,908)**	1,174	(402)
	(P 1,269)	P 1,510	(P 325)

	Parent Company		
	2018	2017	2016
Reported in profit or loss:			
Current service costs	**P 334**	P 307	P 280
Net interest expense	**3**	81	60
	P 337	P 388	P 340
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**P 636**	P 206	P 63
– Experience adjustments	**(155)**	125	(18)
Effect of asset ceiling	**-**	(7)	-
Return (loss) on plan assets (excluding amounts included in net interest)	**(1,865)**	1,167	(394)
	(P 1,384)	P 1,491	(P 349)

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

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

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

	2018	2017	2016
Group			
Discount rates	**7.00%-7.53%**	5.48%-6.00%	5.00%-5.60%
Expected rate of salary increases	**4.00%-10.50%**	4.00%-8.00%	3.00%-11.00%
Parent Company			
Discount rates	**7.52%**	6.00%	5.53%
Expected rate of salary increases	**5.00%**	5.00%	5.00%

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

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Rate Risks*

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

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

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

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2018 and 2017:

	Group		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2018:			
Discount rate	**+/-1 %**	**(P 97)**	**P 465**
Salary growth rate	**+/-1 %**	**478**	**(421)**
2017:			
Discount rate	+/- 1%	(P 323)	P 403
Salary growth rate	+/- 1%	480	(388)

	Parent Company Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2018:			
Discount rate	**+/- 1%**	**(P 34)**	**P 397**
Salary growth rate	**+/- 1%**	**404**	**(355)**
2017:			
Discount rate	+/- 1%	(P 391)	P 456
Salary growth rate	+/- 1%	413	(363)

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, 2018 and 2017 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 P1,481 and P1,420 for the Group and Parent Company, respectively, based on the latest funding actuarial valuations in 2018.

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	
	2018	2017	**2018**	2017
Less than one year	**P 161**	P 226	**P 28**	P 44
More than one year to five years	**1,457**	1,319	**1,002**	1,094
More than five years to ten years	**3,581**	2,425	**2,995**	1,984
	P 5,199	P 3,970	**P 4,025**	P 3,122

The Group and Parent Company expects to contribute P436 and P336, respectively, to the plan in 2019.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group 2018	2017	2016
Rentals	14.2	**P 765**	P 741	P 614
Dividend income	10.2	**189**	234	449
Recoveries from written off assets		**206**	187	161
Gains on assets sold – net	11,14.1, 15.3	**96**	441	120
Others		**292**	290	254
		P 1,548	P 1,893	P 1,598

	Notes	Parent Company 2018	2017	2016
Rentals	14.2, 28.5(a)	**P 454**	P 419	P 407
Dividend income	10.2	**187**	196	307
Recoveries from written off assets		**143**	146	127
Gains on assets sold – net	14.1, 15.3	**28**	232	12
Others		**143**	136	231
		P 955	P 1,129	P 1,084

Miscellaneous income classified as Others includes rebates, penalty charges and other income items that cannot be appropriately classified under any of the foregoing income accounts.

25.2 Miscellaneous Expenses

	Note	Group 2018	2017	2016
Insurance		**P 946**	P 759	P 738
Credit card-related expenses		**894**	907	663
Communication and information services		**488**	447	450
Management and other professional fees		**454**	368	408
Transportation and travel		**294**	217	206
Advertising and publicity		**237**	323	276
Litigation/assets acquired expenses		**228**	166	385
Banking fees		**227**	193	194
Service and processing fees		**223**	155	78
Stationery and office supplies		**172**	149	132
Other outside services		**139**	130	126
Donation and charitable contribution		**53**	51	38
Representation and entertainment		**43**	22	45
Membership fees		**24**	19	21
Others	29.6	**903**	998	1,710
		P 5,325	P 4,904	P 5,470

	Notes	Parent Company 2018		2017		2016	
Credit card-related expenses		**P**	**1,482**	P	1,443	P	663
Insurance	28.5(c)		**596**		564		594
Communication and information services			**370**		328		281
Management and other professional fees			**233**		188		217
Service and processing fees			**223**		137		501
Transportation and travel			**223**		110		93
Advertising and publicity			**186**		244		206
Banking fees			**171**		148		144
Other outside services			**113**		115		113
Stationery and office supplies			**108**		92		86
Litigation/assets acquired expense			**100**		50		181
Donations and charitable contributions			**52**		51		35
Representation and entertainment			**32**		22		13
Membership fees			**22**		19		18
Others	29.6		**599**		572		1,411
		P	**4,510**	P	4,083	P	4,556

The Group's other expenses are composed of freight, various processing fees, fines and penalties, and seasonal giveaways. The Group and Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P103 and P78, P101 and P67, and P77 and P52 in 2018, 2017 and 2016 respectively (see Note 28).

26. INCOME AND OTHER TAXES

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST).

RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

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

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

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

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

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

In 2018, 2017 and 2016, the Group opted to continue claiming itemized deductions for income tax purposes.

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

26.1 Current and Deferred Taxes

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

	Group		
	2018	2017	2016
Current tax expense:			
RCIT	**P 664**	P 711	P 414
Final tax	**403**	203	177
Excess MCIT over RCIT	**3**	2	190
	1,070	916	781
Application of MCIT	**-**	(356)	-
	1,070	560	781
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(198)**	281	(955)
	P 872	P 841	(P 174)

	Parent Company		
	2018	2017	2016
Current tax expense:			
RCIT	**P 522**	P 563	P 140
Final tax	**313**	147	173
Excess MCIT over RCIT	**-**	-	190
	835	710	503
Application of MCIT	**-**	(356)	-
	835	354	503
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(22)**	343	(842)
	P 813	P 697	(P 339)

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		
	2018	2017	2016
Tax on pretax profit at 30%	**P 1,558**	P 1,545	P 1,109
Adjustments for income subjected to lower income tax rates	**(496)**	(434)	(180)
Tax effects of:			
Non-taxable income	**(1,239)**	(786)	(845)
Non-deductible expenses	**1,059**	595	520
Recognition of previously unrecognized deferred tax asset	**123**	-	(865)
Utilization of MCIT	**-**	356	-
FCDU income	**(182)**	(306)	(388)
Unrecognized temporary differences	**46**	(130)	97
Utilization of NOLCO	**-**	1	374
Others	**3**	-	4
	P 872	P 841	(P 174)

	Parent Company		
	2018	2017	2016
Tax on pretax profit at 30%	**P 1,540**	P 1,502	P 1,059
Adjustments for income subjected to lower income tax rates	**(431)**	(384)	(118)
Tax effects of:			
Non-taxable income	**(1,113)**	(899)	(889)
Non-deductible expenses	**1,030**	531	420
FCDU income	**(169)**	(275)	(388)
Unrecognized temporary differences	**(44)**	(134)	-
Recognition of previously unrecognized deferred tax asset	**-**	-	(797)
Utilization of MCIT	**-**	356	-
Utilization of NOLCO	**-**	-	374
	P 813	P 697	(P 339)

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2018 and 2017 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2018	2017	**2018**	2017	2016
Allowance for impairment	**P 1,646**	P 1,610	**P 36**	(P 9)	P 867
Provision for credit card reward payments	**156**	127	**29**	22	105
Excess MCIT	**59**	60	**(1)**	(296)	356
Post-employment benefit obligation	**136**	52	**84**	(8)	39
Deferred rent – PAS 17	**38**	30	**8**	13	16
NOLCO	**3**	-	**3**	-	(443)
Others	**56**	17	**39**	(3)	15
Deferred tax assets	**P 2,094**	P 1,896			
Deferred tax income (expense) – net			**P 198**	(P 281)	P 955

In 2016, the Parent Company utilized a portion of its NOLCO available at that year amounting to P1,246.

The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2018 and 2017 is shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2018	2017	**2018**	2017	2016
Allowance for impairment	P 713	P 720	(P 7)	(P 60)	P 780
Provision for credit card reward payments	156	127	29	22	105
Post-employment benefit obligation	43	52	(9)	34	18
Deferred rent – PAS 17	38	30	8	13	17
Excess MCIT	-	-	-	(356)	356
NOLCO	-	-	-	-	(443)
Others	14	13	1	4	9
Deferred tax assets	**P 964**	P 942			
Deferred tax income (expense) – net			**P 22**	(P 343)	P 842

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	
	2018	2017	**2018**	2017
Allowance for impairment	**P 1,441**	P 925	**P 1,399**	P 763
Excess MCIT	**4**	60	**-**	-
NOLCO	**4**	51	**-**	-
Post-employment benefit obligation	**-**	24	**-**	-
Advance rental	**-**	1	**-**	-
	P 1,449	P 1,061	**P 1,399**	P 763

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

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

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

Inception Year	**Amount**	**Utilized**	**Expired**	**Balance**	**Expiry Year**
2018	P 11	P -	P -	P 11	2021
2017	5	-	-	5	2020
2016	8	-	-	8	2019
2015	159	37	122	-	
	P 183	**P 37**	**P 122**	**P 24**	

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

Inception Year	**Amount**	**Utilized**	**Expired**	**Balance**	**Expiry Year**
2018	P 59	P -	P -	P 59	2021
2017	52	50	-	2	2020
2016	2	-	-	2	2019
2015	1	-	1	-	
	P 114	**P 50**	**P 1**	**P 63**	

The MCIT applied by the Group in 2017 solely pertains to the MCIT of the Parent Company as it has generated net taxable income and is liable for RCIT for that year.

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

The BIR issued RR 15-2010 on November 25, 2010 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 P87,619 and P91,585 as of December 31, 2018 and 2017, respectively. The Parent Company's total trust resources amounted to P58,061 and P64,395 as of December 31, 2018 and 2017, respectively (see Note 29.1).

Investment in government securities which are shown as part of Investment securities at amortized cost (see Note 10.3) with a total face value of P955 and P606 for the Group and the Parent Company, respectively, as of December 31, 2018, and P913 and P604 for the Group and the Parent Company, respectively, as of December 31, 2017 are deposited with the BSP as security for faithful compliance with fiduciary obligations.

28. RELATED PARTY TRANSACTIONS

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

A summary of the Group's and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2018, 2017 and 2016 is presented below.

		Group					
		2018		2017		2016	
	Notes	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	(P 55)	P 261	(P 55)	P 316	(P 55)	P 371
Deposit liabilities	28.2	(423)	57	(751)	480	(1,785)	1,231
Interest expense on deposits	28.2	2	-	5	-	6	-
Cash received from issuance of shares of stock	23.2	14,783	-	-	-	-	-
Interest income from loans and receivables	28.1	17	-	16	-	21	-
Associates							
Deposit liabilities	28.2	(142)	135	266	277	(53)	11
Interest expense on deposits	28.2	6	-	3	-	5	-
Dividend	12	2	-	62	-	124	-
Related Parties Under Common Ownership							
Loans and receivables	28.1	344	358	14	14	(541)	-
Deposit liabilities	28.2	856	3,707	2,695	2,851	(2,124)	156
Interest expense on deposits	28.2	37	-	9	-	16	-
Occupancy and equipment related expenses	28.5(a)	790	-	715	-	926	-
Miscellaneous expenses – others	25.2	103	-	101	-	77	-
Interest income from loans and receivables	28.1	2	-	-	-	19	-
Key Management Personnel							
Loans and receivables	28.1	(198)	13	210	211	(1)	1
Deposit liabilities	28.2	(192)	94	43	286	(67)	243
Interest income from loans and receivables	28.1	1	-	2	-	-	-
Interest expense on deposits	28.2	1	-	3	-	1	-
Salaries and employee benefits	28.5(d)	637	-	458	-	376	-
Other Related Interests							
Loans and receivables	28.1	(6,953)	3,153	5,565	10,106	(2,855)	4,541
Deposit liabilities	28.2	(1,232)	1,062	2,179	2,294	(361)	115
Interest income from loans and receivables	28.1	182	-	560	-	567	-
Interest expense on deposits	28.2	26	-	16	-	3	-

		Parent Company					
		2018		2017		2016	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	(P 55)	P 261	(P 55)	P 316	(P 55)	P 371
Deposit liabilities	28.2	(423)	57	(751)	480	(1,785)	1,231
Interest expense on deposits	28.2	2	-	5	-	6	-
Cash received from issuance of shares of stock	23.2	14,783	-	-	-	-	-
Interest income from loans and receivables	28.1	17	-	16	-	21	-
Subsidiaries							
Loans and receivable	28.1	999	999	(222)	-	-	222
Deposit liabilities	28.2	(79)	364	(2,155)	443	553	2,598
Interest income from loans and receivable	28.1	7	-	-	-	-	-
Interest expense on deposits	28.2	6	-	6	-	5	-
Dividend	12	-	-	315	-	232	-
Rental income	28.5(a) 28.5(b)	200	-	191	-	186	-
Occupancy and equipment-related expenses	28.5(a)	352	-	13	-	186	-
Service and processing fees	28.5(c)	531	49	499	54	460	29
Sale of investment securities	28.3	35	-	175	-	810	-
Purchase of investment securities	28.3	3	-	5	-	601	-
Assignment of receivables	11	(10)	182	(10)	192	(20)	202
Associates							
Deposit liabilities	28.2	(142)	23	(154)	165	(53)	11
Interest expense on deposits	28.2	6	-	3	-	5	-
Dividend	12	102	-	59	-	124	-
Related Parties Under Common Ownership							
Loans and receivables	28.1	(142)	3,128	3,270	3,270	(541)	-
Deposit liabilities	28.2	382	3,122	(2,584)	2,740	(2,124)	156
Interest income from loans and receivables	28.1	-	-	-	-	19	-
Interest expense on deposits	28.2	28	-	8	-	15	-
Occupancy and equipment-related expenses	28.5(a)	790	-	715	-	926	-
Miscellaneous expenses – others	25.2	78	-	67	-	52	-
Key Management Personnel							
Loans and receivables	28.1	(24)	-	23	24	(1)	1
Deposit liabilities	28.2	(197)	89	43	286	67	243
Interest income from loans and receivables	28.1	1	-	2	-	-	-
Interest expense on deposits	28.2	1	-	3	-	1	-
Salaries and employee benefits	28.5(d)	298	-	328	-	271	-
Other Related Interests							
Loans and receivables	28.1	(3,683)	3,153	2,295	6,836	2,855	4,541
Deposit liabilities	28.2	(1,564)	696	2,145	2,260	(361)	115
Interest income from loans and receivables	28.1	182	-	560	-	567	-
Interest expense on deposits	28.2	26	-	16	-	3	-

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, 2018, 2017 and 2016 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2018:				
Stockholders	P -	P 55	P 17	P 261
Related parties under common ownership	376	32	2	358
Key management personnel	9	207	1	13
Other related interests	2,480	9,433	182	3,153
	P 2,865	**P 9,727**	**P 202**	**P 3,785**
2017:				
Stockholders	P -	P 55	P 16	P 316
Related parties under common ownership	210	196	-	14
Key management personnel	691	481	2	211
Other related interests	8,267	2,702	560	10,106
	P 9,168	P 3,434	P 578	P 10,647
2016:				
Stockholders	P -	P 55	P 21	P 371
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,331	4,476	567	4,541
	P 7,332	P 5,074	P 607	P 4,913

Related Party Category	Issuances	Repayments	Interest Income	Loans Outstanding
	Parent Company			
2018:				
Stockholders	P -	P 55	P 17	P 261
Subsidiaries	1,000	1	7	999
Related parties under common ownership	-	142	-	3,128
Key management personnel	-	24	1	-
Other related interests	622	4,305	182	3,153
	P 1,622	**P 4,527**	**P 207**	**P 7,541**
2017:				
Stockholders	P -	P 55	P 16	P 316
Subsidiaries	-	222	-	-
Related parties under common ownership	9,744	6,474	-	3,270
Key management personnel	490	467	2	24
Other related interests	4,997	2,702	560	6,836
	P 15,231	P 9,920	P 578	P 10,446
2016:				
Stockholders	P -	P 55	P 21	P 371
Subsidiaries	1,276	1,276	-	222
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,331	4,476	567	4,541
	P 8,608	P 6,350	P 607	P 5,135

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 the 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.

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	
	2018	2017	**2018***	2017
Total outstanding DOSRI loans	**P 500**	P 542	**P 469**	P 509
Unsecured DOSRI	**94**	71	**83**	61
Past due DOSRI	**-**	1	**-**	1
Non-accruing DOSRI	**2**	1	**2**	1
Percent of DOSRI loans to total loan portfolio	**0.13%**	0.15%	**0.16%**	0.19%
Percent of unsecured DOSRI loans to total DOSRI loans	**18.80%**	13.10%	**17.70%**	11.98%
Percent of past due DOSRI loans to total DOSRI	**0.00%**	0.13%	**0.01%**	0.14%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.40%**	0.13%	**0.51%**	0.14%

**excludes exposure from a subsidiary*

On January 31, 2007, BSP issued Circular No. 560, *Ceiling on Loans, Other Credit Accommodations and Guarantees Granted to Subsidiaries and Affiliates*, which provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10% of bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

As of December 31, 2018 and 2017, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2018 and 2017, the Group recognized impairment loss on certain loans and receivables from DOSRI amounting to P0.2 and P0.06, respectively, and is recognized as part of Impairment Losses account in the statements of profit or loss.

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, 2018, 2017 and 2016 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2018:				
Stockholders	P 7,947	P 8,370	P 2	P 57
Associates	37,554	37,696	6	135
Related parties under common ownership	136,836	135,980	37	3,707
Key management personnel	539	731	1	94
Other related interests	163,957	165,189	26	1,062

	P 346,833	**P 347,966**	**P 72**	**P 5,055**

Related Party Category	Group Deposits	Withdrawals	Interest Expense	Outstanding Balance
2017:				
Stockholders	P 25,106	P 25,857	P 5	P 480
Associates	32,335	32,069	3	277
Related parties under common ownership	14,007	11,312	9	2,851
Key management personnel	416	373	3	286
Other related interests	213,907	211,728	16	2,294
	P 285,771	P 281,339	P 36	P 6,188
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Associates	35,592	35,645	5	11
Related parties under common ownership	1,287,730	1,289,854	16	156
Key management personnel	4,365	4,298	1	243
Other related interests	1,036,115	1,036,476	3	115
	P 2,400,320	P 2,404,576	P 31	P 1,756

Related Party Category	**Parent Company Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2018:				
Stockholders	P 7,947	P 8,370	P 2	P 57
Subsidiaries	91,950	92,029	6	364
Associates	37,554	37,696	6	23
Related parties under common ownership	136,276	135,894	28	3,122
Key management personnel	535	732	1	89
Other related interests	163,957	165,521	26	696
	P 438,219	**P 440,242**	**P 69**	**P 4,351**
2017:				
Stockholders	P 25,106	P 25,857	P 5	P 480
Subsidiaries	100,523	102,678	6	443
Associates	32,223	32,069	3	165
Related parties under common ownership	9,058	6,474	8	2,740
Key management personnel	416	373	3	286

Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
Other related interests	136,192	134,047	16	2,260
	P 303,518	P 301,498	P 41	P 6,374

	Parent Company			
Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Subsidiaries	974,281	973,728	5	2,598
Associates	35,592	35,645	9	11
Related parties under common ownership	1,287,730	1,289,854	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 3,378,304	P 39	P 4,354

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

28.3 Sale and Purchase of Securities

The Parent Company and certain subsidiaries engage in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period.

28.4 Retirement Fund

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

The retirement funds have transactions with the Group and Parent Company as of December 31, 2018, 2017 and 2016 as follows:

	Group		**Parent Company**	
Nature of Transactions	**Net Amount of Transaction**	**Outstanding Balance**	**Net Amount of Transaction**	**Outstanding Balance**
2018:				
Investment in common shares of Parent Company	(P 855)	P 1,867	(P 853)	P 1,863
Investments in corporate debt securities	49	51	49	49
Deposits with the Parent Company	(312)	5	(311)	-
Fair value losses	(855)	-	(849)	-
Interest income	5	-	3	-
2017:				
Investment in common shares of Parent Company	(P 6)	P 3,123	(P 6)	P 3,123
Investments in corporate debt securities	(49)	2	(49)	-
Deposits with the Parent Company	245	317	239	311
Fair value gains	1,272	-	1,266	-
Interest income	5	-	4	-

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	1,866	P	-	P	1,863
Investments in corporate debt securities	(	5)		51		-		49
Deposits with the Parent Company		75		72		72		72
Fair value gains		29		-		31		-
Interest income		4		-		3		-

The carrying amount and the composition of the plan assets as of December 31, 2018 and 2017 are disclosed in Note 24.2. Investments 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 29.8(b)]. Rental expense incurred by the Group related to this lease arrangement is included as part of Occupancy and Equipment-related expenses account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2020.

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

(b) Lease Contract on RSB Corporate Center

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

(c) Service Agreement with RBSC

The Parent Company has Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. The total service processing fees incurred by the Parent Company is recognized as part of the Service and processing fees under the Miscellaneous Expenses account in the statements of profit or loss (see Note 25.2). The outstanding payable related to the service agreement is presented as part of Accounts payable under Other Liabilities account in the statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

(d) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2018	2017	2016
Short-term employee benefits	**P 619**	P 442	P 361
Post-employment defined benefits	**18**	16	15
	P 637	P 458	P 376

	Parent Company		
	2018	2017	2016
Short-term employee benefits	**P 298**	P 328	P 271
Post-employment defined benefits	**-**	-	-
	P 298	P 328	P 271

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2018 and 2017:

	Group		Parent Company	
	2018	2017	**2018**	2017
Trust department accounts	**P 87,639**	P 91,585	**P 58,061**	P 64,395
Derivative assets	**57,253**	46,230	**57,253**	46,230
Derivative liabilities	**53,261**	41,822	**53,261**	41,822
Outstanding guarantees issued	**49,553**	41,858	**49,553**	41,858
Unused commercial letters of credit	**19,231**	17,055	**19,194**	17,055
Spot exchange sold	**6,436**	6,307	**6,331**	6,198
Spot exchange bought	**6,330**	6,204	**6,330**	6,204
Inward bills for collection	**1,009**	1,407	**1,009**	1,407
Outward bills for collection	**614**	133	**614**	133
Late deposits/payments received	**607**	566	**569**	434
Others	**17**	17	**17**	17

29.2 Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI) (collectively, "Global Steel"), which purchased the Iligan Plant assets of the NSC ("NSC Plant Assets") from the Liquidator in 2004, initiated arbitral proceedings against the Liquidator and the Secured Creditors, including the Parent Company and RCAP, with the Singapore International Arbitration Centre ("SIAC") for their failure to deliver the NSC Plant Assets free and clear from liens and encumbrances. This purportedly prevented Global Steel from using the same as collateral for additional loans for the operations and upgrade of the NSC Plant. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award directing the Liquidator and Secured Creditors to pay Global Steel the total amount of (a) US$80, as and by way of lost opportunity to make profit, and (b) P1,403, representing the value of the undelivered Billet Shop Land measuring 3.4071 hectares (the "Lost Land Claim").

On appeal, and on July 31, 2014, the Singapore High Court set aside the Partial Award, and (a) subsequently ordered the lifting of the 2008 injunctions issued against the Secured Creditors, thereby empowering the Secured Creditors to compel Global Steel to comply with their obligations under the Omnibus Agreement (OMNA)/Asset Purchase Agreement (APA) and take legal action upon Global Steel's failure to do so, and (b) directed the release of Global Steel's installment payment to the Secured Creditors, which enabled the Parent Company and RCAP to receive their respective share therein.

On March 31, 2015, the Singapore Court of Appeals affirmed the earlier decision of the Singapore High Court which set aside the monetary award of US$80 and P1,403 in favor of Global Steel, and deemed improper the deferment of Global Steel's obligation to pay the purchase price of the NSC Plant Assets. The Singapore Court of Appeals further held that (a) the SIAC Arbitral Tribunal had no jurisdiction over the issue of lost opportunity to make profit, (b) there is no evidentiary support for such award, and (c) the ruling on the issue of the Lost Land Claim, as well as the dispute relating to Global Steel's payment obligation, both relate to the OMNA, which is not arbitrable. Accordingly, the SIAC Arbitral Tribunal cannot compel the Parent Company, RCAP and the other Secured Creditors to defer holding Global Steel in default. However, the Singapore Court of Appeals held that the NSC Liquidator and Secured Creditors are still required to deliver to Global Steel clean title to the NSC Plant Assets.

On November 27, 2015, the Singapore Court of Appeals clarified that the issue of Global Steel's lost opportunity to make profit cannot be remanded to the SIAC Arbitral Tribunal, or to a new arbitral tribunal, to be litigated anew after the setting aside of the Partial Award. The doctrines of res judicata and abuse of process also operated to preclude the reopening of this issue. However, the Singapore Court of Appeals held that the Lost Land Claim may be brought before a new arbitral tribunal. The Singapore Court of Appeals likewise awarded litigation costs to the Liquidator but none to the Secured Creditors.

The Parent Company's estimated exposure is approximately P216 in terms of estimated property taxes and transfer costs due on the NSC Plant Assets, while it has a receivable from Global Steel in the amount of P486, taking into consideration the P49 share it received from Global Steel's installment payment. The Parent Company has recognized full impairment loss on the receivable since then, with the gross amount of receivable classified as UDSCL under Loans and Receivable account. The Parent Company's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries), now that all pre-closing taxes on the NSC assets sold to Global Steel, covering the period 1999 to October 14, 2004, are deemed paid, following the finality of the Supreme Court Decision against the City of Iligan and the issuance of an Entry of Judgment on March 16, 2016, in the case initiated solely by the NSC Liquidator.

In defiance, however, of the final and executory ruling against the City of Iligan, (a) issued a Notice of Delinquency against NSC for tax arrears covering the period 1999 to 2016, (b) levied the NSC properties, and (c) set the public auction thereof on October 19, 2016, even as the Local Government Unit (LGU) received the October 18, 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57 ("Makati Trial Court"), directing it to (a) comply with the affirmed Tax Amnesty Agreement dated October 13, 2004, and (b) afford NSC relief from the payment of interests and penalties. On November 3, 2016, the Iligan City police took possession of the NSC Plant compound. On November 4, 2016, the NSC, through the Liquidator, filed an Omnibus Motion to (a) direct the City of Iligan, the Sangguniang Panglunsod and City Treasurer to show cause why they should not be held in contempt, and (b) nullify the October 19, 2016 Auction Sale of the NSC properties.

In an Order dated April 4, 2017, the Makati Trial Court (a) nullified the public auction of the NSC properties, and (b) enjoined the collection of any and all real property tax against the NSC until the Decision dated October 7, 2011 holding that the NSC pre-closing taxes have been paid, is fully executed and the NSC's remaining tax liabilities are correctly computed. The Makati Trial Court likewise (a) directed the Iligan City Treasurer to show cause why she should not be held in contempt of court for proceeding with the auction sale without clearing the NSC of the pre-closing taxes, and (b) directed the Iligan City Treasurer, among others, to inform the Makati Trial Court of the names of the persons who ordered, aided and abetted her assailed conduct. The LGU and the Iligan City Treasurer, among others, moved for the reconsideration of the April 4, 2017 Order, which was denied by the Makati Trial Court.

The City of Iligan filed a Petition for Certiorari dated July 6, 2018 with the Court of Appeals, reiterating the claim that the said LGU had the right to auction the NSC properties due to non-payment of both pre-closing and post-closing taxes. The Petition likewise alleged that (a) the writ of execution issued by the Makati Trial Court was null and void, and (b) the case before the Makati Trial Court was an action to assail the tax delinquency auction sale which should not have been given due course for non-payment of docket fees and non-deposit of the contested tax amount of P4,610.

29.3 Verotel Merchant Services B.V. Case

In 2011, Verotel Merchant Services B.V. ("VMS"), a Netherlands corporation and an Internet merchant providing on-line adult entertainment, on-line gambling, and on-line selling of pharmaceuticals, and Verotel International Industries, Inc. ("VII"), a Philippine corporation, civilly sued the Parent Company, Bankard, Inc. ("Bankard"), Grupo Mercarse Corp., CNP Worldwide, Inc. 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, which the defendants allegedly misappropriated.

The case went to trial in January 2016, where the issues on prescription, VII's lack of capacity to sue and VMS's lack of standing to sue were reserved for the Presiding Judge's disposition. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. After manifesting their intention to file a motion for judgment notwithstanding verdict ("JNOV") and motion for new trial, the Parent Company/Bankard filed the same on April 11, 2016. On April 27, 2016, the Parent Company/Bankard likewise timely filed their Reply to the Oppositions filed by VII/VMS.

On May 12, 2016, the Parent Company/Bankard's Motion for JNOV was partially granted, wherein the award of US$7.5 punitive damages to VMS was deleted due to insufficient proof that (a) a corporate officer of the Parent Company/ Bankard knew of, authorized, or ratified fraudulent acts, and (b) Janet Conway was a managing agent of the Parent Company/Bankard within the meaning of the California Civil Code Section 3294(b). However, the Presiding Judge ruled that Conway was an agent for some purpose and awarded US$1.5 to VMS. The Presiding Judge likewise denied the Parent Company/Bankard's Motion for New Trial, and awarded VMS pre-judgment interest in the amount of US$0.5.

On July 11, 2016, the Parent Company/Bankard filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals. VMS filed its own Notice of Appeal. On July 21, 2016, the Parent Company/Bankard timely posted the amount of US$3.1, as and by way of security to stay the enforcement of the Amended Judgment rendered by the Presiding Judge.

On September 8, 2016, VMS filed its unsealed Certificate of Interested Persons, after the California Court of Appeals sustained the Parent Company/Bankard's position that the identities of the persons behind VMS is central to the issue of whether VMS has legal standing to sue and is entitled to any damages. In an Order dated/filed on November 16, 2016, the California Court of Appeals adopted the briefing sequence proposed by the Parent Company/ Bankard, thus, allowing the full ventilation of the case on appeal.

Subsequently, on March 7, 2017, the Presiding Judge directed the Parent Company/Bankard to pay VMS the additional amount of US$0.08 covering cost of proof sanctions, ruling that the Parent Company/Bankard unjustifiably denied VMS's request for admission that they failed to comply with MasterCard and VISA association rules. The Parent Company/Bankard timely filed their Notice of Appeal but no longer posted any additional filing fees, following VMS's agreement not seek to enforce of the said award during the pendency of the appeal.

The Parent Company/Bankard filed their Revised Opening Brief on their Appeal on October 2, 2017, pointing out that: (a) VMS failed to prove that its losses was caused by the Parent Company/Bankard, as the evidence indicate that, in a side deal without Bankard's knowledge and consent, VMS was processing transactions under/using the Merchant ID of another merchant which did not remit all of the sales proceeds so generated; (b) there is no contract/ processing relationship between VMS and Bankard; (c) there is no substantial evidence proving that the Parent Company/Bankard caused VMS's loss under agency law, given that (i) Conway could not be Bankard's agent as a matter of law, because she was defrauding Bankard, (ii) plaintiffs did not establish that Conway was an agent of Bankard, (iii) plaintiff did not establish that Conway was a purported agent of Bankard, and (iv) plaintiffs did not establish that Conway's wrongful conduct was within the scope of her agency; and, (d) the Presiding Judge abused his discretion in awarding cost of proof sanctions.

On March 28, 2018, the Parent Company/Bankard was advised of the filing of VMS's Combined Respondents' Brief and Cross-Appellants' Opening Brief. On August 14, 2018, the Parent Company/Bankard filed their combined Reply and Cross-Respondent's Brief. In accordance with prior stipulations, VMS timely filed its Final Reply Brief dated October 31, 2018. The parties are now awaiting the advice of the California Court of Appeals on the schedule date of the oral arguments.

29.4 Applicability of RR 4-2011

On March 15, 2011, the Bureau of Internal Revenue issued RR 4-2011, which prescribed that for income tax reporting purposes, banks and other financial institutions must (a) report costs and expenses either under RBU or FCDU/EFCDU or OBU if specifically identified as such; or (b) allocate such cost and expenses, which cannot be specifically identified, based on percentage share of gross income earnings of a unit. The BIR, however, issued assessment notices to the Parent Company, other banks and financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU.

On April 6, 2015, the Parent Company and other member-banks of the Bankers Association of the Philippines ("other BAP member banks") filed a Petition for Declaratory Relief with Application for TRO and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati ("Makati Trial Court"), wherein it was pointed out, among others, that (a) RR 4-2011 violates the Parent Company and other BAP member banks' procedural and substantive due process rights; (b) it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (c) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation; and, (d) it violated the equal protection clause of the Constitution for requiring the Parent Company and other BAP member banks to adopt a method of allocation when other institutions and taxpayers were not being required to do so by the Department of Finance ("DOF") and BIR.

On April 8, 2015, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, the Makati Trial Court issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the Parent Company and other BAP member banks, including the issuance of Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the Makati Trial Court issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Parent Company and other BAP member banks are concerned. The pre-trial conference of the case began on August 2, 2016 and continued until August 3, 2017. During the hearing on August 3, 2017, in lieu of trial for the resolution of the case, the Makati Trial Court directed the parties to file their respective Memorandum on September 15, 2017, which has been complied with. In an Order dated May 25, 2018, the Makati Trial Court granted the Petition for Declaratory Relief and declared RR 4-2011 null and void for being issued beyond the authority of the Secretary of Finance and Commissioner of the BIR. The Makati Trial Court likewise made permanent the Writ of Preliminary Injunction it issued earlier.

The DOF and the BIR elevated the matter to the Supreme Court via a Petition for Review on Certiorari dated August 1, 2018, alleging that (a) the petitions assailing the validity of RR 4-2011 should have been brought before the Court of Tax Appeal and not the Makati Trial Court, (b) upon the issuance of RR 4-2011, the Parent Company and other BAP member banks should have already adjusted their accounting and book keeping methods, (c) the declaratory relief action was no longer proper in view of the issuance of Preliminary Assessment Notices, and (d) RR 4-2011 is a valid regulatory issuance of the DOF and BIR.

29.5 Poverty Eradication and Alleviation Certificates Bonds

In October 2011, after filing a case before the Court of Tax Appeals, the Parent Company withdrew the same and joined other banks in questioning the BIR's act of withholding a 20% final tax on the PEACe Bonds before the Supreme Court. Notwithstanding the pendency of the case and the Supreme Court's issuance of a Temporary Restraining Order ("TRO"), on October 18, 2011, the Bureau of Treasury still withheld P199 from its interest payment on the Parent Company's PEACe bonds holdings. The amount was originally recognized as part of Accounts Receivables under Loans and Receivables account in the statements of financial position until it was settled in 2017.

On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return the 20% final withholding tax it withheld on the PEACe Bonds in October 2011. On March 16, 2015, the Parent Company and RCAP filed a Motion for Clarification and/or Partial Reconsideration, (a) seeking the exclusion of the PEACe Bonds from the definition of "deposit substitutes" as there was only one lender at the primary market, and their subsequent sales in the secondary market is considered a sale or assignment of credit not subject to withholding tax; (b) praying that, in the event the PEACe Bonds is considered as a deposit substitute, that the final withholding tax be directly collected from RCAP/Code NGO, or any lender or investor, as withholding agents; and (c) reiterating that the tax constitutes double taxation, violates the non-impairment clause of the Constitution, and is a breach of the Bureau of Treasury's obligation as issuer of the PEACe Bonds. The Office of the Solicitor General ("OSG"), as counsel for the Republic and other public respondents, also filed a Motion for Reconsideration and Clarification, arguing the correctness of the BIR's position 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 Parent Company 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 ruling, however, cannot be applied retroactively in the case of the Parent Company and RCAP, which relied in good faith on the previous rulings/ opinions of the BIR on the matter, and (c) as such, the PEACe Bonds cannot be treated as a deposit substitute. The Supreme Court likewise denied the Motion for Reconsideration and Clarification filed by the OSG, holding that due to the Bureau of Treasury's continued refusal to release the amount it withheld on October 18, 2011, in violation of the TRO, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the said amount, counted from October 19, 2011 until fully paid.

On April 11, 2017, the Parent Company received a copy of the Entry of Judgment attesting to the finality of the Decision dated January 13, 2015, and the Resolution dated August 16, 2016 granting its Motion for Clarification and/or Partial Reconsideration, as of October 20, 2016. After initially paying the amount of P197 to the Parent Company, the Bureau of Treasury paid the balance of P1.8 on October 18, 2018.

29.6 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, an alleged unauthorized transfer of funds from the Bank of Bangladesh to four accounts in the Parent Company occurred, which were eventually transferred to various accounts outside of the Parent Company. In August 2016, the Monetary Board of the BSP imposed supervisory action on the Parent Company and directed it to pay the fine of P1,000. The Parent Company has fully recognized in the 2016 statement of profit or loss the P1,000 supervisory action as part of Miscellaneous Expenses under Other Operating Expenses account (see Note 25.2), and has fully paid the same. The Parent Company does not expect this imposition of supervisory action to affect its ability to perform its existing obligations or unduly hamper its operations.

On November 2018, the Anti-Money Laundering Council ("AMLC") filed a criminal complaint against former and current officers and employees of the Parent Company with the Department of Justice ("DOJ"). The AMLC alleged that Raul Victor B. Tan ("Tan"), Ismael S. Reyes ("Reyes"), Brigitte R. Capiña ("Capiña"), Nestor O. Pineda ("Pineda"), Romualdo S. Agarrado ("Agarrado") and Angela Ruth S. Torres ("Torres") violated Section 4(f) of R.A. No. 9160, as amended ("AMLA"), when they performed or failed to perform an act, which facilitated the crime of money laundering particularly the remittance and eventual withdrawal of US$81 from certain accounts maintained in the Parent Company.

On March 27, 2017, Tan, Reyes, Capiña, and Agarrado, filed their Joint Counter-Affidavit contesting, among others, their culpability and the existence of several required elements to the charges alleged by the AMLC. On May 18, 2017, the AMLC filed its Consolidated and Joint Reply Affidavit. On July 10, 2017, Tan, Reyes, Capiña and Agarrado filed their respective Individual Rejoinder Affidavits. In a Resolution dated February 5, 2018, the newly assigned DOJ investigating prosecutor found probable cause against Tan, et al., and recommended the filing of the corresponding Information against them. On March 22, 2018, Tan, Reyes, Capiña, and Agarrado timely filed their Motion for Reconsideration on the aforementioned DOJ Resolution.

In a belatedly filed Consolidated Opposition dated June 21, 2018, the AMLC insisted that the Philippine courts have adopted the US "Willful Blindness" doctrine, and that the contents of the MT103 message should have made Tan, Reyes and Capiña suspicious of the remittances in issue. In their Reply dated August 7, 2018, Tan, Reyes and Capiña pointed out, among others, that (a) the AMLC's position is a departure from its earlier claim that they ought to be charged for failing to read the same MT103 message, and (b) only final decisions of the Supreme Court become judicial precedents, and that the cited tax evasion decision of the Court of Tax Appeals cannot be accorded the same status. Agarrado, for his part, reiterated that it was Torres and Maia S. Deguito ("Deguito") who approved the large transaction withdrawals on February 9, 2016.

On March 8, 2016, William S. Go ("Go"), an existing client of the Parent Company in another Business Center, and the Parent Company, filed criminal charges against Deguito and Torres with the Office of the City Prosecutor of the Makati City ("OCP-Makati"). The criminal complaints alleged that the two former employees of the Parent Company (a) falsified bank documents in order to open fictitious US Dollar and Peso denominated accounts in the name of Go DBA Centurytex Trading, which were used in the transfer/ conversion of US$81 allegedly unlawfully debited from the Bank of Bangladesh's account with the New York Federal Bank, and (b) Torres committed perjury when she executed an affidavit identifying Go as the person who allegedly received the P20 withdrawn from his fictitious Peso account on February 5, 2016.

The OCP-Makati found probable cause to charge Deguito with several counts of falsification, now pending before the Metropolitan Trial Court of Makati City, Branch 63 ("Makati MTC"). On the other hand, the OCP-Makati dismissed the charges of falsification against Torres, but found probable cause to charge her for perjury, which is also pending in the Makati MTC. The Parent Company appealed the dismissal of the falsification charge against Torres, as with the dismissal of its criminal complaint against another former employee of the Parent Company who conspired with Deguito and Torres.

On October 22, 2018, as a result of the untimely death of Go, the Prosecution applied for a subpoena for the video recordings and the Transcript of Stenographic Notes of Go's testimony before the Senate Blue Ribbon Committee, showing Go's denial that he had anything to do with the February 5, 2016 transactions at the Jupiter Business Center of the Parent Company.

29.7 RCBC Securities Case

In December 2011, RSI initiated the filing of a criminal case for falsification against its former agent, Mary Grace V. Valbuena ("Valbuena"), who carried out certain questionable transactions with her own personal clients. Since then, RSI has filed additional criminal and civil cases against Valbuena, and on November 17, 2016, the Makati MTC, Branch 66, convicted Valbuena of the crime of BP 22. Valbuena proposed to pay RSEC P30, payable in five years, in settlement of all the claims against her, which RSI refused. Valbuena's appeal is now submitted for resolution, without prejudice to any settlement between the parties.

In May 2012, the Capital Markets Integrity Corporation ("CMIC") conducted an investigation on the complaint filed by Francisco Ken Cortes ("Cortes") against RSEC. On July 3, 2015, the CMIC issued a Resolution dismissing the said complaint. After the denial of his Motion for Reconsideration, Cortes no longer appealed the same to the SEC en banc. Thus, the dismissal of his complaint became final and executory.

In September 2014, Carlos S. Palanca IV ("Palanca") and Cognatio Holdings, Inc. ("Cognatio") likewise filed a complaint against RSI with the CMIC, even as Cognatio's earlier complaint dated December 30, 2013 against RSI, its former Vice President for Operations/Chief Finance Officer, its former Compliance Officer and Valbuena, remained pending with the Enforcement and Investor Protection Department of the SEC ("EIPD-SEC") ("SEC Cognatio Case").

In its decision letter dated December 4, 2014, the CMIC dismissed the complaint filed by Palanca and Cognatio on the ground of prescription and res judicata, which the latter appealed to the SEC en banc. The SEC en banc granted Palanca and Cognatio's appeal. In turn, RSI elevated the said decision to the Court of Appeals, which (a) ruled in its favor, holding that Palanca and Cognatio committed willful and deliberate forum shopping, and (b) denied Palanca and Cognatio's Motion Reconsideration in its Resolution dated September 5, 2018. On September 26, 2018, Palanca and Cognation signified their intention to challenge the decision and resolution of the Court of Appeals before the Supreme Court via a Petition for Review to be filed on or before October 11, 2018.

Citing the decision of the Court of Appeals finding Palanca and Cognatio guilty of willful and deliberate forum-shopping, RSI and its former Vice President for Operations/Chief Finance Officer filed a Manifestation with Motion to Dismiss the SEC Cognatio Case, which remains pending with the EIPD-SEC.

On February 22, 2013, Stephen Y. Ku ("Ku") filed a complaint against RSEC with the Makati Trial Court, Branch 149, principally praying for the return of his shares of stock and cash payments which he supposedly turned over to Valbuena. RSI sought the dismissal of the complaint on the ground of lack of jurisdiction due to the non-payment of the correct filing fees and failure to state a case of action, which was denied by the Makati Trial Court. Aggrieved, RSI filed a Petition for Certiorari with the Court of Appeals, which ruled in favor of RSI in its Decision dated October 9, 2014.

Ku elevated the ruling of the Court of Appeals to the Supreme Court via a Petition for Review, which was granted in the Decision dated October 17, 2018. The Supreme Court held that the Court of Appeals erred in dismissing the case, as Ku's immediate payment of the deficiency docket fees indicate a lack of intention to evade the payment of the correct filing fees. RSI filed its Motion for Reconsideration on November 28, 2018. Having been apprised of the Decision of the Supreme Court, the Makati Trial Court issued an Order dated November 26, 2018, setting a status conference case on December 14, 2018.

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.

29.8 Lease Commitments

(a) *Parent Company as a Lessor*

The Parent Company has entered into various lease contracts related to RSB Corporate Center, an investment property held for rental, with lease terms ranging from one to five years and with monthly rent depending on market price with 5% escalation rate every year. Total rent income earned from these leases amounted to P328, P297, and P280 in 2018, 2017, and 2016, respectively, which are presented as part of Rental under the Miscellaneous Income account in the statements of profit or loss (see Note 25.1). A certain office and parking spaces in RSB Corporate Center are being lease out to RSB [see Note 28.5(b)].

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

	2018	2017
Within one year	**P 573**	P 375
After one year but not more than five years	**804**	486
	P 1,377	P 861

(b) Group as Lessee

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices [see Note 28.5(a)] and branches/business centers for lease periods from one to 25 years. The Group's rental expense related to these leases (included as part of Occupancy and Equipment-related expenses account in the statements of profit or loss) amounted to P1,187, P977, and P742 in 2018, 2017, and 2016, respectively. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

The future minimum rental payables under these non-cancellable operating leases are as follow:

	Group	**Parent Company**
2018:		
Within one year	P 1,007	P 727
After one year but not more than five years	3,025	2,236
More than five years	323	259
	P 4,355	**P 3,222**
2017:		
Within one year	P 811	P 673
After one year but not more than five years	2,640	2,375
More than five years	335	291
	P 3,786	P 3,339

30. EARNINGS PER SHARE

The following shows the Group's profit and per share data used in the basic and diluted EPS computations for the three years presented:

	2018	2017	2016
Net profit	**P 4,320**	P 4,308	P 3,868
Weighted average number of outstanding common stocks	**1,646**	1,400	1,400
Basic and diluted EPS	**P 2.62**	P 3.08	P 2.76

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented. The Group and the Parent Company has no potential dilutive shares as of the end of each reporting period.

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2018	2017	2016
Return on average equity			
Net profit / Average total equity	**5.78%**	6.72%	6.42%
Return on average resources			
Net profit / Average total resources	**0.73%**	0.82%	0.77%
Net interest margin			
Net interest income / Average interest earning resources	**4.00%**	4.25%	4.06%
Profit margin			
Net profit / Revenues	**16.31%**	17.15%	16.95%
Debt-to-equity ratio			
Total liabilities / Total equity	**6.94**	7.27	7.39
Resources-to-equity ratio			
Total resources / Total equity	**7.94**	8.27	8.39
Interest rate coverage			
Earnings before interest and taxes / Interest expense	**1.50**	1.73	1.50

	Parent Company		
	2018	2017	2016

Return on average equity			
Net profit / Average total equity	**5.79%**	6.74%	6.43%
Return on average resources			
Net profit / Average total resources	**0.90%**	1.02%	0.93%
Net interest margin			
Net interest income / Average interest earning resources	**3.80%**	3.85%	3.47%
Profit margin			
Net profit / Revenues	**20.88%**	22.34%	22.67%
Debt-to-equity ratio			
Total liabilities / Total equity	**5.30**	5.60	5.73
Resources-to-equity ratio			
Total resources / Total equity	**6.30**	6.60	6.73
Interest rate coverage			
Earnings before interest and taxes / Interest expense	**1.68**	1.95	1.60

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's and Parent Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bills Payable (see Note 18)		Bonds Payable (see Note 19)		Total Financing Activities	
	Group	**Parent**	**Group**	**Parent**	**Group**	**Parent**
Balance at January 1, 2018	P 43,967	P 36,600	P 28,060	P 28,060	P 72,027	P 64,660
Cash flow from financing activities:						
Availments	44,522	42,769	23,520	23,520	68,042	66,289
Payments/redemption	(32,790)	(30,912)	-	-	(32,790)	(30,912)
Non-cash financing activities:						
Foreign exchange losses	302	302	1,489	1,489	1,791	1,791
Amortization of premium	-	-	21	21	21	21
Balance at December 31, 2018	**P 56,001**	**P 48,759**	**P 53,090**	**P 53,090**	**P 109,091**	**P 101,849**

	Bills Payable (see Note 18)		Bonds Payable (see Note 19)		Total Financing Activities	
	Group	Parent	Group	Parent	Group	Parent
Balance at January 1, 2017	P 37,643	P 31,712	P 41,595	P 41,595	P 79,238	P 73,307
Cash flow from financing activities:						
Availments	20,561	15,477	-	-	20,561	15,477
Payments/redemption	(14,472)	(10,788)	(13,687)	(13,687)	(28,159)	(24,475)
Non-cash financing activities:						
Foreign exchange losses	235	199	118	118	353	317
Amortization of premium	-	-	34	34	34	34
Balance at December 31, 2017	P 43,967	P 36,600	P 28,060	P 28,060	P 72,027	0P 64,660

33. EVENT AFTER THE REPORTING PERIOD

In January 2019, a certain borrower of the Parent Bank has filed in court for a corporate rehabilitation involving a proposed restructuring of the borrower's outstanding loans as of December 31, 2018. The proposed loan restructuring stipulates a three-year grace period of both loan principal and interest with a commitment to pay the restructured loan on a monthly basis commencing on January 2022.

LIST OF SENIOR OFFICERS

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Deputy Chief Executive Officer
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Senior Executive Vice President

Corporate Secretary
GEORGE GILBERT G. DELA CUESTA
First Senior Vice President
Head, Legal Affairs Group

Assistant Corporate Secretary
JOYCE CORINE O. LACSON
Vice President

Senior Executive Vice Presidents
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Chief of Staff and Head, Information Technology Shared Services Group and Operations Group

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Head, Retail Banking Group

EDEL MARY D. VEGAMORA
Chief Audit Executive and Head, Internal Audit Group

First Senior Vice Presidents
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Chief Risk Officer and Head, Corporate Risk Management Services Group

MARITA E. BUENO
Head, Data Science and Analytics Group

MARGARITA B. LOPEZ
Head, Digital Banking Group

FLORENTINO M. MADONZA
Head, Controllership Group

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YASUHIRO MATSUMOTO
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(Until March 31, 2019)

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MARIANO JOSE R. LAUREL
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Assistant Vice Presidents
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Vice President
EVELYN NOLASCO

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YVONNE S. YUCHENGCO

President and Chief Executive Officer
JOSE LUIS F. GOMEZ

Senior Vice Presidents
MELANIE A. CAGUIAT
Head, Credit and Administration

RUTH B. GUTIERREZ
Head, Financial Services

First Vice Presidents
JUAN MARCELO M. QUIJANO
Compliance Officer

CLAUDINE C. DEL ROSARIO
Account Officer, Investment Banking

XAVIER Y. ZIALCITA
Account Officer, Investment Banking

Vice President
MICHAEL FRANCIS G. ZAPATA
Account Officer, Investment Banking

Corporate Secretary
ATTY. SAMUEL V. TORRES

Subsidiaries

RCBC BANKARD SERVICES CORPORATION

Chairman
CESAR E. A. VIRATA

Vice Chairman
RAUL M. LEOPANDO

President and Chief Executive Officer
SIMON JAVIER A. CALASANZ
(Seconded from RCBC)

Senior Vice Presidents
EUGENIO U. FERNANDEZ
Chief Finance Officer and Treasurer

MA. REGINA Y. MILLARE
Chief Operating Officer

MYLENE J. BICO
Segment Head, Business Development, Marketing and Sales

First Vice Presidents
AMOR A. LAZARO
Head, Business Intelligence Group

MA. ANGELA C. MIRASOL
Head, Marketing Group

BENJAMIN W. R. CUMPAS, JR.
Group Head, Merchant Business and Head, Sales and Distribution

Vice Presidents
HYGEIA C. CALAOR
Head, Collection Group

KARLO C. GONZALES
Head, Fraud Management and Authorization Group

CRISTINA V. MACALINAO
Head, Credit Policy Group

RENAN D. UNSON
Head, Information Technology Group

AILEEN L. DELA CRUZ
Head, Human Resources Management Group

ANGELUZ T. GUERZON
Head, Legal and Compliance Group

JOCELYNE D. JANORAS
Head, Financial Accounting Group

SALVE TIEN C. GATPANDAN
Head, Acceptance Services Group

IRENE D. TAYLO
Head, Corporate Sales Division

Assistant Vice Presidents
RITA REICHEL S. RIVERA
Head, Customer Service Group

MARICAR S. SAN PEDRO
Head, Compliance Risk Management and Internal Audit Group

FELIX L. SINCONEGUE
Head, General Services Group

RICARDO ISIDORO M. REYNOSO III
Head, Business Development Group

JUANITA L. BAYUDAN
Head, IT Operations Division

JOHANNA Y. DEE
Head, Intra-YGC Sales Division

JOHN CARLO A. CECILIA
Head, Applications Development Division

MARIA FATIMA MICHELLE V. ANTONIO
Head, Portfolio Management Division

JOSE PAULO I. AGUILERA
Head, Direct Sales Channel Division

RALPH LAWRENCE M. LAZARO
Head, IT Management Services Division

ROSALINDA D. SANTIAGO
Head, Management Accounting Division

PENNY ANNE T. BAILON
Risk Management Officer

Corporate Secretary
ATTY. SAMUEL V. TORRES

RCBC SECURITIES, INC.

Chairman
RAUL M. LEOPANDO

President
GERALD O. FLORENTINO
(Seconded from RCBC)

First Vice President
RAUL P. RUIZ
Head, Research

Vice President
MARILEN O. ZUÑIGA
Chief Financial Officer and Head, Operations

Corporate Secretary
ATTY. SAMUEL V. TORRES

RCBC FOREX BROKERS CORPORATION

Chairman
GIL A. BUENAVENTURA

President and Chief Executive Officer
JOSEPH COLIN B. RODRIGUEZ
(Seconded from RCBC)

Corporate Treasurer
CRISELDA T. ESPINOSA

Corporate Secretary
ATTY. SAMUEL V. TORRES

RCBC-JPL HOLDING CO., INC.
(Formerly President Jose P. Laurel Rural Bank, Inc.)

Chairman and President
CLARO PATRICIO L. CONTRERAS

Senior Vice President
LOIDA C. PAPILLA

Vice President-Treasurer
MARIANO JOSE R. LAUREL

Assistant Vice President
ROLANDO I. RAMIREZ, JR.

Corporate Secretary
KENNETH MARK F. GARCIA

RCBC LEASING AND FINANCE CORPORATION

Chairperson
HELEN Y. DEE

Vice Chairman
GIL A. BUENAVENTURA

President and Chief Executive Officer
ALFONSO C. TANSECO

Senior Vice Presidents
MARNEL R. VIDOLA
Head, Compliance

MICHAELA C. SISON
Chief Operating Officer
Head, Marketing – Metro Manila

RAUL M. CABATINGAN
Head, Marketing-Visayas and Mindanao

NORBERTO A. DAWA
Head, Operations

Corporate Secretary
EVA MARIE M. SISON

Subsidiary

RCBC RENTAL CORPORATION

Chairman
JOHN THOMAS G. DEVERAS

President and Chief Executive Officer
ALFONSO C. TANSECO

Treasury Head
REY JOSE Q. BUMANGLAG

Corporate Secretary
EVA MARIE M. SISON

RCBC SAVINGS BANK

Chairperson
HELEN Y. DEE

President and Chief Executive Officer
ROMMEL S. LATINAZO
(Seconded from RCBC)

Senior Vice Presidents
MARY GRACE P. MACATANGAY
Group Head, Credit Management Group

GERARDO G. MIRAL
Head, Consumer Lending Group
(Seconded from RCBC)

JOSEPH COLIN B. RODRIGUEZ
Head, Treasury Group
(Seconded from RCBC)

First Vice Presidents
ELMER M. AQUINO
National Product Head, SME Division

ULYSSES L. ATIENZA
Regional Sales Director, South Luzon

ROLAND R. BAY
National Sales Director, Retail Banking Group

GUILBERTO K. BENEDICTO
Head, Product and Sales Support Division

FRANCIS VINCENT S. BERDAN
Head, Retail Banking Group

MA. CARMINA P. CARPIO
Head, Trust Services Division

ARIEL J. CRUZ
Region Head, North and Central Luzon Lending Center

CRISPINA S. DEL ROSARIO
Regional Sales Director, North Metro Manila and Rizal

MARIA VILMA U. GARGANERA
Branch Manager, Makati-Taguig District

HELEN GRACE D. GAVICA
Head, Information Management Division

EDWARD NIÑO S. LIM
Head, Credit Acceptance Division

ENRIQUE G. LLAGAS
Head, Property Management and Sales Division

ROMEO R. LLAVE, JR.
District Sales Director, Makati-Taguig

RAYMOND G. MIÑOSO
District Sales Director, Negros

RICHARD M. PERALTA
National Service Head, Operations Group

CLARO A. PINEDA III
Head, Operations and Technology Group
(Seconded from RCBC)

GUIA MARGARITA Y. SANTOS
Head, Corporate Legal Services Division
(Seconded from RCBC)

RAYMOND JOEL B. SIASAT, JR.
Region Head, Mindanao Lending Center

RANDY B. TORRES
National Product Head, Housing Loans Division

MA. LOURDES G. TRINIDAD
Head, Risk Management Division

MARIA ELIZABETH S. YAP
Head, Human Resource Division

Vice Presidents
MA. NINA T. ALBA
District Sales Director, Rizal 2

CONRADO B. ALUNAN
Region Head, Visayas Lending Center

RUEL CLAUDIO A. AMBOY
Head, Litigation Department

TERESA M. AMBROSIO
Area Head, SME Division

MARIBETH D. AMORIN
District Service Head, Cavite

MARIA CRISTINA T. AMPIL
Head, Credit Services Management Division

LEONARDO D. ANTONIO, JR.
Regional Service Head, North Metro Manila

MANUEL E. AVILES
Regional Sales Director, Visayas and Mindanao

JENNYLYN R. BARCELONA
Head, Housing-Developer Generated Department

SHIRLEY K. BENEDICTO
District Sales Director, Ortigas-Pasig

ELIZABETH L. BENIN
Head, Advisory and Documentation Department

JUDY ROSARIO G. CAM
Chief Compliance Officer, Compliance Division

JESUS MANUEL M. CASTRO
Region Head, North and Central Luzon Lending Center

JUAN MIGUEL L. CORONA
Head, Asset Channels and Product Marketing Department

EDWIN S. CRISTOBAL
Portfolio Risk Analyst, Credit Risk Management Division

MANUEL R. DELIZO
Chief Security Officer

JOHN FRANCIS A. DELOS REYES
Head, Direct Housing Department

JOSEPH ERICSON L. GALVEZ
Senior Trader, Treasury Group

MA. LOURDES M. GARCIA
District Sales Director, Quezon City 1

CORA M. GOYAL
Head, Business Support and Services Division

GENEVIEVE P. ICASIANO
Regional Sales Director, South Metro Manila

SIGFREDO N. JAYME
Head, Information Management Division

JOHN LYNDON O. LUDOVICE
Head, Strategic Services Division

JESSIE S. MALUBAY
Branch Manager, Quezon City 2 District

MA. TERESA R. MANOTOK
Head, Direct Channel Division

JOSE R. MANULID III
Regional Service Head, Visayas and Mindanao

LORNA A. NACAR
Regional Service Head, North Luzon

MA. LUISA A. PASAMBA
Head, Accounting Department

XANDRIX J. PERALTA
District Sales Director, Mindanao

JOSELITO M. PERLADA
Head, General Services Department

VICENTE H. PURIFICACION, JR.
Head, Information Management Division

DON S. SALDAÑA
Head, Sales Distribution Channel Department

CAESAR O. TAGLE
Head, Collection and Remedial Division

LIWLIWA GRACE R. VALENCIA
Head, Rewards and Benefits Management Department

CRISTINA F. VILLALOBOS
Head, Consumer Finance Services Division

International

RCBC INTERNATIONAL FINANCE LTD.

Chairman
GIL A. BUENAVENTURA

General Manager
FEDERICO E. AGUS, JR.

Accountant and Company Secretary
LIUYUEN SHEUNG

Associates

HONDA CARS PHILIPPINES, INC.

President and General Manager
NORIYUKI TAKAKURA

Executive Vice President
KATSUMI KASAI

Vice President
YASUNORI MIYAMOTO

Treasurer
VICENTA BALARBAR

Corporate Secretary
PRISCILLA B. VALER

ISUZU PHILIPPINES CORPORATION

President
HAJIME KOSO

Executive Vice President and Treasurer
SHOJIRO SAKODA

Vice Presidents
HIROSHI NINOMIYA
Manufacturing

KOJI HANAWA
After-Sales

YASUHIKO OYAMA
Sales

Assistant Vice President
DAVID YANDOC, JR.
Administration

Corporate Secretary
CECILE MARGARET E. CARO-SELVAGGIO

Assistant Corporate Secretary
MARIA CHRISTINA C. ORTUA

LUISITA INDUSTRIAL PARK CORPORATION

Chairperson
HELEN Y. DEE

President
ATTY. RAMON S. BAGATSING, JR.

Treasurer
ELENA F. TRAJANO

Corporate Secretary
ATTY. SAMUEL V. TORRES

YGC CORPORATE SERVICES, INC.

Chairperson and President
HELEN Y. DEE

Executive Vice President and Chief Operating Officer
LIWAYWAY F. GENER

Vice President
ALBERT S. YUCHENGCO

Treasurer
FLOR BELLA MONINA MARAÑON

Corporate Secretary
ATTY. SAMUEL V. TORRES

RCBC BRANCH DIRECTORY

METRO MANILA

168 MALL
168 Mall Shopping Center, Stall No. 4H-01
Soler St., Binondo, Manila
Tel. Nos.: 708-2386; 708-2291; 708-2387;
708-2290
Fax No.: 708-2289

A. MABINI
1353 Tesoro Bldg., A. Mabini St.
Ermita, Manila
Tel. Nos.: 526-0444; 526-0445; 526-0424;
525-0468
Fax No.: 526-0446

ABAD SANTOS
1628 Abad Santos, Tondo, Manila
Tel. Nos.: 251-7369; 251-7712; 251-7928;
251-8014; 251-8239; 251-9509
Fax No.: 251-7055

ACROPOLIS
191 Triquetra Bldg., E. Rodriguez, Jr. Ave.
Libis, Quezon City
Tel. Nos.: 638-0550; 638-0552 to 53; 645-0551
Fax No.: 638-0552

ACROPOLIS EXTENSION OFFICE
Unit G8A-B, G/F MDC 100 Bldg.,
cor. 188 E. Rodriguez, Jr. Ave. and Eastwood Ave.
Bo. Bagumbayan, Quezon City
Tel. Nos.: 364-8651; 366-7265

ADB AVENUE-GARNET
Unit 110, AIC Burgundy Empire Tower
cor. ADB Ave. and Garnet Rd.
Ortigas Center, Pasig City
Tel. Nos.: 727-3644; 727-3639; 727-3637;
727-2374; 632-1397
Fax No.: 632-1395

ADRIATICO
Hostel 1632 M. Adriatico St., Malate Manila
Tel. Nos.: 252-9403; 252-9425 to 9424; 252-9515
Fax No: 252-9418

AGUIRRE-BF HOMES
290 Aguirre Ave., BF Homes Parañaque City
Tel. Nos.: 824-5152 to 54; 824-5156; 824-5164
Fax No.: 824-5162

ALABANG
RCBC Bldg., Tierra Nueva Subd.
Alabang-Zapote Rd., Alabang
Muntinlupa City
Tel. Nos.: 807-2245; 807-2246; 809-0401;
809-0403
Fax No.: 850-9044

ALABANG MADRIGAL BUSINESS PARK
Unit 5 and 6, G/F CTP Alpha Bldg.
Investment Drive, Madrigal Business Park
Ayala Alabang, Muntinlupa City
Tel. Nos.: 802-2915; 802-2917
Fax No.: 802-2916

ALABANG-FILINVEST CORP.
Units G04 and G05, Vivere Hotel
5102 Bridgeway Ave., Filinvest Corporate City
Alabang, Muntinlupa City
Tel. Nos.: 556-3416 to 17; 556-3419; 666-2953
Fax No.: 556-3507

AMANG RODRIGUEZ
1249 Amang Rodriguez Ave., Dela Paz, Pasig
Tel. Nos.: 635-2156; 635-5211; 635-0592;
635-5115; 633-7434
Fax No.: 635-0249

AMORANTO
422 cor. N.S Amoranto and D. Tuazon
Sta. Mesa Heights, Quezon City
Tel. No.: 253-2097; 253-2104; 253-2099;
253-1416; 253-2101; 894-9000 loc 5873
Fax No.: 253-2103

ANNAPOLIS-GREENHILLS
G/F Platinum 2000, 7 Annapolis St.
San Juan, Metro Manila
Tel. Nos.: 941-7416; 941-7418; 941-7420;
941-7496
Fax No.: 941-7421

ARANETA
G/F, Unit 111 Sampaguita Theatre Bldg.
cor. Gen. Araneta and Gen. Roxas Sts.
Cubao, Quezon City
Tel. Nos.: 912-1981 to 83; 912-6049
Fax No.: 912-1979

ARNAIZ
843 G/F B and P Realty, Inc. Bldg.
Arnaiz Ave., Legaspi Village, Makati City
Tel. Nos.: 869-0306; 869-0314; 869-0430;
869-9613
Fax No.: 869-9859

ARRANQUE
1001 Orient Star Bldg. cor. Masangkay and
Soler Sts., Binondo, Manila
Tel. Nos.: 245-7055; 244-8443 to 244-8444;
244-8438

AURORA BLVD.-MADISON
101 cor. Aurora Blvd and Madison St., Quezon City
Tel. Nos.: 531-9357 to 58; 531-9360
Fax No.: 531-9363

AYALA
Unit 709, Tower One
Ayala Triangle and Exchange Plaza Bldg.
Ayala Ave., Makati City
Tel. Nos.: 848-6983 to 85
Fax No.: 848-7003

BACLARAN
21 Taft Ave., Baclaran, Parañaque City
Tel. Nos.: 832-3938; 852-8147 to 48
Fax No.: 832-3942

BANAWE
Unit I-K, CTK Bldg. 385
cor. Banawe and N.Roxas Sts., Quezon City
Tel. Nos.: 742-3578; 743-0204
Fax No.: 743-0210

BAYANI ROAD
37 Bayani Rd., AFPOVAI Subd.
Fort Bonifacio, Taguig City
Tel. Nos.: 808-7436; 856-0156
Fax No.: 808-7435

BEL-AIR
Unit 101 Doña Consolacion Bldg.
122 Jupiter St., Bel-Air, Makati City
Tel. Nos.: 553-4142 to 43; 519-7744; 551-7711
Fax No.: 478-0798

BETTER LIVING
14 Doña Soledad, Better Living Subd.
Parañaque City
Tel. Nos.: 828-2174; 828-3095; 828-3478;
828-4810
Fax No.: 828-9795

BF HOMES
Unit 101 Centermall Bldg.
President Ave., BF Homes, Parañaque City
Tel. Nos.: 842-1554; 807-8761 to 63
Fax No.: 842-1553

BINONDO
ETY Bldg., 484 Quintin Paredes St.
Binondo, Manila
Tel. Nos.: 241-2491
Fax No.: 244-4031

BONI AVE.
617 Boni Ave., Mandaluyong City
Tel. Nos.: 532-5532; 533-0280; 533-6335;
533-6337
Fax No.: 533-6336

BONI AVE.- SAN RAFAEL
503 cor. Boni Ave. and San Rafael St.
Mandaluyong City
Tel. Nos.: 534-6307; 534-7074; 534-7533;
534-7594
Fax No.: 534-7696

BUENDIA
Grepalife Bldg.
219 Sen. Gil J. Puyat Ave., Makati City
Tel. Nos.: 844-1896; 845-6411; 810-3674; 845-6412
Fax No.: 844-8868

BUENDIA-TECHZONE
Techzone Philippines Bldg.
213 Sen. Gil Puyat Ave., Brgy. San Antonio
Makati City
Tel. Nos.: 802-2700 to 01; 802-2704; 802-2719;
802-2720; 802-2723
Fax No.: 802-2721

C. RAYMUNDO
261 Unit C, C. Raymundo, Maybunga, Pasig City
Tel. Nos.: 532-0294 to 95; 532-0298;
532-0304 to 05
Fax: 532-0296

CAINTA
Multicon Bldg., FP Felix Ave., Cainta, Rizal
Tel. Nos.: 645-6703 to 04; 645-6710; 645-6713;
645-6716
Fax No.: 645-6704

CARLOS PALANCA
G/F BSA Suites Carlos Palanca St., Legaspi Village,
Makati City
Tel. Nos.: 888-6701 to 03; 888-6939
Fax No.: 888-6704

CARUNCHO
Prima 3 Commercial Center
7 Caruncho Ave., Pasig City
Tel. Nos.: 725-5241; 727-5370

COMMONWEALTH
G/F Verde Oro Bldg. 535 Commonwealth Ave.,
Diliman, Quezon City
Tel. Nos.: 931-2309; 931-2375; 931-2319;
931-5242; 931-5251
Fax No.: 931-2328

CONCEPCION MARIKINA
21 Bayan-Bayanan Ave.
Brgy. Concepcion Uno, Marikina City
Tel. Nos.: 384-3973; 571-4607; 948-4002
Fax No.: 942-6368

CONGRESSIONAL
188 cor. Congressional Ave. and Sinagtala St.
Brgy. Bahay Toro, Quezon City
Tel. No.: 288-5022; 288-5024 to 25; 288-5029;
288-5015
Fax No.: 288-5223

CONNECTICUT/GREENHILLS
51 Connecticut St.
Northeast Greenhills, San Juan
Tel. Nos.: 722-4424; 721-4495; 726-9793;
744-6348
Fax No.: 722-4424

CUBAO
Ali Mall Bldg., 2 Gen. Romulo Ave cor.
P. Tuazon Blvd., Cubao, Quezon City
Tel. Nos.: 911-0870; 911-2527; 912-8127
Fax No.: 911-2535

D. TUAZON
G/F Academe Foundation Bldg.
47 D. Tuazon St., Sta. Mesa Heights
Quezon City
Tel. Nos.: 731-7261; 731-7290; 731-5805 to 07
Fax No.: 731-7262

DEL MONTE
180 Del Monte Ave., Quezon City
Tel. Nos.: 712-9456 to 57; 712-7567
Fax No.: 741-6010

DELA ROSA
G/F Sterling Center
cor. Ormaza and Dela Rosa Sts.
Legaspi Village, Makati City
Tel. Nos.: 893-4216; 893-6828; 893-9050
Fax No.: 893-5039

DELA ROSA-PASONG TAMO
G/F Kings Court, 2129 Chino Roces Ave.
Makati City
Tel. Nos.: 894-9000 loc. 5299
Fax No.: 8246238

DELTA
Delta Bldg., cor. Quezon Ave. and West Ave.
Quezon City
Tel. Nos.: 352-8113; 352-8115
Fax No.: 352-8112

DILIMAN
cor. Matalino St. and Kalayaan Ave.
Diliman, Quezon City
Tel. Nos.: 925-2148 to 49; 924-3627; 924-3629
Fax No.: 924-3628

DIVISORIA
New Divisoria Condominium
628 Sta. Elena, Divisoria, Manila
Tel. Nos.: 241-7884; 242-9082; 241-7847;
241-7853

E. RODRIGUEZ-DOÑA JOSEFA
59 E. Rodriguez Sr. Ave.
Brgy. Doña Josefa, Quezon City
Tel. Nos.: 521-6455; 521-6452 to 53

EAST CAPITOL DRIVE
26 Trinity Bldg., East Capitol Drive
Barangay Kapitolyo, Pasig City
Tel. Nos.: 721-8968; 721-8970; 721-8972
Fax No.: 721-8965

EASTWOOD MALL
G/F Unit A-102, Eastwood Mall
Orchard Rd. near Garden Rd.
Eastwood City, Quezon City
Tel. Nos.: 470-9382; 470-6275; 470-0504;
470-9379
Fax No.: No. 470-9380

EDSA KALOOKAN
520 E. Delos Santos Ave., Kalookan City
Tel. Nos.: 990-3651 to 53
Fax No.: 990-3654

EDSA TAFT
Giselle's Park Plaza
cor. EDSA and Taft Ave., Pasay City
Tel. Nos.: 832-2064; 852-5775; 851-2074
Fax No.: 852-3954

ELCANO
676 cor. Elcano and Lavezares Sts.
Binondo, Manila
Tel. Nos.: 242-8684 to 85; 242-3643; 242-3598
Fax No.: 242-3649

ERMITA
550 United Nations Ave. Ermita, Manila
Tel. Nos.: 525-5238; 523-2948; 523-2983;
525-5219
Fax No.: 524-1021

EVANGELISTA
cor. Evangelista and Gen. Alejandrino Sts.
Bangkal, Makati City
Tel. Nos.: 845-1843 to 46; 845-1849

F. BLUMENTRITT-R. PASCUAL
158 cor. F. Blumentritt and Pascual Sts.
Brgy. Batis, San Juan City
Tel. Nos.: 941-7408 to 11; 941-7414
Fax No.: 941-7413

FAIRVIEW
Medical Arts Bldg.
Dahlia St., North Fairview, Quezon City
Tel. Nos.: 930-2010; 930-2052; 461-3011; 461-3008
Fax No.: 461-3009

FRONTERA VERDE
G/F Transcom Bldg., Frontera Verde Cmpd.
Brgy. Ugong, Pasig City
Tel. Nos.: 706-4721; 706-4724 to 26
Fax No.: 706-4723

GARNET
Unit No. 106 Parc Chateau Condominium
cor. Garnet and Onyx Sts.
Ortigas Center, Pasig City
Tel. Nos.: 570-9141 to 42; 570-6317; 570-6319
Telefax No.: 570-9144

GILMORE
100 Granada St., Valencia, Quezon City
Tel. Nos.: 726-2404; 726-4236; 725-0818
Fax No.: 725-9087

GREENBELT
BSA Tower, Legaspi St.
Legaspi Village, Makati City
Tel. Nos.: 845-4051; 845-4881; 845-4883;
844-1829
Fax No.: 845-4883

GREENHILLS
Unit MA-103 McKinley Arcade
Greenhills Shopping Center, San Juan City
Tel. Nos.: 721-3552; 721-2120 to 23; 721-6388
Fax No.: 727-2884

HERMOSA-LIMAY
cor. Hermosa and Limay Sts., Tondo, Manila
Tel. Nos: 247-7301; 251-2410; 251-2414; 251-2407
Fax No.: 273-3511

J. P. RIZAL
773 J. P. Rizal St., Brgy. Poblacion, Makati City
Tel. Nos.: 815-2251; 815-2325; 815-2493;
815-2320
Fax No.: 815-2356

KALOOKAN
259 Rizal Ave. Extn., Kalookan City
Tel. Nos.: 361-0406; 361-1593 to 94; 361-1597
Fax No.: 361-1598

LAS PIÑAS
Veraville Bldg., Alabang-Zapote Rd., Las Piñas City
Tel. Nos.: 874-1659; 873-4496; 874-8365; 874-0394
Fax No.: 873-4498

LEGASPI VILLAGE
First Global Bldg.
cor. Salcedo and Gamboa Sts.
Legaspi Village, Makati City
Tel. Nos.: 812-4893; 817-2664; 818-4919; 817-2689
Fax No.: 813-5287

LEE-SHAW BOULEVARD
Unit 1-C, G/F Lee Gardens Condominium
cor. Lee St. and Shaw Blvd.
Brgy. Addition Hills, Mandaluyong City
Tel. Nos.: 635-0150; 634-1497; 635-5769

LEVISTE-SALCEDO
cor. LP Leviste and San Agustin Sts.
Salcedo, Makati City
Tel. Nos.: 802-0373 to 75
Fax No.: 802-0372

LINDEN SUITES
G/F The Linden Suites Tower II
37 San Miguel Ave., Ortigas Center, Pasig City
Tel. Nos.: 477-7267; 477-7269; 477-7271;
477-7273 to 74
Fax No.: 477-7275

LOYOLA HEIGHTS
G/F MQI Centre
42 cor. E. Abada and Rosa Alvero Sts.
Loyola Heights, Quezon City
Tel. Nos.: 426-6533 to 35; 426-6528; 426-6525
Fax No.: 426-6602

LUCKY CHINATOWN MALL
Unit 3-1A, 3F Lucky Chinatown Mall
cor. Regina Regente and De La Reina Sts.
Binondo, Manila
Tel. Nos.: 256-8029; 554-6337; 554-6348;
554-6334; 521-8323; 554-6339

MACAPAGAL AVE.-EDSA
G/F Double Dragon Plaza
cor. EDSA and Macapagal Ave., Pasay City
Tel. Nos.: 824-0314; 824-0322; 824-0317;
824-0321

MACAPAGAL AVE.-PEARL DRIVE
Scape Bldg., cor. Macapagal Ave. and Pearl Drive
Mall of Asia, Pasay City
Tel. Nos.: (0906) 201-9072; (0939) 929-9089

MAGALLANES
G/F BMG Centre
Paseo De Magallanes, Makati City
Tel. Nos.: 808-7604; 815-7536; 815-6613; 815-7635
Fax No.: 818-7877

MAGINHAWA
129 Maginhawa St., Teacher's Village East
Quezon City
Tel. Nos.: 426-4152; 426-4063; 426-4736;
426-4536
Fax No.: 426-4584

MAKATI AVE.
G/F Executive Bldg. Center, Inc.
369 cor. Sen. Gil Puyat Ave. and Makati Ave.
Makati City
Tel. Nos.: 897-9384; 890-7023; 890-7025;
895-9578; 895-7024
Fax No.: 890-7026

MAKATI RADA
One Legaspi Park, 121 Rada St., Legaspi Village,
Makati City
Tel. Nos.: 915-2046; 909-5203; 909-5201
Fax No.: 909-5204

MALABON
685 Rizal Ave., San Agustin, Malabon City
Tel. Nos.: 281-0198 to 99; 281-0518; 281-2709
Fax No.: 281-0190

MALATE
470 Maria Daniel Bldg.
cor. San Andres and M.H. Del Pilar Sts.
Malate, Manila
Tel. Nos.: 516-4687; 516-4690; 516-4695
Fax No.: 516-4694

MALAYAN PLAZA
Unit G3 and G4, G/F Malayan Plaza
cor. ADB Ave. and Opal Rd., Pasig City
Tel. Nos.: 635-5164; 634-7491 to 93
Fax No.: 635-5166

MANDALUYONG
Unit 102 G/F, EDSA Central Square
Greenfield District, Mandaluyong City
Tel. Nos.: 631-5851 to 52; 633-9585; 637-5381;
631-5804
Fax No.: 631-5803

MARIKINA
cor. Gil Fernando Ave. and Sta. Ana Extn.
Marikina City
Tel. Nos.: 681-6673 to 74; 646-6270; 681-6669
Fax No.: 681-1717

MCKINLEY HILLS
G/F Two World Hill Bldg.
Upper Mckinley Rd., McKinley Town Center
Fort Bonifacio, Taguig City
Tel. Nos.: 403-1516; 401-6165; 401-6102
Fax No.: 856-1239

MERALCO AVE.
G/F Regency Bldg.
cor. Meralco Ave. and Exchange Rd.
Ortigas, Pasig City
Tel. Nos.: 666-6125; 401-6166

MINDANAO AVE.-TANDANG SORA
G/F 003 McSquare Bldg.
cor. Mindanao Ave. and Tandang Sora
Quezon City
Tel. Nos.: 277-3656 to 57; 277-3750; 277-3534;
277-3779
Fax No.: 802-4381

MISSOURI-GREENHILLS
8 Missouri St., Northeast Greenhills
San Juan City
Tel. Nos.: 546-3688; 894-9000 loc. 5252

MOONWALK-PARAÑAQUE
2 Armstrong St., Moonwalk Village, Parañaque City
Tel. Nos.: 865-6612 to 16; 865-6609
Fax No.: 865-6614

MORAYTA
828 Nicanor Reyes Sr. St., Sampaloc, Manila
Tel. Nos.: 736-2478; 735-1387; 735-4465;
736-2477
Fax No.: 736-0568

N. DOMINGO-PASADENA
LHK Bldg., 288 N. Domingo St.
Brgy. Pasadena, San Juan City
Tel. Nos.: 997-2801; 997-2805; 997-2808 to 09

NAVOTAS
551 M. Naval St., Brgy. Bangkulasi, Navotas City
Tel. No.: 332-1648

NEW MANILA
U/G Level, Hemady Square Bldg.
86 Doña Hemady St., New Manila, Quezon City
Tel. Nos.: 727-6010; 727-6012
Telefax Nos.: 727-6013; 725-6021

NEWPORT CITY
G/F 150 Plaza 66 Bldg., Newport City
Manlunas St., Villamor, Pasay City
Tel. Nos.: 542-2978; 556-7645 to 47
Fax No.: 556-7648

NOVALICHES
882 Quirino Highway and Nitang St.
Novaliches, Quezon City
Tel. Nos.: 936-8677 to 936-8678; 930-6191;
930-6188
Fax No.: 936-8676

ONE BONIFACIO HIGH STREET EXTENSION OFFICE
5/F PSE Bldg. – One Bonifacio High Street
cor. 28th St. and 5th Ave.
Bonifacio Global City, Taguig
Tel. Nos.: 851-6905; 851-6907 to 08
Fax No.: 851-6906

ORTIGAS AVE.
Unit 104 Grace Bldg., Ortigas Ave.
Greenhills, San Juan
Tel. Nos.: 941-0885; 941-2093; 941-2247;
941-2473
Fax No.: 941-1475

ORTIGAS AVE.-SAN JUAN
Unit 104 and 105, G/F Medecor Bldg.
222 Ortigas Ave., Greenhills, San Juan City
Tel. Nos.: 635-7860; 635-7874; 635-7871;
635-7873;635-7875
Fax No.: 635-7866

OTIS
Isuzu Manila, 1502 Paz M. Guanzon St.
Paco, Manila
Tel. Nos.: 561-7262; 564-5367 to 68
Fax No.: 561-7272

P. OCAMPO-FB HARRISON
488 P. Ocampo Ave. near cor. FB Harrison Ave.
Malate, Manila
Tel. Nos.: 251-7569 to 70; 251-7576 to 77
Fax No.: 251-7573

PABLO OCAMPO-VENECIA
G/F Savanna Commercial Center Bldg.
1201 Pablo Ocampo-Venecia
Brgy. Sta. Cruz, Makati City
Tel. Nos.: 802-4743; 802-4746; 802-4749;
802-4750 to 51
Fax No.: 802-4744

PACO-A. LINAO
1662 and 1664, A. Linao St., Paco, Manila
Tel. Nos.: 521-8223; 521-8268; 521-8300;
521-8247

PADRE RADA
649 Padre Rada St., Tondo, Manila
Tel. Nos.: 245-0250; 245-0082
Fax No.: 245-0241

PALANAN-BAUTISTA
G/F Shalimar Bldg., 3696 Bautista St.,
Palanan, Makati City
Tel. Nos.: 846-4468; 846-4424; 846-4399;
846-4329
Fax No.: 846-4328

PASAY
San Bell Bldg., 2015 cor. Sen. Gil Puyat Ave. Extn.
and Leveriza St. Pasay City
Tel. Nos.: 846-6281 to 83; 846-6285; 846-6288
Fax No.: 846-6284

PASEO DE ROXAS
8747 G/F Lepanto Bldg.
Paseo De Roxas, Makati City
Tel. Nos.: 403-7151; 403-7153; 403-7157 to 58
Fax No.: 403-7159

PASIG
92 cor. Dr. Sixto Ave. and C. Raymundo St.
Pasig City
Tel. Nos.: 641-0640; 641-7914; 641-7993; 641-6259
Fax No.: 641-0639

PASIG KAPITOLYO
G/F Ace Suites Plaza (Ace Water Spa)
cor. United and Brixton Sts.
Brgy. Kapitolyo, Pasig City
Tel. Nos.: 654-4423; 654-4437; 654-4428

PASIG TOBY'S C. RAYMUNDO AVE.
Lot1 and 2A, Good Harvest Complex
C. Raymundo Ave., Caniogan, Pasig City
Tel. No.: 651-7765

PASIG WESTLAKE
Unit A G/F Westlake Bldg.
Pasig Blvd., Brgy. Bagong Ilog, Pasig City
Tel. Nos.: 706-4616; 706-4322; 706-3363;
706-6322
Fax No.: 706-4599

PASONG TAMO
2283 cor. Pasong Tamo Extn. and
Lumbang St., Makati City
Tel. Nos.: 898-5977; 893-5978; 813-3348;
813-3442; 813-3369
Fax No.: 893-5976

PASONG TAMO-BAGTIKAN
1173 Don Chino Roces Ave.
Brgy. San Antonio, Makati City
Tel. Nos.: 802-1629; 802-1624 to 26
Fax No.: 802-1631

PASONG TAMO-EDSA
Wilcon IT Hub, 2251 Chino Roces Ave., Makati City
Tel. Nos.: 802-4297; 802-4571; 802-4570;
802-4302
Fax No.: 802-4381

PIONEER
Lot 1A-1 and 2B Pioneer St.
Brgy. Highway Hills, Mandaluyong City
Tel. Nos.: 245-4046; 245-4056; 245-4037;
245-3906

PRESIDENT'S AVE-PARAÑAQUE
Lot 22 Block 09, President's Ave.
Sucat, Parañaque City
Tel. Nos.: 398-1740; 398-2442; 398-6921;
398-7824
Fax No.: 423-2066

QUEZON AVE.
1405 Quezon Ave., Quezon City
Tel. Nos.: 371-8178; 373-3551 to 52; 373-4224;
371-8184
Fax No.: 373-3554

QUEZON AVE.-ROOSEVELT
Lower G/F 1, Fisher Mall Heroes Hill
Brgy. Sta. Cruz, cor. Quezon Ave. and
Roosevelt Ave., Quezon City
Tel. Nos.: 277-3394 to 98

QUIRINO AVE.
411 Anflocor Bldg., cor. Quirino Ave. and NAIA Rd.
Tambo, Parañaque City
Tel. Nos.: 852-0403; 852-4690; 851-4692;
851-4694
Fax No.: 853-4685

RAON-SALES
653 cor. Gonzalo Puyat and Sales St.
Quiapo, Manila
Tel. Nos.: 733-1661; 7331655 to 54; 733-1657
Fax No.: 733-1662

RCBC PLAZA
Main Office Branch
G/F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel. Nos.: 878-3307; 894-9072; 894-9082;
894-1207; 878-3313

RELIANCE
TV5 Media Center, cor. Reliance and Sheridan Sts.
Mandaluyong City
Tel. Nos.: 637-9931; 637-6673; 656-7921;
654-5552, 645-7396

REMEDIOS-TAFT
1853 Taft Ave., Malate, Manila
Tel. Nos.: 256-9427; 256-9425; 256-9419
Fax No.: 256-9421

ROCKWELL
G/F, Phinma Plaza, Hidalgo St.
Rockwell Center, Makati City
Tel. Nos. 898-1502; 898-1505; 898-2049 to 50
Fax No.: 898-1503

ROOSEVELT
300 Roosevelt Ave., San Francisco Del Monte
Quezon City
Tel. Nos.: 372-2412 to 13; 372-2415 to 16
Fax No.: 372-2417

ROOSEVELT-PITIMINI
205 cor. Roosevelt Ave. and Pitimini St.
Quezon City
Tel. Nos.: 277-1882 to 83; 277-1887; 277-1879;
277-1891

ROXAS BOULEVARD
cor. Russel St. and Roxas Blvd., Pasay City
Tel. Nos.: 853-7562; 853-9343; 851-8964;
851-7984; 851-7986
Fax No.: 851-7987

ROXAS BLVD.-ARQUIZA
cor. Roxas Blvd. and Arquiza St.
Ermita, Manila
Tel. Nos.: 663-0563; 573-9783; 573-7687
Fax No.: 662-0324

ROXAS BLVD.-LIBERTAD
Unit 103, Coko Bldg. 1
2550 Roxas Blvd., Pasay City
Tel Nos.: 821-1226; 821-1228 to 30

SALCEDO VILLAGE
G/F, Y.Tower II Bldg.
cor. Leviste and Gallardo Sts.
Salcedo Village, Makati City
Tel. Nos.: 892-7715; 892-7775; 892-7794;
894-2281; 894-2288
Fax No.: 892-7786

SAN LORENZO
1018 G/F L and R Bldg.
A. S. Arnaiz Ave., Makati City
Tel. Nos.: 843-8196; 816-2506; 844-7822;
843-1342
Fax No.: 843-3242

SHAW BLVD. LAWSON
G/F, SCT Bldg., 143 cor. Shaw Blvd. and Lawson St., Mandaluyong City
Tel. Nos.: 535-1641; 535-2615; 535-2516; 535-2610

SOUTH HARBOR
Harbor Centre I, cor. Chicago and 23Rd Sts., Port Area, Manila
Tel. Nos.: 527-6486; 527-7311 to 12; 527-6481
Fax No.: 527-7310

STA. LUCIA EAST
Unit G2 Number 17, Ground Level Bldg. 2
Sta. Lucia East Mall, Felix Ave., Cainta, Rizal
Tel. No.: 645-7911; 682-0359; 682-5963; 682-7216
Fax No.: 645-3685

STA. MESA
1-B G. Araneta Ave.
Brgy. Doña Imelda, Quezon City
Tel. Nos.: 715-8939; 715-8936; 715-8938
Fax No.: 715-8937

STO. DOMINGO-QUEZON AVE.
4 Sto. Domingo Ave., Quezon City
Tel. Nos.: 242-4983; 242-4985; 242-4988 to 89

SUCAT
2F Santana Grove
cor. Dr. A. Santos Ave. and Soreena St.
Sucat, Parañaque City
Tel. Nos.: 828-6719; 828-5761; 828-9813; 666-6122
Fax No.: 828-5615

T. ALONZO
1461-1463 Soler St., Sta Cruz, Manila
Tel. Nos.: 733-7863 to 65; 734-6034 to 35
Fax No.: 733-7862

TAYTAY
Manila East Rd., Brgy. Dolores
Taytay, Rizal
Tel. Nos.: 286-0658; 286-0490; 286-3465; 658-0637
Fax No.: 658-0636

TAYTAY EXTENSION OFFICE
Rizal Ave., Cuatro Cantos
Brgy. San Juan, Taytay, Rizal
Tel. Nos.: 570-7400; 570-4701; 570-4699

TEKTITE
1904-A East Tower
Philippine Stock Exchange Center
Ortigas Center, Pasig City
Tel. Nos.: 638-7304 to 05; 634-6725; 638-7302
Fax No.: 634-6647

THE BEACON MAKATI
The Beacon, Roces Tower
G/F Don cor. Chino Roces Ave. and Arnaiz Ave.
Brgy. Pio Del Pilar, Makati City
Tel. Nos.: 893-4293; 893-1607; 893-0076
Fax No.: 893-3021

THE FIRM
CVC Law Center
cor. 11th Ave. and 39th St.
Fort Bonifacio, Taguig City
Tel. Nos.: 519-7090; 519-6880; 519-6870; 519-7690
Fax No.: 519-7693

THE FORT JY CAMPOS
JY Campos Centre, 9th Ave., Bonifacio Global City, Taguig City
Tel. Nos.: 815-0003; 808- 9854; 808- 9732; 808-9757; 808-9865
Fax No.: 815-0085

THE FORT SAPPHIRE RESIDENCES
G/F Sapphire Residences
cor. 31st St. and 2nd Ave.
Cresent Park Global City, Taguig City
Tel. Nos.: 519-5771; 519-7243; 519-1553; 519-5709
Fax No.: 519-5758

THE STRIP-ORTIGAS AVENUE
G/F, The Strip Commercial Complex, Lopez Bldg.
Meralco Cmpd., Ugong, Pasig City
Tel. Nos.: 871-3847; 871-3913

THE FORT SUNLIFE
G/F, Sunlife Bldg., cor. 5th Ave. and Rizal Drive
Bonifacio Global City, Taguig City
Tel. Nos.: 553-6310; 553-7152; 478-8213; 808-7527
Fax No.: 808-7525

TIMOG
RCBC Bldg., 36 Timog Ave., Quezon City
Tel. Nos.: 373-7218 to 19; 373-2832 to 33
Fax No.: 371-4306

TOMAS MAPUA
Park Tower Condominium
630 Tomas Mapua St., Sta Cruz, Manila
Tel. Nos.: 733-0611; 734-1201; 733-0631; 734-1069; 733-0617

TORDESILLAS
G/F Metropole Bldg.
cor. Tordesillas and Gil Puyat Ave.
Makati City
Tel. Nos.: 808-2080; 808-1059; 808-1396; 808-2378
Fax No.: 808-2378

TRINOMA
Space P015B Level 1, Trinoma
cor. EDSA and North Ave., Quezon City
Tel. Nos.: 474-0192; 901-6105; 901-6108; 901-6146; 901-6179
Fax No.: 901-6146

TUTUBAN
G/F Center Mall I, Tutuban Center
C. M. Recto Ave., Manila
Tel. Nos.: 251-0412; 251-0410; 253-1446; 251-0449

VALENZUELA
231 McArthur Highway, Karuhatan
Valenzuela City
Tel. Nos.: 291-6592; 291-6593; 293-8378; 291-9551
Fax No.: 293-6204

WACK WACK
Unit K Facilities Center Bldg.
548 Shaw Blvd., Mandaluyong City
Tel. Nos.: 533-8182; 534-4305; 534-2394; 534-4416
Fax No.: 534-4416

WEST AVE.
Unit 101, 135 West Ave. Brgy. Bungad
District 5, Quezon City
Tel. Nos.: 294-3439; 294-5494; 262-8602
Fax No.: 254-5283

WILSON-GREENHILLS
G Square Bldg., Upper G/F
Units 4 and 5, Wilson St.
Greenhills, San Juan City
Tel. Nos.: 706-4073 to 75; 706-4074; 706-4071
Fax No.: 706-4076

LUZON

ANGELES
RCBC Bldg., cor. Sto Rosario St. and Teresa Ave., Angeles City
Tel. Nos.: (045) 888-2532; 888-8633; 887-1566
Fax No.: (045) 322-1510

ANGELES STO. CRISTO
243 Sto. Entierro St.
Brgy. Sto. Cristo, Angeles City
Tel. Nos.: (045) 626-2060 to 61; 626-2120
322-7222
Fax No.: (045) 887-2811

APARRI
108 J.P. Rizal St., Brgy. Centro 14
Aparri, Cagayan
Tel. Nos.: (078) 888-0347; 888-0349 to 50; (02) 894-9000 loc. 5386
Fax No.: (078) 888-0348

BACAO EXTENSION OFFICE
Yokota Commercial Bldg., Bacao Rd.
Brgy. Bacao 2, Gen. Trias, Cavite
Tel. No.: (046) 437-6125
Telefax No.: (046) 437-6127

BACOOR
Maraudi Bldg.
Gen. E. Aguinaldo Highway, Brgy. Niog
Bacoor, Cavite
Tel. Nos.: (046) 417-7662; 417-7454; 417-0736; (02) 529-8969

BAGUIO
RCBC Bldg., 20 Session Rd., Baguio City
Tel. Nos.: (074) 442-5345 to 46; 442-2077
Fax No.: (074) 442-3512

BALAGTAS
McArthur Highway, Borol 1st, Balagtas, Bulacan
Tel. Nos.: (044) 693-1350 to 51
Fax No.: (044) 693-1351

BALANGA
cor. Don Manuel Banzon Ave. and Cuaderno St.
Balanga City, Bataan
Tel. Nos.: (047) 237-9693; 237-9695
Fax No.: (047) 237-9694

BALIBAGO
McArthur Highway, Balibago, Angeles City
Tel. Nos.: (045) 625-5587; 331-5188; 892-0764
Fax No.: (045) 625-5736

BALIUAG
01 cor. JP Rizal and S. Tagle Sts.
Baliwag, Bulacan
Tel. Nos.: (044) 766-2643; 766-3530
Fax No.: (044) 766-2642

BATAAN
RCBC Bldg., Afab, Mariveles, Bataan
Tel. Nos.: (047) 935-4021 to 23
Fax No.: (045) 935-4020

BATAC
Marcos Blvd., Brgy. 10 Lacub
Batac, Ilocos Norte
Tel. Nos.: (077) 617-1631; 670-1812
Fax No.: (077) 792-3126

BATANGAS
17 cor. Rizal Ave. and P. Gomez St.
Batangas City
Tel. Nos.: (043) 723-7870; 723-7720;
723-3104 to; 723-3105
Fax No.: (043) 723-1802

BAUAN EXTENSION OFFICE
JP Rizal St., Poblacion, Bauan, Batangas
Tel. No.: (043) 727-2715
Fax No.: (043)727-2738

BIÑAN
G/F Admin. Bldg.
Laguna International Industrial Park
Mamplasan, Biñan, Laguna
Tel. Nos.: (049) 539-0167; (02) 520-9174
Fax No.: (049) 539-0177

BOAC EXTENSION OFFICE
D. Reyes St., Brgy. San Miguel
Boac, Marinduque
Tel. No.: (042) 332-0320
Telefax No.: (042) 332-0319

CABANATUAN
1051 Burgos Ave., Cabanatuan City
Nueva Ecija
Tel. Nos.: (044) 463-5359; 463-8420; 464-7473
Fax No.: (044) 463-0533

CALAMBA
cor. National Highway and Dolor St.
Crossing, Calamba City, Laguna
Tel. Nos.: (049) 545-1720; 545-1930; 545-9174;
545-6166
Fax No.: (049) 545-6165

CARMELRAY
G/F Admin. Bldg., Carmelray Industrial Park 1
Canlubang, Calamba City, Laguna
Tel. Nos.: (049) 549-2898; 549-1372
Fax No.: (049) 549-3081

CARMELRAY 2
G/F Admin. Bldg., Carmelray Industrial Park 2
Km 54, Brgy. Tulo, Calamba City, Laguna
Tel. Nos.: (049) 545-0040; 545-1295; 545-0964
Fax No.: (049) 545-0964

CARMEN
McArthur Highway, Carmen Rosales, Pangasinan
Tel. Nos.: (075) 564-4228; 582-2657
Fax No.: (075) 564-3912

CARMONA
People's Technology Complex (SEZ)
Governor's Drive, Carmona, Cavite
Tel. Nos.: (046) 430-1401; 430-1402
Fax Nos.: (046) 430-1490; (02) 520-8093

CAUAYAN
8 Calahi Commercial Bldg.
FN Dy Blvd., Cauayan City
Tel. Nos.: (078) 652-2371; 652-1157
Fax No.: (078) 652-2371

CAVITE CITY
P. Burgos Ave., Caridad, Cavite City
Tel. Nos.: (046) 431-2242; 431-5951; (02) 529-8503
Fax No.: (046) 431-2398

CLARK
Berthaphil 8 Mercedez Benz Bldg.
MA Roxas Highway, Clarkfield, Pampanga
Tel. Nos.: (045) 599-3057; 599-3058; 499-3029

CLARK 2
RCBC Clark 2, Pavillion XV
Berthaphil 3, Jose Abad Santos Ave.
Clark Freeport Zone, Pampanga
Tel. Nos.: (045) 499-1168; 499-2162
Fax No.: (045) 499-1167

CPIP-BATINO
Citigold Bldg., Calamba Premier Industrial Park
Brgy. Tulo, Calamba City, Laguna
Tel. Nos.: (049) 545-0018; 545-0015 to 16

DAGUPAN
RCBC Bldg., A.B. Fernandez Ave., Dagupan City
Tel. Nos.: (075) 653-3440; 522-0303;
522-0828 to 29
Fax No.: (075) 515-6584

DASMARIÑAS
RCBC Bldg., FCIE Cmpd.
Governor's Drive, Langkaan, Dasmariñas, Cavite
Tel. Nos.: (046) 402-0031 to 33; (02) 529-8118
Fax No.: (046) 402-0034

DASMARIÑAS PALA-PALA
Dasmariñas Commercial Complex
Pala-Pala, Governor's Drive, Dasmariñas, Cavite
Tel. Nos.: (046) 686-1673 to 74; 686-7840

DASMARIÑAS-MANGUBAT DRIVE
Heritage Bldg., Mangubat Drive
Dasmariñas, Cavite
Tel. Nos.: (046) 416-6698; 416-6865; 850-0830;
(02) 529-8133
Telefax No.: (046) 416-6865

DMIA EXTENSION OFFICE
Clark International Airport
Passenger Terminal Bldg., Arrival Area
Angeles City, Pampanga
Tel. No.: (045) 477-8292

FIRST PHILIPPINE INDUSTRIAL PARK
Units 1 and 2, Oasis Commercial Center,
R.S. Diaz Ave., First Philippine Industrial Park
Sta. Anastacia, Sto. Tomas, Batangas
Tel. Nos.: 0933-461 0907; 0928-223 6288

GAPAN
Maharlika Highway, Sto. Niño
Gapan City, Nueva Ecija
Tel. Nos.: (044) 486-0936; 486-1389; 940-2853
Fax No.: (044) 486-0375

GATEWAY
RCBC Bldg., Gateway Business Park
Brgy. Javalera, General Trias, Cavite
Tel. Nos.: (046) 433-0289; 433-0126;
(02) 6700-5355
Fax No.: (046) 433-0250

GATEWAY EXTENSION OFFICE
G/F Samantha's Place Commercial Bldg.
Governor's Drive, Manggahan
General Trias, Cavite
Tel. Nos.: (046) 402-3008 to 10

GMA, CAVITE
CITI Appliance Bldg.
Brgy. San Gabriel, Governor's Drive
GMA, Cavite
Tel. No.: (046) 972-0317
Fax No.: (046) 890-2365

GUIMBA
Afan Salvador St., Guimba, Nueva Ecija
Tel. No.: (044) 611-1060
Fax No.: (044) 943-0020

HACIENDA LUISITA
Plaza Luisita, San Miguel, Tarlac
Tel. Nos.: (045) 985-1545 to 46
Fax No.: (045) 985-1544

ILAGAN, ISABELA
RCK Bldg., Calamagui 2nd
Maharlika Rd., Ilagan, Isabela
Tel. Nos.: (078) 624-1168; 622-3158
Fax No.: (078) 624-1158

IMUS
Esguerra Bldg., Palico IV
Aguinaldo Highway, Imus, Cavite
Tel. Nos.: (046) 471-3784; (02) 529-8622
Fax No.: (046) 471-3816

LA TRINIDAD
Peliz Loy Centrum Bldg.
Km. 5 La Trinidad, Benguet
Tel. Nos.: (074) 424-3344; 424-3346 to 48
Fax No.: (074) 424-3349

LA UNION
cor. Quezon Ave. and P. Burgos St.
San Fernando City, La Union
Tel. Nos.: (072) 242-5575 to 76
Fax No.: (02) 246-3004

LAGUNA TECHNOPARK
LTI Administration Bldg. II
Laguna Technopark, Brgy. Malamig
Biñan, Laguna
Tel. Nos.: (049) 544-0719; 541-2756; 541-3271;
(02) 520-8114
Fax No.: (049) 541-2755

LAOAG
Jackie's Commercial Bldg. II, Rizal St., Laoag City
Tel. Nos.: (077) 772-0616; 772-1765
Fax No.: (077) 771-4447

LEGAZPI CITY
G/F M. Dy Bldg., Rizal St., Legazpi City
Tel. Nos.: (052) 214-3033; 480-6053
Fax Nos.: (052) 480-6416; (02) 429-1812

LIMA
Lima Technology Center, Malvar, Batangas
Tel. Nos.: (043) 981-1846; 981-1847
Fax No.: (043) 981-1849

LIPA
cor. C.M. Recto and E. Mayo St., Lipa City
Tel. Nos.: (043) 756-6479; 756-2565
Fax No.: (043) 756-0220

LISP III EXTENSION OFFICE
Science Park III, Admin. Bldg.
Millenium Drive, Sto. Tomas, Batangas City
Tel. Nos.: (049) 530-9612; 530-9614; 530-9619
Fax No.: (049) 530-9604

LUCENA
cor. Quezon Ave. and M.L. Tagarao St.
Lucena City
Tel. Nos.: (042) 710-4086; 710-6461; (02) 250-8208
Fax No.: (042) 710-4458

LUCENA-EVANGELISTA
cor. Quezon Ave. and Evangelista St., Lucena City
Tel. Nos.: (042) 710-8068; 710-5788
Telefax No.: (02) 250-8325

MALOLOS
FC Bldg., McArthur Highway
Bo. Sumapang Matanda, Malolos, Bulacan
Tel. No.: (044) 662-1228
Fax No.: (02) 299-8147

MARINDUQUE
EDG Bldg., Brgy. Lapu-Lapu
Sta. Cruz, Marinduque
Tel. No.: (042) 321-1941
Fax No.: (042) 321-1942

MASBATE
cor. Zurbito and Domingo (Tara) Sts., Masbate City
Tel. No.: (056) 333-2269
Fax No.: (056) 333-2885

MEYCAUAYAN
VD and S Bldg., McArthur Highway
Calvario, Meycauayan City, Bulacan
Tel. Nos.: (044) 769-6121; 769-6290

MEYCAUAYAN EXTENSION OFFICE
Sterling Square, Sterling Industrial Cmpd.
Iba Malhacan National Highway
Meycauayan City, Bulacan
Tel. No.: 894-9000 loc. 5314

NAGA
G/F, Crown Hotel Bldg.
Peñafrancia Ave., Naga City
Tel. Nos.: (054) 473-9114; 811-9115
Fax Nos.: (054) 811-9116; (02) 250-8132

OLONGAPO
1055 Rizal Ave. Extn., West Tapinac
Olongapo City
Tel. Nos.: (047) 611-0179; 611-0205
Fax No.: (047) 611-0206

PALAWAN
RCBC Bldg., Junction 1
cor. Rizal Ave. and National Highway
Puerto Princesa City
Tel. Nos.: (048) 433-2091; 433-2693; 433-5283
Fax No.: (048) 433-5352

PALAWAN NATIONAL HIGHWAY
Lustre Arcade, National Highway
Brgy. Tiniguiban, Puerto Princesa City
Tel. Nos.: (048) 723-0358 to 60

ROSARIO
Cavite Export Processing Zone, Rosario, Cavite
Tel. Nos.: (046) 437-6549 to 50; 437-6255;
437-6260; 971-0586; (02) 529-8829 to 30
Fax No.: (046) 971-0587

SAN FERNANDO
G/F Hiz-San Bldg., McArthur Highway
Brgy. Dolores, City of San Fernando, Pampanga
Tel. Nos.: (045) 963-4757 to 59; 963-4761
Fax No.: (045) 963-4760

SAN FERNANDO JASA
Unit 3 and 4
G/F Kingsborough Commercial Center
Jose Abad Santos Ave., City of San Fernando
Pampanga
Tel. No.: (045) 961-5143
Fax No.: (045) 961-5147

SAN FERNANDO SINDALAN
SBC Bldg., McArthur Highway
Sindalan, City of San Fernando, Pampanga
Tel. Nos.: (045) 861-3661 to 62; 455-0380;
455-3082
Fax No.: (045) 455-0381

SAN JOSE CITY, NUEVA ECIJA
Maharlika Highway Abar 1st
San Jose City Nueva Ecija
Tel. Nos.: (044) 511-1408; 958-5090; 958-5097
Fax No.: (044) 958-5097

SAN PABLO
Ultimart Shopping Plaza
M. Paulino St., San Pablo City
Tel. No.: (049) 562-0782
Fax No.: (049) 562-0781

SAN PEDRO
EM Arcade, Brgy. Poblacion
National Highway, San Pedro, Laguna
Tel. Nos.: 847-5685; 868-9459 to 60
Fax No.: 847-5683

SANTIAGO
26 Maharlika Rd., Aveles Bldg.
Victory Norte, Santiago City, Isabela
Tel. No.: (078) 682-7426
Fax No.: (078) 682-4599

SCIENCE PARK
Admin. Bldg., LISP1, Pulo Rd., Brgy. Diezmo
Cabuyao, Laguna
Tel. Nos.: (049) 543-0105 to 06; 543-0571
Fax No.: (049) 543-0572

SOLANO
211 JP Rizal Ave., National Highway
Solano, Nueva Vizcaya
Tel. Nos.: (078) 326-6678; 326-5569
Fax No.: (078) 326-5559

STA. CRUZ
cor. A. Regidor and Burgos Sts.
Sta. Cruz, Laguna
Tel. Nos.: (049) 501-2136; 501-3538; (02) 520-8318

STA. CRUZ EXTENSION OFFICE
Teoxan Bldg., Sitio Narra
Brgy. Labuin, Sta. Cruz, Laguna
Tel. No.: (049) 501-2136
Fax No.: (049) 501-2136

STA. MARIA
39 J.P. Rizal St., Poblacion, Sta. Maria, Bulacan
Tel. Nos.: (044) 641-0251; 641-5371; 641-4845
Fax No.: (044) 288-2694

STA. ROSA BALIBAGO-WALTERMART EXTENSION OFFICE
Upper G/F Waltermart Center, Sta. Rosa, Laguna
Tel. No.: (049) 530-2507
Telefax No.: (049) 530-2508

STA. ROSA SOLENAD 2 EXTENSION OFFICE
Unit M20 Bldg. 2, Nuvali Solenad 2
National Rd., Brgy. Sto Domingo
Sta. Rosa, Laguna
Tel. No.: (049) 530-1281
Telefax Nos.: (049) 530-1482; 530-1384

STA. ROSA-BALIBAGO
Carvajal Bldg., Old National Highway
Balibago, Sta Rosa, Laguna
Tel. Nos.: (049) 534-5017 to 18; (02) 520-8443
Fax No.: (049) 534-5017

STA.ROSA PASEO
Unit 1, Sta. Rosa Country Market
Brgy. Don Jose, Sta. Rosa, Laguna
Tel. Nos.: (049) 541-2751 to 53; (02) 520-8115; 420-8020
Fax No.: (049) 541-2343

STARMALL DAANG HARI
Starmall Prima, cor. Daang Hari and Molino Rd.
Brgy. Molino 4, Bacoor, Cavite
Tel. No.: (046) 686-1671

SUBIC FREEPORT ECOZONE
Royal Subic Duty Free Complex
cor. Rizal and Argonaut Highways
Subic Free Port Zone, Olongapo City
Tel. Nos.: (047) 252-5023; 252-5025 to 26
Fax No.: (047) 252-5024

TABACO
232 Ziga Ave., Tabaco City, Albay
Tel. Nos.: (052) 487-7042; 830-0112; (02) 429-1808
Fax No.: (02) 429-1808

TAGAYTAY
Unit 1 Olivarez Plaza
Emilio Aguinaldo Highway, Tagaytay City
Tel. Nos.: (046) 483-0540 to 43; (02) 845-3302
Fax No.: (046) 483-0542

TARLAC
F. Tañedo St., Tarlac City
Tel. Nos.: (045) 982-0820 to 21; 982-3389
Fax No.: (045) 982-1394

TAYUG
A. Bonifacio St., Tayug, Pangasinan
Tel. Nos.: (075) 572-2024; 572-4800
Fax No.: (075) 572-6515

TUGUEGARAO
cor. Bonifacio and Gomez Sts.
Tuguegarao City, Cagayan
Tel. Nos.: (078) 844-1165; 846-2845
Fax No.: (078) 844-1926

URDANETA
E.F. Square Bldg., McArthur Highway
Urdaneta City, Pangasinan
Tel. Nos.: (075) 656-2289; 568-2090; 568-8436
Fax No.: (075) 568-2925

VISAYAS

ANTIQUE
cor. Solana and T. Fornier Sts.
San Jose, Antique
Tel. Nos.: (036) 540-8191 to 92; 540-7025
Fax No.: (036) 540-8191

BACOLOD LACSON
Lourdes C. Centre II, 14th Lacson St.
Bacolod City
Tel. Nos.: (034) 432-3189; 709-0488
Fax No.: (034) 432-3441

BACOLOD LIBERTAD
Libertad Extn., Bacolod City
Tel. Nos.: (034) 433-9646; 434-8193; 707-6207
Fax No.: (034) 433-9647

BACOLOD MAIN
cor. Rizal and Locsin Sts., Bacolod City
Tel. Nos.: (034) 433-7850; 433-7844; 434-7348; 433-0835
Fax No.: (034) 434-5443

BACOLOD SHOPPING
Hilado Extn., Bacolod City
Tel. Nos.: (034) 434-6807 to 08; 433-8483
Fax No.: (034) 433-0828

BALAMBAN
D.C. Sanchez St., Balamban, Cebu
Tel. Nos.: (032) 465-3451 to 52; 266-9127
Telefax No.: (032) 465-3450

BANILAD
A. S. Fortuna St., Banilad, Cebu City
Tel. Nos.: (032) 346-3891 to 92; 346-3894; 346-5431
Fax No.: (032) 346-7083

BAYAWAN
National Highway, Bayawan City, Negros Oriental
Tel. No.: (035) 531-0554
Telefax No.: (035) 228-3322

BORACAY
Station 1, Brgy. Balabag, Boracay, Malay, Aklan
Tel. Nos.: (036) 288-1905 to 06
Fax No.: (036) 288-1905

CADIZ
cor. Abelarde and Mabini Sts., Cadiz City
Tel. Nos.: (034) 493-0567; 493-0531; 493-0751
Fax No.: (034) 493-0531

CALBAYOG
G/F Zimar's Place, cor. Magsaysay Blvd.
and Rueda St., Calbayog City
Tel. Nos.: (055) 209-1338; 209-1565; 209-2728
Fax No.: (055) 533-9013

CATARMAN
Ange Ley Bldg., JP Rizal St.
Catarman, Northern Samar
Tel. Nos.: (055) 500-9480; 500-9482; 251-8071; 251-8410
Fax No.: (055) 251-8071

CATBALOGAN
Del Rosario St., Catbalogan, Western Samar
Tel. Nos.: (055) 251-2005; 251-2775
Fax No.: (055) 543-9062

CATICLAN EXTENSION OFFICE
Jetty Port, Brgy. Caticlan, Malay, Aklan
Tel. No.: (036) 288-7644

CEBU-PASEO ARCENAS
Don Ramon Arcenas St. along R. Duterte St.
Banawa, Cebu City
Tel. Nos.: (032) 236-8012; 236-8016
Telefax No.: (032) 236-8017

CEBU-STO. NINO
Belmont Hardware Depot Bldg.
cor. P. Burgos and Legaspi Sts.
Bgy. San Roque, Cebu City
Tel. Nos.: (032) 253-6028; 256-0173
Telefax No.: (032) 255-8256

CEBU BUSINESS PARK
Lot 1, Block 6, Mindanao Ave.
cor. Siquijor Rd., Cebu Business Park Cebu City
Tel. Nos.: (032) 238-6923; 233-6229; 416-3708
Fax No.: (032) 233-5450

CEBU IT PARK
S-04 G/F Skyrise 4 Bldg.
Cebu IT Park, Lahug, Cebu City
Tel. Nos.: (032) 260-0511; 260-0515; 260-0526; 260-0491
Fax No.: (032) 260-0526

CEBU MANALILI
Tan Sucheng Bldg., V. Gullas St.
(formerly Manalili St.), Cebu City
Tel. Nos.: (032) 412-3441; 255-2050; 253-0624; 255-0422
Fax No.: (032) 256-1671

CONSOLACION
Admin. Bldg., National Highway
Consolacion, Cebu
Tel. Nos.: (032) 564-2052; 564-2014; 423-9335; 564-2049

DUMAGUETE
Dr. V. Locsin St., Dumaguete City
Negros Oriental
Tel. Nos.: (035) 225-1349; 422-8153; 422-8096
Fax No.: (035) 422-8422

FUENTE OSMEÑA
Grepalife Tower, Fuente Osmeña
Rotonda, Cebu City
Tel. Nos.: (032) 255-4886; 253-2560; 255-3326; 255-3566; 255-9864
Fax No.: (032) 253-0018

GUADALUPE
63M. Velez St., Cebu City
Tel. Nos.: (032) 255-5353; 254-3102; 254-3104; 254-5512
Fax No.: (032) 254-3103

HINIGARAN
Rizal St., National Rd., Hinigaran
Negros Occidental
Tel. No.: (034) 391-2322
Fax No.: (034) 391-2323

ILOILO
J. M Basa Iloilo Business Center
cor. J.M. Basa and Arsenal Sts., Iloilo City
Tel. Nos.: (033) 336-9643; 337-8153; 336-9714; 335-1056
Fax No.: (033) 337-8100

ILOILO MABINI
Go Pun Bldg.
cor. Mabini and Delgado Sts., Iloilo City
Tel. Nos.: (033) 509-1732; 336-6616
Fax No.: (033) 336-3728

ILOILO-LEDESMA
cor. Ledesma and Quezon Sts., Iloilo City
Tel. Nos.: (033) 508-6019; 338-4370
Telefax No.: (033) 338-4369

JARO
cor. E. Lopez and Seminario Sts., Jaro, Iloilo City
Tel. Nos.: (033) 320-4074; 320-4077
Fax No.: (033) 320-4075

JCENTRE MALL
Lower G/F, J Centre Mall, 165 A.S. Fortuna St.
Bakilid, Mandaue City, Cebu
Tel. Nos.: (032) 520-3263; 520-3258; 520-3260
Fax No.: (032) 520-3260

KABANKALAN
Guanzon St., Kabankalan City, Negros Occidental
Tel. Nos.: (034) 471-2316; 471-2516
Fax No.: (034) 471-2516

KALIBO
Lu Bldg., Roxas Ave., Kalibo, Aklan
Tel. No.: (036) 262-3474
Fax No.: (036) 268-5108

MACTAN
RCBC Bldg., MEPZ 1, Mactan, Lapu-Lapu City
Tel. Nos.: (032) 340-1853; 340-1726; 340-2955;
340-0750; 340-1282; 340-0737; 340-1810
Fax No.: (032) 340-0737

MANDAUE
A.C. Cortes St., Ibabao, Mandaue City
Tel. Nos.: (032) 346-1283; 346-0025; 346-1727;
345-5561
Fax No.: (032) 346-0948; 345-5561

MEPZ 2 EXTENSION OFFICE
Pueblo Verde, Mactan Economic Zone II
Brgy. Basak, Lapu-Lapu City
Tel. Nos.: (032) 340-1686; 341-2738; 340-1778
Fax No.: (032) 340-5422

NORTH RECLAMATION
G/F CIFC Tower
cor. JL Briones St. and J. Luna Ave.
North Reclamation Area, Cebu City
Tel. Nos.: (032) 231-7044 to 45; 231-9975
Fax No.: (032) 231-7042

ORMOC
G/F MFT Bldg., cor. Real and Carlos Tan Sts.
Ormoc City
Tel. Nos.: (053) 255-3454; 561-8134; 255-4225;
561-8701; 255-3292
Fax No.: (053) 255-4225

ROXAS CITY
Plaridel St., Roxas City
Tel. Nos.: (036) 522-3570; 621-1210
Fax No.: (036) 621-1104

SAN CARLOS
S. Carmona St., San Carlos City
Negros Occidental
Tel. Nos.: (034) 729-8605; 312-5141

SARA
RCBC Bldg., Don Victorino, Salcedo St., Sara Iloilo
Tel. No.: (033) 392-0156
Fax No.: (033) 392-0172

SILAY
cor. Rizal and Burgos Sts., Silay City
Tel. Nos.: (034) 495-1989; 495-0505
Fax No.: (034) 495-1990

TABOAN
cor. Lakandula and C. Padilla Sts., Cebu City
Tel. Nos.: (032) 261-6061 to 62
Fax No.: (032) 261-7213

TACLOBAN
RSB Bldg, cor. Zamora and Sto. Niño Sts.
Tacloban City
Tel. Nos.: (053) 325-5058; 321-2917; 321-2892;
325-7326; 523-4167
Fax Nos.: (053) 523-4167; 523-1930

TAGBILARAN
RCBC Bldg, C.P.G. Ave., Tagbilaran City
Tel. Nos.: (038) 412-3583; 412-3555; 501-7536
Fax No.: (038) 411-5874

TALISAY EXTENSION OFFICE
South Central Square, Lawaan III
Talisay City, Cebu
Tel. Nos.: (032) 505-6199; 505-5194
Telefax No.: (032) 505-4416

TOLEDO
G/F Toledo Commercial Village Bldg.
Rafols St., Poblacion, Toledo City, Cebu
Tel. No.: (032) 322-5300
Fax Nos.: (032) 322-5301; 467-9635

MINDANAO

ATENEO DE DAVAO EXTENSION OFFICE
F-106 G/F Finster Bldg.
Ateneo De Davao University Main Campus
cor. CM Recto Ave. and Roxas Ave., Davao City
Tel. Nos.: (082) 295-3127; 295-2707; 295-3784

BUTUAN
FSUU Bldg., cor. E. Luna and P. Burgos Sts.
Butuan City, Agusan Del Norte
Tel. Nos.: (085) 342-8923; 341-5267; 342-7551;
341-8829
Fax No.: (085) 341-9093

BUTUAN EXTENSION OFFICE
Brgy. Tandang Sora, J.C. Aquino Ave.
Butuan City
Tel. No.: (085) 342-7663
Fax No.: (085) 342-7661

CALINAN EXTENSION OFFICE
National Highway, Poblacion, Calinan, Davao City
Tel. Nos.: (082) 284-1443; 284-1445

CARRASACAL EXTENSION OFFICE
National Highway, Gamuton Carrascal
Surigao Del Sur
Tel. No.: (086) 212-8031
Fax No.: (086) 212-8030

CDO LAPASAN
Lapasan Highway, Lapasan
Cagayan de Oro City
Tel. Nos.: (088) 856-1888; 856-3888;
(08822) 728-447
Fax No.: (08822) 722-448

CDO LIMKETKAI
Gateway Tower 1, Limketkai Center
Cagayan De Oro City
Tel. Nos.: (088) 856-3707; 852-1291
Telefax No.: (088) 856-3708

CDO MASTERSON
Xavier Estates, Masterson Ave.
Upper Balulang, Cagayan de Oro City
Tel. No.: (088) 8590-0526
Fax No.: (088) 859-0258

CDO OSMEÑA
Simplex Bldg., Osmeña St., Cagayan de Oro City
Tel. Nos.: (088) 857-1888; (08822) 726-754
Telefax No.: (088) 856-2888

CDO VELEZ
cor. A. Velez and Cruz Taal St.
Cagayan de Oro City
Tel. Nos.: (088) 856-4982; (08822) 727-964;
726-057
Telefax No.: (088) 856-8888

COTABATO
M Bldg., Quezon Ave., Cotabato City
Tel. Nos.: (064) 421-3565; 421-3585
Fax No.: (064) 421-3575

DADIANGAS
Pioneer Ave., General Santos City
Tel. Nos.: (083) 552-5470; 552-3034; 552-4634
Fax No.: (083) 552-3034

DAMOSA GATEWAY MALL
Damosa Gateway Commercial Complex
cor. J.P. Laurel Ave. and Mamay Rd.
Lanang, Davao City
Tel. No.: (082) 234-7002
Telefax No.: (082) 234-7019

DAVAO
RCBC Bldg., cor. C.M. Recto and Palma Gil Sts.
Davao City
Tel. Nos.: (082) 300-4299; 222-7901 to 03
Fax No.: (082) 221-6034

DAVAO BAJADA
cor. JP Laurel Ave. and Villa Abrille St., Davao City
Telefax No.: (082) 225-1112; 305-5231

DAVAO MATINA
Karpentrade Bldg., McArthur Highway
Matina, Davao City
Tel. No.: (082) 299-3974
Fax No.: (082) 296-8351

DAVAO-QUIRINO
E. Quirino Ave., Davao City
Tel. Nos.: (082) 221-4912; 221-4909
Fax No.: (082) 300-4288

DIGOS
RCBC Bldg., cor. J.P. Rizal and M.L. Roxas Sts.
Digos City, Davao Del Sur
Tel. No.: (082) 553-2560
Fax No.: (082) 553-2319

DIPOLOG
cor. General Luna and Balintawak Sts.
Dipolog City
Tel. No.: (065) 212-2543
Telefax No.: (065) 212-2542

DOLE EXTENSION OFFICE
Dole Phils Pavillion, Polomolok, South Cotabato
Tel. Nos.: (083) 500-2643; 500-2500 local 3627
Fax No.: (083) 500-2643

GENSAN
RGH Bldg., J. Catolico Ave.
Lagao, General Santos City
Tel. Nos.: (083) 553-8880; 553-8883
Fax No.: (083) 301-3473

ILIGAN
Lanao Fil-Chinese Chamber of Commerce, Inc.
Bldg., cor. Quezon Ave. and B. Labao St.,
Iligan City
Tel. Nos.: (063) 221-5443; 221-5449; 223-8333
Telefax No.: (063) 221-3006

IPIL
National Highway, Ipil, Zamboanga Sibugay
Tel. Nos.: (062) 333-2254; 333-2257
Fax No.: (062) 333-2257

ISULAN
cor. National Highway and Lebak Rd.
Isulan, Sultan Kudarat
Tel. Nos.: (064) 201-3867; 201-4912
Telefax No.: (064) 471-0233

KABACAN
Poblacion, National Highway
Kabacan, Cotabato Province
Tel. No.: (064) 248-2207
Telefax No.: (064) 248-2058

KIDAPAWAN
KMCC Bldg., Dayao St.
Kidapawan City, North Cotabato
Tel. No.: (064) 288-1572
Fax No.: (064) 288-1573

MALAYBALAY
Tiongson Bldg., 8 Don Carlos St.
Malaybalay City, Bukidnon
Tel. Nos.: (088) 813-3565 to 66
Telefax No.: (088) 813-3564

MARAMAG EXTENSION OFFICE
Fibeco Cmpd., Sayre Highway Anahawon
Maramag, Bukidnon
Tel. No.: (088) 238-5591
Fax No.: (088) 238-5589

MARANDING EXTENSION OFFICE
National Highway, Maranding
Lala, Lanao Del Norte
Tel. No.: (063) 388-7003
Fax No.: (063) 388-7045

MARBEL
cor. General Santos Drive and Roxas Sts.
Koronadal City, South Cotabato
Tel. Nos.: (083) 228-2331; 520-1378
Fax No.: (083) 228-2333

MARBEL EXTENSION OFFICE
Kobe Bldg., NDMU Cmpd., Alunan Ave.
Koronadal City, South Cotabato
Tel. No.: (083) 228-7914

NABUNTURAN
SMPTC Bldg., Tirol and Calamba Purok 7
Lauro Arabejo St., Poblacion
Nabunturan, Compostela Valley Province
Tel. Nos.: (084) 376-0216; 376-0731

OZAMIS
cor. Don Anselmo Bernard Ave and Mabini Sts.
Ozamis City
Tel. Nos.: (088) 521-1311 to 12; 521-1559
Fax No.: (088) 521-1559

PAGADIAN
RCBC Bldg., Rizal Ave., Pagadian City
Tel. Nos.: (062) 214-1773; 214-1781; 214-1271
Fax No.: (062) 214-1781; 9250-397

PANABO
Greatsun Plaza Bldg.
Prk. Atis, Brgy. Sto. Niño
National Highway, Panabo City
Tel. Nos.: (084) 822-1192; 822-1320; 645-0002
Fax No.: (084) 822-1192

POLOMOLOK
B-French St., Polomolok, South Cotabato
Tel. Nos.: (083) 225-2148 to 49
Telefax No.: (083) 500-9161

SASA
LTG Y12 Bldg., Km 9, Bo. Pampanga
Sasa, Davao City
Tel. Nos.: (0917) 700-1006; (0920) 973-6435

ROADWAY INN EXTENSION OFFICE
Roadway Inn, J.P. Laurel Ave.
Bajada, Davao City
Tel. Nos.: (082) 222-0198; 222-0207

STA. ANA
cor. Monteverde and Sales Sts.
Sta. Ana, Davao City
Tel. Nos.: (082) 221-1794; 221-1950; 221-2160
Fax No.: (082) 221-1795

SURALLAH
cor. National Highway and Mabini St.
Surallah, South Cotabato
Tel. Nos.: (083) 238-3017; 238-3250
Fax No.: (083) 238-3018

SURIGAO
cor. San Nicolas and Burgos Sts., Surigao City
Tel. Nos.: (086) 231-7266; 826-1288
Telefax No.: (086) 826-4034

TACURONG
G/F ACYAP Enterprises, Inc. Bldg.
cor. Alunan Highway and Magsaysay Ave.
Tacurong City
Tel. No.: (064) 200-3189
Fax No.: (064) 477-0250

TAGUM
RCBC Bldg., cor. Pioneer Ave. and Quirante II Sts.
Tagum City, Davao Del Norte
Tel. Nos.: (084) 655-6341 to 42; 400-3113
Fax No.: (084) 400-1006

TANDAG
Pimentel Bldg., Doñasco St.
Tandag, Surigao Del Sur
Tel. Nos.: (086) 211-3066; 211-3065
Fax No.: (086) 211-3063

TORIL
G/F Felcris Supermarket
McArthur Highway (Toril District)
Tel. Nos.: (082) 295-1600; 295-1700
Fax No.: (082) 295-2800

VALENCIA
Marchedon Bldg., Sayre National Highway
Valencia , Bukidnon
Tel. Nos.: (088) 828-2166 to 67
Fax No.: (088) 828-2166

VICTORIA PLAZA
Victoria Plaza Mall, J.P. Laurel Ave., Davao City
Tel. Nos.: (082) 221-8580 to 83
Fax No.: (082) 221-8581

ZAMBOANGA
Sia Bldg., Tomas Claudio St., Zamboanga City
Tel. Nos.: (062) 991-2048; 991-0753; 991-0754
Fax No.: (062) 991-0754

ZAMBOANGA VETERANS
YPC Bldg., Veterans Ave., Zamboanga City
Tel. Nos.: (062) 990-1200 to 01
Fax Nos.: (062) 990-1201; 991-1420

RCBC SAVINGS BANK BRANCH DIRECTORY

METRO MANILA

AGUSTIN
G/F Agustin 1 Bldg., Ruby Rd.
Ortigas Center, Pasig City
Tel. Nos.: 631-2031; 631-2027

AMPID
122 Gen. Luna St., Ampid 1, San Mateo, Rizal
Tel. Nos.: 997-3761; 998-2799; 941-7788

ANNAPOLIS
G/F Unit 102, Victoria Plaza Condominium
41 Annapolis St., Greenhills, San Juan
Tel. Nos.: 641-0783; 570-8887; 641-0798

ANGONO
Quezon Ave., San Pedro, Angono, Rizal
Tel. Nos.: 651-0731; 451-0456

ANONAS
cor. 69 Anonas and Chico St.
Project 2, Quezon City
Tel. Nos.: 928-9762; 925-1319 to 20

ANTIPOLO LORES
G/F Lores Country Plaza
M.L. Quezon Extn., San Roque
Antipolo City, Rizal
Tel. Nos.: 696-9130; 696-9133 to 34

ANTIPOLO LORES EXTENSION (Mille Luce)
G/F Mille Luce Village Center
Dalig, Antipolo City, Rizal
Tel. Nos.: 571-7862; 570-2992; 555-8700 loc 5813

AYALA ALABANG
G/F Sycamore Bldg.
cor. Alabang-Zapote Rd. and Buencamino St.
Alabang, Muntinlupa City
Tel. Nos.: 850-8825 to 26; 850-9712

AYALA AVENUE
8767 G/F Philamlife Tower
Paseo de Roxas, Makati City
Tel. Nos.: 893-7265 to 66; 812-4066

BACLARAN
3916 Quirino Ave. cor. Aragon St.
Baclaran, Parañaque City
Tel. Nos.: 853-9692 to 93; 551-1593

BARANGKA
84 Riverbanks Center, A. Bonifacio Ave.
Barangka, Marikina City
Tel. Nos.: 948-1093; 997-5442

BETTERLIVING
133 Doña Soledad St., Parañaque City
Tel. Nos.: 824-0175; 823-9232; 659-6204

BINANGONAN
cor. M.L. Quezon and P. Zamora St., Libid
Binangonan, Rizal
Tel. Nos.: 652-0082; 652-1177

BINANGONAN EXTENSION
1003 Perez Cmpd., Highway Calumpang
Binangonan, Rizal
Tel. Nos.: 584-5587; 555-8700 loc 5172

BINONDO
Unit 2 G/F & 2/F One Binondo Place Tower
cor. San Nicolas and Ilang Ilang St.
Binondo, Manila
Tel. Nos.: 241-0991; 256-0108

BLUMENTRITT
1876 Blumentritt St. corner Andrade St.
Santa Cruz, Manila
Tel. Nos.: 781-8342; 743-1316

C. RAYMUNDO
Unit G/H & G/F JG Bldg.
C. Raymundo Ave., Maybunga
Rosario, Pasig City
Tel. Nos.: 570-2779; 570-4651; 571-3580

CAMARIN
cor. Susano Rd. and Palmera Spring
Camarin, Caloocan City
Tel. Nos.: 961-7239; 939-7283; 442-3619

COGEO
Lot 64-66 Cogeo Trade Hall, Sitio Kasapi, Bagong
Nayon, Antipolo City, Rizal
Tel. Nos.: 654-1654; 654-1656

COMMONWEALTH
L43 B3 Commonwealth Ave.
Matandang Balara, Quezon City
Tel. Nos.: 931-4404; 931-0718; 434-39-65

E. RODRIGUEZ
444 E. Rodriguez, Sr., Doña Aurora, Quezon City
Tel. Nos.: 740-4954; 743-1953; 711-1920

ERMITA
1127 A. Mabini St., Ermita, Manila
Tel. Nos.: 526-7988; 526-7990; 353-4952

FELIX AVE.
Phase 2, Dela Paz, Pasig City
Tel. Nos.: 681-7565; 681-4836; 646-5739;
681-4845

FORT BONIFACIO
Unit 1-D Crescent Park Residences
2nd Ave., Burgos Circle, Fort Bonifacio, Taguig City
Tel. Nos.: 816-3938; 816-3930

GREENHILLS
G/F Ongpauco Bldg., cor. Wilson and
P. Guevarra Sts. Greenhills, San Juan
Tel. Nos.: 724-9368; 724-2521

J.P. RIZAL
G/F MTC Bldg.
cor. J.P. Rizal and Makati Ave.
Poblacion, Makati City
Tel. Nos.: 899-7551; 899-7537; 899-7489

KALENTONG
49 C & D Arañez Bldg., New Panaderos St.
Kalentong, Sta. Ana, Manila
Tel. Nos.: 533-6590; 533-4420

KAPITOLYO
615 Shaw Blvd., Pasig City
Tel. Nos.: 631-8178 to 79; 635-5437

KATIPUNAN
321 G/F Torres Bldg., Katipunan Ave.
Loyola Heights, Quezon City
Tel. Nos.: 929-8469; 929-8418

LA HUERTA
G/F de Los Santos Bldg.
1003 Quirino Ave., La Huerta, Parañaque City
Tel. Nos.: 829-6022 to 23; 820-7606

LAGRO
Km 22 Quirino Highway, Greater Lagro,
Quezon City
Tel. Nos.: 417-8996; 921-3472; 936-0158

LAS PIÑAS
G/F Elena Bldg., Alabang-Zapote Rd.
Pamplona Tres, Las Piñas City
Tel. Nos.: 872-6822; 874-5341; 478-4421

MAIN OFFICE
G/F RCBC Savings Bank Corporate Center
26th and 25th Sts., Fort Bonifacio, Taguig City
Tel. Nos.: 843-3035; 843-3049; 843-3051;
843-3054 to 55

MALABON
143 M. H. del Pilar St., Tugatog. Malabon City
Tel. Nos.: 961-6181; 961-6562

MANUELA EDSA
444 cor. EDSA and Shaw Blvd., Mandaluyong City
Tel. Nos.: 718-2491 to 92; 724-3547

MARULAS
McArthur Highway, Marulas, Valenzuela City
Tel. Nos.: 293-9408 to 09

MASINAG
259 Sumulong Highway, Mayamot
Antipolo City, Rizal
Tel. Nos.: 645-5575; 645-1969

MENDIOLA
163 cor. E. Mendiola and Concepcion Aguila St.
San Miguel, Manila
Tel. Nos.: 734-0452; 734-9587

METROPOLIS
G/F Starmall Alabang
South Superhighway, Muntinlupa City
Tel. Nos.: 809-8604; 809-8568

MONTALBAN
cor. J. Rizal and Linco Sts., Balite
Montalban(Rodriguez), Rizal
Tel. Nos.: 948-1385; 942-2472

MORONG
T. Claudio St., San Juan, Morong, Rizal
Tel. Nos.: 653-0289; 691-5245

MUNTINLUPA
National Highway, Putatan, Muntinlupa City
Tel. Nos.: 862-0034; 862-0737; 403-7137

NAVOTAS
cor. Estrella and Yangco St.
Navotas East, Navotas City
Tel. Nos.: 282-4392; 283-0820

N.K.T.I.
National Kidney Transplant Institute
East Ave., Diliman, Quezon City
Tel. Nos.: 376-1059 to 60

NORTHBAY
G/F Melandrea III Bldg.
Northbay Blvd., Navotas City
Tel. Nos.: 983-0697; 983-0914

NOVALICHES
917 Bo. Gulod, Quirino Highway, Quezon City
Tel. Nos.: 936-8811; 418-0213; 937-1326

ORTIGAS EXTENSION
G/F Prudentialife Bldg., Ortigas Ave. Extn.
Brgy. Sta. Lucia, Pasig City
Tel. Nos.: 656-1329; 656-1956; 655-0886;
477-3314

P. TUAZON
cor. 12th Ave. and P. Tuazon, Quezon City
Tel. Nos.: 913-3118; 912-0816; 913-3112

PACIFIC PLACE
G/F Pacifi c Place Condominium
Pearl Drive, Ortigas Center
San Antonio, Pasig City
Tel. Nos.: 636-6617; 635-6604; 634-1563

PANDI
9045 Megamart Mall Bldg., Bunsuran 1st
Pandi, Bulacan
Tel. Nos.: (044) 796-2900

PANTOK
Evermore Bldg., National Rd.
Pantok, Binangonan, Rizal
Tel. Nos.: 570-3868; 570-0367

PASAY
cor. 2350 Taft Ave. and Libertad St., Pasay City
Tel. Nos.: 804-0333; 831-3418; 833-8925

PASONG TAMO
2178 G/F Matrinco Bldg., Pasong Tamo St.
Pio del Pilar, Makati City
Tel. Nos.: 840-5224; 840-5226; 403-7810

PATEROS
54 M. Almeda St., Bo. San Roque, Pateros
Tel. Nos.: 641-9081; 641-6201

RIZAL AVENUE
440 G/F Eleongsin Bldg., Rizal Ave., Caloocan City
Tel. Nos.: 361-1354; 361-1244; 361-1109

SAN JOAQUIN
227 M Concepcion St., San Joaquin, Pasig City
Tel. Nos.: 640-0154 to 55; 570-7563

SAN MATEO
323 Gen. Luna St., Guitnangbayan II
San Mateo, Rizal
Tel. Nos.: 948-0199; 942-6969; 941-6388

SAN ROQUE
319 J. P. Rizal St., San Roque, Marikina City
Tel. Nos.: 682-6453; 646-2131; 681-3490

SANGANDAAN
cor. A. Mabini and Plaridel St.
Poblacion, Caloocan City
Tel. Nos.: 288-8238; 288-7723

STA. MESA
4463 Old Sta. Mesa, Brgy. 587, Zone 58
Sta. Mesa, Manila
Tel. Nos.: 716-0631; 716-0685

STA. ROSA BEL-AIR
CW Home Depot, Sta. Rosa Tagaytay Road
Brgy. Pulong Sta. Cruz, Sta. Rosa City, Laguna
Tel. Nos.: (049) 530-0793; 530-0795; (02) 520-8476

SUCAT
Unit 3 Virramall Bldg., Dr. A. Santos Ave.
Sucat Rd., San Dionisio, Parañaque City
Tel. Nos.: 828-8236; 828-8238; 659-7130

TAFT REMEDIOS
1932 Taft Ave. Malate, Manila
Tel. Nos.: 536-6510 to 11; 526-7094

TANAY
cor. J.P. Laurel and M.H. del Pilar Sts.
Tanay, Rizal
Tel. Nos.: 654-3126; 693-1267

TAYTAY
G/F Marc Square Bldg., Rizal Ave., Taytay, Rizal
Tel. Nos.: 660-3858; 660-3854

TERESA
RCF Bldg., R. Magsaysay Ave.
San Gabriel, Teresa, Rizal
Tel. Nos.: 668-5298; 666-5391

TIMOG
88 G/F Picture City Center
Timog Ave., Quezon City
Tel. Nos.: 410-7126; 929-1260
Fax No.: 929-1254

TOMAS MORATO
169 cor. Tomas Morato and Scout Castor
Quezon City
Tel. Nos.: 355-7066; 374-0744
Fax No.: 413-1134

VISAYAS AVENUE
6 Visayas Ave., Bahay Toro, Quezon City
Tel. Nos.: 929-8962; 924-8753

LUZON

ALAMINOS
cor. Marcos Ave. and Montemayor St.
Poblacion, Alaminos City, Pangasinan
Tel. No.: (075) 551-2587

ANDALUSIA (SAN FERNANDO EXTENSION)
G/F Vistamall, Paseo de Andalusia
San Agustin, San Fernando, Pampanga
Tel. Nos.: (045) 455-1195; 455-2568

ANGELES
810 Henson St., Lourdes Northwest
Angeles City, Pampanga
Tel. Nos.: (045) 625-9363; 625-9395

APALIT
McArthur Highway, San Vicente, Apalit, Pampanga
Tel. Nos.: (045) 879-0095; 879-0045; 302-6274

BACOOR
333 E. Aguinaldo Highway, Bacoor City, Cavite
Tel. Nos.: (046) 529-8965; 471-7131; 471-3670

BAGUIO
G/F GP Shopping Arcade, Upper Mabini St.
Baguio City, Benguet
Tel. Nos.: (074) 444-2366; 444-2368

BALER
cor. Quezon and Bonifacio Sts.
Poblacion, Baler, Aurora
Tel. Nos.: (042) 722-0001; 722-0003

BATANGAS
131 D. Silang St., Brgy.15, Batangas City
Tel. Nos.: (043) 723-1229; 723-2394; 722-2334

BINAKAYAN
Tirona Highway, Binakayan, Kawit, Cavite
Tel. Nos.: (046) 434-3382; 434-3060;
(02) 529-8728

BIÑAN
126 A. Bonifacio St., Canlalay, Biñan City, Laguna
Tel. Nos.: (049) 429-4833; 511-9826

BOCAUE
249 Biñang 2nd, McArthur Highway
Bocaue, Bulacan
Tel. Nos.: (044) 692-0053; 7695027 to 28;
273-7511

CABANATUAN
cor. Maharlika Highway and Paco Roman Extn.
Cabanatuan City, Nueva Ecija
Tel. Nos.: (044) 463-8640 to 41

CABUYAO
cor. J.P. Rizal Ave. and Del Pilar St.
Cabuyao City, Laguna
Tel. Nos.: (02) 520-8920; (049) 531-2021

CALAMBA
National Rd., Real, Calamba City, Laguna
Tel. Nos.: (049) 545-6031; 520-8825

CALAPAN
Homemark Commercial Bldg., J.P. Rizal St.
Calapan, Oriental Mindoro
Tel. Nos.: (043) 441-0602 to 03; 288-1909

CANDON
National Highway, San Jose
Candon City, Ilocos Sur
Tel. Nos.: (077) 742-5575; 644-0102

DAGUPAN
Unit 101 & 102, RVR Bldg., Tapuac Dist.
Dagupan City, Pangasinan
Tel. No.: (075) 523-6599

DASMARIÑAS
E. Aguinaldo Highway, San Agustin
Dasmariñas City, Cavite
Tel. Nos.: (046) 683-5869; (02) 529-8119

DINALUPIHAN
G/F NEJ Bldg., National Highway
San Ramon, Dinalupihan, Bataan
Tel. Nos.: (047) 633-4511 to 12

G.M.A
Blk 2 Lot 10, San Gabriel
General Mariano, Alvarez, Cavite
Tel. Nos.: (046) 520-8710; 890-2672

GEN. TRIAS
61 Gov. Luis Ferrer Ave., Malabon
Gen. Trias, Cavite
Tel. Nos.: 437-7348; 437-1508

IMUS
Nueño Ave., Tansang Luma
Imus City, Cavite
Tel. Nos.: (02) 519-4447; (046) 471-3989;
(046) 471-4097

LEGAZPI
G/F Delos Santos Commercial Bldg.
Legazpi City, Albay
Tel. Nos.: (052) 742-4695; 742-4697 to 98

LEMERY
Ilustre Ave., Lemery, Batangas
Tel. Nos.: (043) 409-1572; 411-0901

LINGAYEN
G/F Columbian Plaza Bldg.
Avenida Rizal St., Poblacion
Lingayen, Pangasinan
Tel. Nos.: (075) 542-3142; 653-0083

LIPA
Trinity Business Centre
JP Laurel, Ayala Highway, Lipa City, Batangas
Tel. Nos.: (043) 756-6357 to 59; 723-6959

LIPA EXTENSION
Mezzanine, Southern Twin Bldg.
cor. V. A. Malabanan and P. Torres St.
Brgy. 5, Lipa City, Batangas
Tel. Nos.: (043) 404-8067; (043) 404-8053

LUCENA
82 Quezon Ave., Lucena, Quezon
Tel. Nos.: (042) 795-0075; 373-4346; 373-1537

MAGSAYSAY, NAGA
G/F Sarap Realty Bldg., Magsaysay Ave.
Balatas, Naga City
Tel. Nos.: (054) 884-9904; 884-9147

MALOLOS
Paseo del Congreso, Catmon, Malolos, Bulacan
Tel. Nos.: (044) 791-5989; 791-3953

MEYCAUAYAN
831 McArthur Highway, Meycauayan City, Bulacan
Tel. Nos.: (044) 228-2241; 796-0530

MOLINO
RFC Mall, Molino 2, Bacoor City, Cavite
Tel. Nos.: (046) 477-2278; (02) 529-8967

MUZON, SJDM
Diaz Bldg., Muzon
San Jose Del Monte City, Bulacan
Tel. No.: (044) 893-4928

NAGA
G/F Annelle Bldg., cor. Biak Na Bato and PNR Rd.
Tabuc, Tabuco, Naga City, Camarines Sur
Tel. Nos.: (054) 473-7788; 472-5588

NAIC
Capt. C. Nazareno St., Poblacion, Naic, Cavite
Tel. Nos.: (046) 412-03-91; 507-01-83

NASUGBU
RSAM Bldg., JP Laurel St.
Brgy. 9 Poblacion, Nasugbu, Batangas
Tel. Nos.: (043) 741-0394; 741-0396 to 97

NOVELETA
Magdiwang Highway, Noveleta, Cavite
Tel. Nos.: (046) 438-1056; 438-2571; 438-8411

PADRE GARCIA
A. Mabini St., Padre Garcia, Batangas
Tel. Nos.: (043) 436-0215 to 16; 515-7177

PLARIDEL
Cagayan Valley Rd., Banga I, Plaridel, Bulacan
Tel. Nos.: (044) 795-0688; 670-2289

PUERTO PRINCESA
175 G/F Pacifi c Plaza Bldg., Rizal Ave., Palawan
Tel. Nos.: (048) 433-0364; 433-0367

SAN CARLOS
G/F Roper Bldg., Palaris St.
Poblacion, San Carlos City, Pangasinan
Tel. No.: (075) 632-2469

SAN FERNANDO
G/F Emerald Business Center, Dolores
San Fernando City, Pampanga
Tel. Nos.: (045) 961-7614 to 15; 961-4505

SAN FERNANDO, LA UNION
G/F Chimes Bldg., Brgy. Parian
San Fernando City, La Union
Tel. Nos.: (072) 888-0732; 888-0755

SAN ILDEFONSO
Cagayan Valley Rd., Poblacion
San Ildefonso, Bulacan
Tel. Nos.: (044) 797-0521; 797-0523

SAN JOSE
Cameco Bldg.
cor. Makalintal Ave. and J.A. De Villa St.
San Jose, Batangas
Tel. Nos.: (043) 726-0022; 726-0052 to 53

SAN NICOLAS
Brgy. 2, San Baltazar, San Nicolas, Ilocos Norte
Tel. No.: (077) 677-1122

SAN PEDRO
National Highway, Nueva, San Pedro, Laguna
Tel. Nos.: 520-1788; 808-4608

SANTIAGO
29 City Rd., Centro West., Santiago City, Isabela
Tel. Nos.: (078) 305-2056 to 57; 305-5149

STA. ROSA
cor. J. Rizal Blvd. and Perlas Village Bgry. Tagapo
Santa Rosa City, Laguna
Tel. Nos.: (02) 520-8190; (049) 534-3207 to 08

STA. ROSA EXTENSION
Unit 10 & 11, G/F DDC Garden Plaza
Santa Rosa City, Laguna
Tel. No.: (049) 530-3815

STARMALL, SJDM
Northwinds, Kaypian
San Jose Del Monte City, Bulacan
Tel. No.: (044) 797-0275

TANAUAN
G/F Reyes Commercial Bldg.
JP Laurel Ave., Poblacion 4
Tanauan City, Batangas
Tel. Nos.: (043) 778-3600; 778-3700

TANZA
Soriano Highway, Daang Amaya 1
Tanza, Cavite
Tel. Nos.: (046) 437-1507; 437-7715; 437-7081

TARLAC
McArthur Highway, Sto. Cristo, Tarlac City
Tel. Nos.: (045) 982-3700; 982-9133

TRECE MARTIRES
San Agustin, Trece Martires, Cavite
Tel. Nos.: (046) 419-3270; 419-2671; 419-2602

TUGUEGARAO
48 Balzain Rd., Balzain East
Tuguegarao City, Cagayan
Tel. Nos.: (078) 844-0885; 844-0879

URDANETA
McArthur Highway, San Vicente
Urdaneta City, Pangasinan
Tel. No.: (075) 568-4941

VIGAN
Unit 1 Plaza, Maestro Annex
Brgy. 1, Vigan, Ilocos Sur
Tel. No.: (077) 632-0221

VISAYAS

BASAK
Cebu North Rd., Basak
Mandaue City, Cebu
Tel. Nos.: (032) 268-5469; 344-8155

DUMAGUETE
cor. Real and San Juan St., Dumaguete City,
Negros Oriental
Tel. Nos.: (035) 422-8452; 225-6848; 225-1177

ESCARIO
N. Escario St., Capitol Site, Cebu City
Tel. Nos.: (032) 254-7165; 255-6404; 412-6943

F CABAHUG
G/F Pacifi c Square Bldg., F.Cabahug St.
Mabolo, Cebu
Tel. Nos.: (032) 505-5801; 505-5805

JALANDONI, ILOILO
Jalandoni St.. San Agustin, Iloilo City
Tel. Nos.: (033) 338-0212; 338-2065; 337-4785

LA PAZ, ILOILO
Calle Luna, Bantud, Iloilo
Tel. Nos.: (033) 329-1203 to 04

LACSON
Lacson St., Mandalagan
Bacolod City, Negros Occidental
Tel. Nos.: (034) 434-4689 to 91; 709-8101

LAPU LAPU
GF Hotel Europa, Basak, Mercado
Lapu-Lapu (Oson) City, Mactan, Cebu
Tel. Nos.: (032) 520-6520 to 21

LOPUE'S EAST
Lopue's East Bldg., cor. Burgos St. and Carlos
Hilado, National Highway, Villamonte
Bacolod City, Negros Occidental
Tel. Nos.: (034) 435-1026; 435-1030

LUZURIAGA
Golden Heritage Bldg. 1
cor. San Juan and Luzuriaga Sts.
Bacolod City, Negros Occidental
Tel. No.: (034) 432-1543 to 45

MAASIN
Abgao Tomas Oppus St., Maasin City
Southern Leyte
Tel. Nos.: (053) 381-3854; 570-8282

MANDAUE
Highway Seno, Mandaue City, Cebu
Tel. Nos.: (032) 345-8063; 345-8065

OTON
Madr & Sons Arcade, JC Zulueta St.
Poblacion, South Oton, Iloilo
Tel. Nos.: (033) 336-0306 to 07; 510-8870

P. DEL ROSARIO
G/F RCBC Savings Bank Bldg., P. Del Rosario St.
Kamagayan, Cebu City
Tel. Nos.: (032) 255-6182; 255-6702

TAGBILARAN
cor. CPG Ave. and H. Grupo St., Poblacion 2
Tagbilaran City, Bohol
Tel. Nos.: (038) 412-0083 to 85

TALAMBAN
G/F Eco Trade Bldg., J. Panos St.
Talamban, Cebu City
Tel. Nos.: (032) 343-7992; 412-1620

TALISAY
South Rd., Bulacao, Talisay City, Cebu
Tel. Nos.: (032) 272-2701; 272-2833

MINDANAO

AGORA
D2 A-One Business Center, Gaabucayan St.
Agora, Lapasan, Cagayan De Oro
Tel. Nos.: (088) 880-7892 to 93; 231-2098 to 99

BOLTON
Bolton St., Davao City
Tel. Nos.: (082) 221-0251; 222-4428; 222-4430

BUHANGIN
2010 Santos Bldg., Diversion Rd.
National Highway, Davao City
Tel. Nos.: (082) 241-0459; 241-2425; 241-0725

BUTUAN
G/F RT Bldg.
cor. J.C. Aquino Ave and Bonbon Rd.
Butuan City
Tel. Nos.: (085) 815-2050; 815-2053

CARMEN
G/F Macaibay Bldg. Waling-Waling St.
Carmen, Cagayan de Oro City
Tel. Nos.: (088) 858-5793; 858-6248

GENERAL SANTOS
National Highway, General Santos City
Tel. Nos.: (083) 553-8196 to 98

JP LAUREL
G/F Ana Socorro Bldg.
JP Laurel Ave., Bajada, Davao City
Tel. Nos.: (082) 222-2803 to 04

MONTEVERDE
Door 5 & 6 Veterans Bldg.,
Tomas Monteverde Ave., Davao City
Tel. Nos.: (082) 222-0115; 221-9590; 227-0858

VELEZ
Velez St., Cagayan de Oro City
Tel. Nos.: (088) 856-2460 to 65; 272-9274;
272-5810

ZAMBOANGA
G/F Jesus Wee Bldg., Gov. Lim Ave.
Zamboanga City
Tel. Nos.: (062) 991-0814; 991-0817

RCBC SUBSIDIARIES AND ASSOCIATES*

DOMESTIC

RCBC SAVINGS BANK
Corporate Center, 25th and 26th Streets
Bonifacio Global City
Taguig City 1634
Tel No.: (632) 555-8700
PRESIDENT & CEO: ROMMEL S. LATINAZO

MERCHANTS SAVINGS AND LOAN ASSOCIATION, INC.
(RIZAL MICROBANK-THRIFT BANK)
cor. J.P. Laurel Ave. (Acacia Section) and
Villa Abrille St., Davao City
Tel. Nos.: (082) 222-3948; 222-2438
PRESIDENT: RAYMUNDO C. ROXAS

RCBC CAPITAL CORPORATION
21F Tower II, RCBC Plaza
6819, Ayala Ave., Makati City
Tel. No.: (632) 894-9000
Fax No.: (632) 845-3457
PRESIDENT & CEO: JOSE LUIS F. GOMEZ

RCBC BANKARD SERVICES CORPORATION
30F Robinson-Equitable Tower
cor. ADB Ave. and Poveda St.
Ortigas Center, Pasig City
Tel. No.: (632) 688-1888
PRESIDENT & CEO: SIMON JAVIER A. CALASANZ

RCBC SECURITIES, INC.
21F Tower II, RCBC Plaza
6819, Ayala Ave., Makati City
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PRESIDENT & CEO: GERALD O. FLORENTINO

RCBC FOREX BROKERS CORPORATION
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Fax No.: (632) 894-9080
PRESIDENT & CEO: JOSEPH COLIN B. RODRIGUEZ

NIYOG PROPERTY HOLDINGS, INC.
12F Yuchengco Tower, RCBC Plaza
6819 Ayala Ave., Makati City
Tel Nos.: (632) 894-9000 (2356)
PRESIDENT: JOHN THOMAS G. DEVERAS

RCBC-JPL HOLDING COMPANY, INC.
(Formerly President Jose P. Laurel Rural Bank, Inc.)
2F President Laurel Bldg.
Pres. Jose P. Laurel Highway
Tanauan City, Batangas
Tel. No.: (043) 778-4444
PRESIDENT: CLARO PATRICIO L. CONTRERAS

RCBC LEASING AND FINANCE CORPORATION
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221 Sen. Gil Puyat, Ave., Makati City
Tel. No.: (632) 810-9660
PRESIDENT & CEO: ALFONSO C. TANSECO

RCBC RENTAL CORPORATION
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Tel. No.: (632) 810-9660
PRESIDENT & CEO: ALFONSO C. TANSECO

HONDA CARS PHILIPPINES, INC.*
105 South Main Ave., Laguna Technopark
Brgy. Don Jose, City of Sta. Rosa, Laguna
Tel. Nos.: (632) 857-7200; 541-1411
PRESIDENT & GM: NORIYUKI TAKAKURA

ISUZU PHILIPPINES CORPORATION
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Binan, Laguna
Tel. No.: (049) 541-0224
PRESIDENT: HAJIME KOSO

LUISITA INDUSTRIAL PARK CORPORATION*
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Tel. No.: (632) 894-9559
PRESIDENT: ATTY. RAMON S. BAGATSING, JR.

YGC CORPORATE SERVICES, INC.*
5/F Grepalife Bldg.
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EVP & COO: LIWAYWAY F. GENER

INTERNATIONAL

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PRODUCTS AND SERVICES

LOANS	
Product/Service	**Description**
Commercial Loans (Peso and/or Foreign Currency)	
Short- Term Revolving Facilities	
Non-Trade Facilities	
Credit Line	This is a revolving credit facility made available to a client within the approved limit(s) and tenor(s). This is usually granted to augment a business' short term working capital requirements.
Accounts Receivable Line(ARL)	This is a revolving credit facility that is meant to liquefy a borrower's accounts receivables.
Bills Purchased Line (BPL)	BP is a credit line utilized for the purchase of current-dated local checks.
Second Endorsed Checks Line (SECP)	This is a form of accommodation to eligible clients to allow purchase of checks drawn to individuals / entities other than the borrower – presenter.
Floor Stock Financing	Floor stock financing is a form of inventory financing where emphasis is given on the value, marketability / disposal and control over the inventory financed. This type of credit facility is normally given to entities engaged on motor vehicle / heavy equipment dealership business.
Trade Facilities	These are credit facilities used to finance the movement of goods / merchandise and services within or across country borders and self-liquidating in nature.
Import / Domestic Trade Facilities	
Letter of Credit Line	This is a credit facility against which the Bank will issue a written undertaking (i.e., Letter of Credit) given to the seller upon the instruction of the customer / buyer, to pay at sight or at a determinable future date within a prescribed time limit and against stipulated documents.
Trust Receipt (TR) Line	This is a credit facility granted by the Bank to finance bills drawn under domestic or import LCs issued by the Bank Goods financed by the Bank under LC are released to the customer / buyer under a Trust Receipt (TR) Agreement. Trust Receipt is a security transaction intended to aid in financing importers or domestic buyers. It is the security feature in the LC / TR transaction wherein the Bank extends a loan to a borrower covered by the letter of credit, with the trust receipt as a security for the loan."
Shipping Guarantee	Shipping Guarantee / Shipside Bond is an undertaking issued by the Bank at the request of the importer, addressed to the carrier (shipping company), asking the carrier to accept guarantee in place of the original shipping document (bill of lading), to release the carrier of any legal consequences because it has released the goods without an original shipping document.
Export Financing	
Export Advance Loan / Line	This credit facility is used to finance the production of export sales where the loan is granted for the pre-export requirements of the client.
Export Bills Purchased Line	The Bank purchases drafts or bills of exchange arising from export transactions, drawn on LCs issued by foreign banks.
Others	
Standby LC Facility	A standby LC is established primarily as a payment undertaking issued by the Bank to support an underlying contract. It serves as a security or guarantee for the payment of a loan or the performance of an obligation.
Bank Guarantee	A bank guarantee is an irrevocable commitment of the Bank binding itself to pay a sum of money in the event of non-performance of a contract by a third party.
Long- Term Non-Revolving Facilities	These are non-evolving facilities maturing beyond one year (from date of commitment to date of final payment).
Auto Loans	a loan that helps finance a purchase of a brand new or used car
Housing Loans	a loan that helps finance the purchase of real property, or the construction/ renovation of a house.
Personal Loans	a multi-purpose loan that is non-collateralized
SME Business Loans	
Loan Line Financing	A Credit Line that provides financial flexibility. Draw downs are available through short-term promissary notes
Accounts Receivables Purchase Line	a loan facility that utilizes outstanding receivables to receive financing

LOANS cont'd	
Product/Service	**Description**
Term Loan	a loan that has a specific amount and has a specified repayment schedule.
Quick Business Loan	a loan for business purposes that is collateralized by real property.
Microenterprise Loans	
PITAKA ME Loan (Basic Term Loan)	Loan for microentrepreneurs ranging from P20,000 to P150,000, intended for additional working capital.
PITAKA ME PLUS Loan	This is a graduate loan product of the PITAKA ME Loan. Loan amount ranges from P150,001 to P300,000
PITAKA Revolving Credit Line Facility	Credit Line amount ranges from P50,000 to P150,000
Small Business Loans	
Flexi Term Loan	Loan amount ranging from P150,000 to P20M, which is intended for any of the following purposes: additional working capital; purchase of business equipment and vehicle; and business expansion/branching.
Flexi Revolving Credit Line Facility	Loan amount ranging from P500,000 to P10M subject to client's capacity to pay, intended for any of the following purposes: short-term or seasonal working capital requirements; inventory management; and other business opportunities.
Agricultural Value Chain Financing	
Agri-Finance Term Loan	Loans for Agri value chain players, such as producers/growers, traders/consolidators, processors and input dealers/retailers, including farmer growers for certain agri products/activities, intended for any of the following purposes: additional operating capital for Agri-based trading, storage, processing and distribution business; acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items; acquisition of additional work animals, farm and fishery equipment and machinery; construction, acquisition and repair of post-harvest facilities for production, processing, storage and such other facilities in support of agriculture and fisheries; production-related expenses (planting of crops and purchase of agricultural inputs approved by the Board); and/or acquisition of farm lots.
Agri-Finance Revolving Credit Line Facility	It is a reusable source of funds that can readily be tapped at the borrower's discretion subject to the approved credit line limit and term set by the Bank.

DEPOSITS	
Product/Service	**Description**
Peso Deposits	
Checking Accounts	
Regular Checking	Regular: A non-interest earning checking account that comes with a debit card and allows deposit, encashment, and settlement of obligation via check Regular with Interest: An interest-earning checking account that comes with a transaction journal and debit card, and allows deposit, encashment, and settlement of obligation via check
SuperValue Checking	A checking account that earns tiered interest, comes with non-life insurance, transaction journal, debit card, and allows deposit, encashment, and settlement of obligation via check
eWoman Checking	A premier checking account that is especially designed for women that comes with a transaction journal, debit card, and free life insurance
CheckLite	A non-interest earning checking account exclusive for housing and personal loan clients.
Dragon Checking	An all-in-one account that combines the tiered interest income feature of a savings account and the functionalities of a checking account that comes with a debit card, transaction journal, and checkbook
Savings Accounts	
Regular Savings	A deposit product that safe keeps funds while it earns interest that comes with a passbook and/or debit card
iSave	A virtual savings account that provides free personal accident insurance, hospitalization benefit, and tiered interest rates
GoSavers	A start-up savings account that helps kids and teens save money and transact easily with a debit card and/or passbook
FlexiÍSavers	A customizable savings account that will allow clients to choose features best fit for their needs and demands.

DEPOSITS cont'd	
Product/Service	**Description**
Dragon Savings	A premier savings account that lets depositors earn higher interest as their deposits grow with no lock-out period, thereby giving them access to their funds anytime
eWoman Savings	A premier savings account that is especially designed for women that comes with a debit card, passbook, and free life insurance
TeleMoney ATM Savings Account	This is a savings account for OFWs and their beneficiaries with no initial deposit and no maintaining balance. They keep the accounts active by remitting at least once a year so they will not be charged any fees for falling below the required maintaining balance.
SSS Pensioner	A savings account for Filipino retirees intended to secure SSS pension funds that earns interest and comes with a debit card
WISE Savings	A start-up savings account that helps kids and teens save money and transact easily with a debit card and/or passbook.
Time Deposits	
Regular Time Deposit	Short-Term Peso Time Deposit account that rewards clients' patience by giving them a risk-free investment option that gives them more in return the longer they save, with deposit term ranging from 30 days to 1 year
Special Time Deposit	
Time Deposit 2 Year, 3 Year, 4 Year, 5 Year	Long-Term Peso Time Deposit account available in 2, 3, 4, and 5 year durations • Interest is paid out through a settlement account upon maturity (except for 5-Year Peso Time Deposit which is paid every month)
Foreign Currency Deposits	
Regular Savings	A foreign currency denominated savings deposit
US Dollar	
Japanese Yen	
Euro	
British Pounds	
Canadian Dollar	
Chinese Yuan	
Australian Dollar	
Swiss Franc	
Dragon Dollar Savings	A premier dollar savings account that lets depositors earn higher interest as their deposits grow with no lock-out period, thereby giving them access to their funds anytime
Time Deposits	
US Dollar	"Short-Term US Dollar Time Deposit: Short-Term US Dollar Time Deposit account that rewards clients' patience by giving them a risk-free investment option that gives them more in return the longer they save, with deposit term ranging from 30 days to 1 year Long-Term US Dollar Time Deposit: A dollar time deposit account available in 2, 3, 4, and 5 year durations • Interest is paid out through a settlement account upon maturity (except for 5-Year US Dollar Time Deposit which is paid every quarter)"
Japanese Yen	Other Foreign Currency Deposit Unit (FCDU) Time Deposits: Foreign Currency Deposit Unit (FCDU) Time Deposit account that rewards clients' patience by giving them a risk-free investment option that gives them more in return the longer they save, with a minimum term of 30 days
Euro Dollar	
British Pounds	
Canadian Dollar	
Australian Dollar	
Swiss Franc	
Day and Night Depository Services	
Safety Deposit Box	

DEPOSITS cont'd	
Product/Service	**Description**
Premier Banking	
Hexagon Club	RCBC's Premiere Club for accountholders where members can enjoy premium banking service and special perks for the total RCBC Banking experience.
Hexagon Club-Privilege	
Hexagon Club-Prestige	

CORPORATE CASH MANAGEMENT SERVICES	
Product/Service	**Description**
Collection and Receivables Services	
Bills Collection	Billers or merchants can efficiently and conveniently collect payments or sales from their payors/customers/agents/distributors through the following channels: 1) RCBC's strategically located branches nationwide, 2) RCBC internet banking facilities using RCBC Online Retail (ROR), RCBC Online Corporate (ROC) and RCBC Mobile Banking, 3) Automatic Debit Arrangement (ADA) and 4) Automated Teller Machines. At the end-of-day, all payments or collections will be credited centrally to the biller/merchants account including the consolidated daily collection report summarizing all collections received for the day. Reports shall be transmitted via Secured File Transfer Protocol or SFTP.
Automatic Debit Arrangement (ADA)	A collection channel wherein collection of bills/dues of our client's billers are automatically debited from the payor's RCBC account enrolled in ADA Facility and credited to the collection or settlement account of the corporate client.
Deposit Pick-up	RCBC's fleet of armored cars is dispatched to the client's offices or outlets to pick-up funds and deposit to the client's nominated RCBC account. This service fulfills the client's need of having its sales collections and other funds collected in a secure and safe manner."
CashCube Machine	The machine is an added service to our Deposit Pick-Up arrangement. The machine has the capability to automatically count and validate cash bills/ notes and issue an acknowledgement receipt to the user. The cash accepted by the machine is recorded in a system real time which the bank and client can access to view and download the daily transactions. The report will be the basis for the bank to credit a corporate client's account as per agreed time with client. Cash inside the machine will be picked-up by the Service Provider once the threshold limit is reached as set by the corporate client. The service provider is responsible for the following: a. Machine maintenance b. Cash pick up servicing from the machine c. Maintenance of the system where the cash accepted by the machine is recorded.
PDC Warehousing	Safekeeping or custodianship of post-dated checks are outsourced to RCBC. All checks will be safe kept in vaults and will be deposited to the customer's RCBC account on maturity date. The status of the PDCs in RCBC custody may be viewed or monitored online through the RCBC Online Corporate (ROC) internet banking system.
CheckStream	RCBC's CheckStream software allows such companies, particularly real estate and leasing companies, to automate the printing of details on all blank checks provided by their customers so that all they need to do is sign the checks, resulting in fast and error-free PDC preparation. The PDCs are then submitted to RCBC, who will monitor maturities and deposit checks that fall due into the company's account. Since CheckStream also automatically uploads the details of all checks prepared, the company can monitor its inventory of PDCs warehoused with RCBC. This software is bundle with PDC Warehousing.
Channels	
Over the Counter (OTC)	Transact Over-the-Counter payments in branches nationwide.
Automated Teller Machine (ATM)	With over 1,400 ATMs nationwide, you can save time and evade the queing at payment centers
Internet – RCBC Online Corporate (ROC)	The latest internet banking experience for RCBC corporate clients. ROC is equipt with the latest securities, and notifications that will help client feel more secure and experience almost real time updates and notifications. Plus other services such as Fund Transfer, Payroll Creditings, Accounts Inquiry and Transaction History, ACA, ADA, just to name a few.
Mobile App	Approve your online transactions, anytime, anywhere.

CORPORATE CASH MANAGEMENT SERVICES cont'd	
Product/Service	**Description**
Disbursements	
Auto Credit Arrangement (ACA)	Facility that allows clients to enroll and make regular payments to their suppliers who have RCBC accounts.
Batch Crediting	Facility that allows clients to make adhoc payments to their various partners/ agents/suppliers. No payee enrollment required. There are four payment types, as follows: A) Loan Proceeds; B) Dividend; C) Remittance; D) Supplier Payment.
ROC Onsite Corporate Check Printing Facility	This facility allows clients to prepare and print their checks, vouchers, and acknowledgement receipts in their offices via RCBC Online Corporate (ROC).
ROC Outsourced Corporate Check Printing Facility	This facility allows clients to create or upload bulk check requests via ROC. Printing of corporate checks and subsequent releasing to the clients' payees are done by RCBC through its 110 releasing branches nationwide.
ROC Outsourced Manager's Check Printing Facility	This facility allows clients to create or upload bulk Manager's Check (MC) requests via ROC. Printing of MCs and subsequent releasing to the clients' payees are done by RCBC through its 110 releasing branches nationwide.
Payroll Service	PAYROLL CREDITING This facility allows clients to conveniently send payroll instructions via ROC, to credit the RCBC accounts of their employees. PAYROLL PROCESSING (with software) This facility automates client's payroll computation and processing.
Outward Remittance (Instapay, Pesonet, RTGS, PDDTS and SWIFT)	Facility to transfer funds from an RCBC account to other bank accounts of clients (Local and International).
Government Payment	
Payment Gateway	Payment Gateway is an internet-based facility that connects to BIR's filing website, eFPS, for the completion of tax payment transactions. After a payment goes through a corporate client's approval workflow, funds are transferred from the client's enrolled current/savings account and remitted to BIR the following day.
Third Party Services	
Bancnet eGov-SSS/PAg-Ibig/Philhealth	BancNet's e-Gov Online Facility is a web-based electronic filing and payment facility administered by BancNet. It acts as a gateway for the electronic processing of loan and contribution payments between employers and government agencies (SSS, PhilHealth, & Pag-IBIG).

DEBIT CARD	
>>RCBC MyDebit Mastercard	RCBC MyDebit Mastercard is linked to a client's deposit account and requires a minimum balance of P3,000. It is your perfect tool for everyday spends, bills payment as well as purchases here and abroad. It provides secure cashless convenience for clients because it is accepted in millions of Mastercard-affiliated merchants for in-store and eCommerce purchases. Moreover, the MyDebit Mastercard allows clients to have access to cash through automated teller machines here and abroad.

MYWALLET CO-BRANDED CARDS	
RCBC MyWallet Prepaid Card	The RCBC MyWallet Prepaid Card is a secure reloadable payment tool with no maintaining balance. It is the perfect budget tool because it lets a client enjoy cashless shopping in-store and online without overspending. A client just needs to load it up with the amount he intends to spend and he can use it in millions of affiliated merchants for purchase, bills payment and ATM withdrawal.
>>RCBC MyWallet Virtual	The RCBC MyWallet Virtual Card is a secure, reloadable budget tool that lets clients enjoy shopping & more without overspending. Clients can just load it up with the budget they intend to spend.
>>RCBC Telemoney – MyWallet Visa Cash Card	RCBC Telemoney-MyWallet Visa Cash Card is a reloadable prepaid stored value card with zero maintaining balance. It gives customers access to the worldwide Visa network and 24/7 ATM access thru RCBC, RCBC Savings, Megalink, Bancnet and Expressnet ATMs nationwide.
RCBC Savings Bank MyWallet	RCBC Savings Bank MyWallet is a pre-paid stored value card with no minimum maintaining balance requirement. Just like an ATM card, it allows customers to enjoy banking convenience 24/7 for withdrawals, bills payment, fund transfer and cashless shopping.

MYWALLET CO-BRANDED CARDS cont'd	
Product/Service	**Description**
ELECTRONIC BANKING CHANNELS	
Automated Teller Machines	Provides the customer 24/7 access to his/her account and perform multiple types of transactions such as withdrawal, bills payment, funds transfer, balance inquiry, cash advance, change pin, MyWallet reloading.
RCBC Online Banking for Retail	RCBC Online Banking Retail (ROR) allows clients to conveniently perform various banking services, such as fund transfers, bills payment and general account management, anytime, anywhere. Moreover, it also provides an additional security measure for clients because of the lock/unlock card feature which prevents unauthorized transactions with the clients' cards. RCBC Online Banking also provides additional services to the Bank's clients, including purchasing of gaming ePins and mobile load and transfers to other eWallets. These services are both available in web and app versions of the RCBC Online Banking platform. The RCBC Online Banking app may be downloaded from the App Store & Google Play Store for free.
Mobile Banking	This facility allows customers to access their accounts using their Apple/Android smartphones and tablets once they are registered with RCBC Online Banking Retail. The application may be downloaded from the Apple App Store and Google Play Store for free.
Cash Express (MPOS)/ POS	RCBC Cash Express is the first and only mobile ATM enabled by a POS terminal. RCBC designed the Cash Express to be the accessible neighborhood ATM that can reach even far flung areas. RCBC CashExpress provides customers the functionalities of an ATM (account inquiry, bill payments, fund transfers, cash in and cash out). It enables customers to do their banking transactions outside the regular Business Centers (BCs) and Automated Teller Machines (ATMs), conveniently through the Bank's partner merchants right within their very own communities.
TouchQ	Touch-Q is RCBC's queuing platform/system that allows quick and efficient servicing by managing queuing in branches. Touch Q is a self-service kiosks found in our business centers and at the same time is an online portal that enables online advanced preparation of banking requests such as Cash or Check Deposit, Cash Withdrawal, Check Encashment , Bills Payment, Fund Transfer or Account Opening so that customers can quickly complete their banking transactions once they arrive at the branch. This online feature extends convenience given to our customers by pre-staging their transactions already ahead of time.
ePiso	A digital currency that can be stored in a mobile wallet app and have access to it anytime to purchase goods at partner retailers, pay bills, or send money to other ePiso users without the risk of theft, misplacing their money or even going to a branch. It business owners to streamline their collection and disbursement process and increase operational efficiency.

REMITTANCE SERVICES	
Product/Service	**Description**
RCBC TeleCredit (Credit to a Bank Account)	With RCBC TeleCredit, OFWs can have their remittances credited directly to an RCBC, RCBC Savings account or any account with other local banks. This is the safest and fastest way to remit funds as proceeds are immediately credited to the OFW or beneficiary's account.
RCBC TeleRemit (Cash Pick-Up)	The beneficiary has the option of picking up the cash from any branch of RCBC, RCBC Savings Bank, RMB or branch of domestic tie-up partners. These domestic tie-up partners make it possible for the beneficiary to claim his/her remittance even after banking hours or during weekends and holidays.
RCBC TelePay (International Bills Payment)	TelePay is RCBC's international bills payment service that allows overseas Filipinos to course their payments intended to around forty (40) TelePay-accredited companies in the Philippines. Remitters may pay for their SSS contributions, home amortizations and insurance premiums, among others, with the use of this service.

RCBC TeleDoor2Door (Cash Delivery)	With RCBC TeleMoney Door2Door, cash is delivered via courier directly to the beneficiary's given address, providing ease and convenience to the beneficiary.
Maritime Allotment Payment System (MAPS)	A complete payroll solution system designed specifically for shipping and manning companies that deploy employees abroad. A 201 HR file, it can generate reports such as Philhealth, Pag-ibig and SSS as well as print payslips for both seafarers and beneficiaries.
TRUST SERVICES	
Product/Service	**Description**
Trusteeship	
Retirement Fund Management	An arrangement which provides companies with expert assistance and advice in the setting-up, management and administration of employee benefit plans to provide for retirement, welfare, savings and other benefits to its employees.
Corporate and Institutional Trust	An arrangement established by juridical entities, institutions, foundations, NGOs, agencies, whether government or private, primarily for charitable, religious, educational, athletic, scientific, medical, cultural, specialized lending or developmental project or such other purposes of similar nature for the purpose of seeking assistance in the management of their investible funds.
Pre-Need Trust Fund Management	A trust fund set up by a pre-need company with a duly licensed trust entity for the delivery of benefits to plan holders under their respective plan contracts, which trust funds shall be managed and administered by the trust entity in accordance with the Pre-need Code and the regulations of the Insurance Commission.
Customized Employee Savings Plan	A product which allows companies to augment their retirement or provident funds through a disciplined approach to saving by encouraging its employees to set aside some of their regular pay for investment and savings purposes.
Employee Savings Plan	A savings plan established by a company for its employees for the purpose of pooling together employee contributions for collective investment and reinvestment in RCBC's Rizal Peso Money Market Fund.
Personal Management Trust	A living trust created by an agreement whereby the trustor conveys property of funds to be managed by the trustee, based on the terms and conditions in the agreement.
Estate Planning	An arrangement where the trust institution provides advice and facilitates for an individual the process of accumulating wealth, conserving and growing the family fortune and preparing for the orderly and cost-efficient distribution of assets to the intended beneficiaries.
Mortgage/Collateral Trust	An arrangement wherein the trust institution acts as an intermediary between a borrower and its creditors in the administration of a single property or a pool of properties securing the loans of a borrower.
Bond Trusteeship	An arrangement wherein the trust institution is given the authority and power by a bond issuer to monitor the terms of a bond indenture and protect the interest of the bondholders.
Legal/Quasi-judicial Trust	Trust agreements mandated by law, executive order, a court or other government regulatory agency, such as in cases of but not limited to receivership, receiving/custodianship arrangements for IPOs or rights offering.
Project Accounts Trusteeship	An arrangement wherein a trust entity manages and administers the cash flows and project accounts in relation to project finance arrangements between a borrower and a group of creditors.
Agency	
Safekeeping	Agency agreements where the property owner turns over to the trust institution his valuables or other instruments such as or those similar to transfer certificate of title or certificate of deposits, where the trust institution has no other duty but to keep the property safe and return or deliver the same to the owner upon the latter's order or instruction.
Escrow	An arrangement wherein a trust entity, as escrow agent, acts as a neutral third party to protect the interest of two or more contracting parties while conditions upon which the contract is contingent are being fulfilled, or to protect the parties' interests in case of default.
Investment Management	An agency account wherein the trust institution manages and invests funds delivered by individual or corporate clients in accordance with certain client-prescribed guidelines and parameters.

TRUST SERVICES cont'd	
Product/Service	**Description**
Loan/Facility and Paying Agency	An arrangement wherein the trust institution acts for and in behalf of a borrower for the purpose of overseeing the timely and organized implementation of the terms and conditions of a loan/facility arrangement with a group of creditors, including the collection of payments on the facility/ loan accounts for remittance to the creditors.
Bond Registry and Paying Agency	Agency agreement where the trust institution is appointed as registrar and/or paying agent for various financial transactions such as but not limited to loan paying services to distribute interest payments and prinicpal amortizations, bond paying services to distribute coupon and principal payments to bond investors or simple distribution of funds to numerous investors.
Receiving Agency	An agency arrangement where the trust institution provides receiving bank services in connection with initial public offerings, secondary rights offerings, rights offering and other transactions requiring the recording and receipt of funds from various clients.
Sinking Fund Management	An arrangement whereby an individual or corporation sets aside a certain sum of money for a certain period of time, proceeds of which shall be used to pay certain obligations or shall be utilized for the specific purpose for which the sinking fund was intended.
Stock Transfer and Dividend Paying Agency	An agency arrangement where the trust entity is engaged in ascertaining, verifying and recording the ownership and transfer of the shares of stock of a corporation as well as the issuance of cash or stock dividends to the company's shareholders.
Unit Investment Trust Fund	An open-ended pooled trust funds denominated in any acceptable currency operated and administered by trust entities and made available by participation of various clients, both individual and corporate.
Rizal Peso Money Market Fund	A peso-denominated money market UITF which invests and reinvests in a portfolio of short-term peso fixed-income securities with a maximum portfolio duration of one year.
Rizal Peso Cash Management Fund	A peso-denominated money market UITF which invests and reinvests in a portfolio of short-term peso fixed-income securities with a maximum portfolio duration of one year and has a higher minimum initial investment requirement, a shorter minimum holding period and a lower trust fee.
Rizal Peso Bond	A peso-denominated long-term bond UITF which invests and reinvests in a portfolio of short-term and long-term peso fixed-income securities with a minimum portfolio duration of three years.
Rizal Balanced Fund	A peso-denominated balanced UITF which invests and reinvests up to a maximum of 60% of the Fund in equities listed and to be listed in the Philippine Stock Exchange, with the balance invested in fixed income securities.
Rizal Equity Fund	A peso-denominated equity UITF which invests and reinvests up to 100% of the Fund in equities listed and to be listed in the Philippine Stock Exchange, with the balance invested in fixed income securities.
Rizal Dollar Money Market Fund	A dollar-denominated money market UITF which invests and reinvests in a portfolio of short-term dollar fixed-income securities with a maximum portfolio duration of one year.
Rizal Dollar Bond Fund	A dollar-denominated long-term bond UITF which invests and reinvests in a portfolio of short-term and long-term dollar fixed-income securities with a minimum portfolio duration of three years.

TREASURY	
Product/Service	**Description**
Foreign Exchange	
Foreign Exchange Spot	exchange of one currency for another currency (USD/PHP, USD vs Euro, JPY, GBP, SGD, etc.)
Foreign Exchange Forwards	exchange of one currency for another at a future date (USD/PHP fwd)
Foreign Exchange Swaps	combination of a spot FX deal and forward an FX forward (USD/PHP up to one year)

TREASURY cont'd	
Product/Service	**Description**
Fixed Income	Trading of government and corporate debt papers for various debt issuers
Peso-denominated government securities and other debt instruments	
Treasury bills	
Fixed rate treasury notes (FXTNs)	
Retail treasury bonds	
Local government units bonds	
Quasi-sovereign bonds or government-owned and controlled corporate bonds	
Short and long-term commercial papers (STCPs/ LTCPs)	
Global peso notes	
Corporate bonds	
Foreign currency denominated bonds	
Republic of the Philippines bonds	
United States Treasury bills, notes and bonds	
Other sovereign or quasi-sovereign bonds or government-owned and controlled corporate bonds	
Corporate bonds and other debt instruments	
Interbank Money Market	Market in which Banks lend to one another for a specified term (usually one week or less with majority being overnight)
Derivatives	
Interest rate swaps	exchange of interest rate cash flows, usually from fixed rate to floating rate (net settlement) (PHP IRS , USD IRS, etc.)
Cross currency swaps	an agreement between two parties to exchange interest payments and principal of two different currencies.
Cross Currency Asset swaps	a cross currency swap where the source of the cashflow of one of the currency is coming from an underlying asset that is assigned to the Bank.
Non-Deliverable Forward (NDF)	Similar to an FX forward but there is no exchange of cash flows (net settlement) – (USD/PHP NDF)
Bond Futures	Contractual obligation of the contract holder to purchase or sell a bond on a specified date at a predetermined price (G3 bond futures)
Options (Bond & FX)	Option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or currency at an agreed-upon price (strike price) on a specific date (exercise date).
Structured Products	Credit Linked Notes, Principal Protected Notes

CREDIT CARDS	
Product/Service	**Description**
CORE BRANDS	
RCBC Bankard World Mastercard	The ideal card for the highly-esteemed clients. • Access to worldwide offers with Mastercard Moments • Complimentary Priority Pass™ membership • Free access to the Skyview Airport Lounge • Free International Travel Insurance up to Php1,000,000 and Purchase Protection • Flexible, non-expiring Rewards points which can be exchanged for AIRMILES, Cash Rebates, Shopping Vouchers, Cash Credit to RCBC Bankard, or Deposit to RCBC or RCBC Savings Bank account • Free-for-life Supplementary Cards (maximum of 9)

CREDIT CARDS cont'd	
Product/Service	**Description**
RCBC Bankard Black Card Platinum Mastercard	The highly prestigious card for highly career-oriented individuals who seek the finer aspects of life. • Available in Peso and Dollar variants • Flexible, non-expiring Rewards points which can be exchanged for AIRMILES, Cash Rebates, Shopping Vouchers, Cash Credit to RCBC Bankard, or Deposit to RCBC or RCBC Savings Bank account • Free International Travel Insurance up to Php1,000,000 and Purchase Protection • Free access to the Skyview Airport Lounge for the Principal cardholder plus one travel companion • Free-for-life Supplementary Cards (maximum of 5)
RCBC Bankard Diamond Card Platinum Mastercard	An affinity card that allows you to automatically donate to a worthy cause. • Automatic donation to Gawad Kalinga. For every Php100 charged to your Diamond Card, Php0.20 will be automatically donated to Gawad Kalinga's Kusing ng Kalinga program • Flexible, non-expiring Rewards points which can be exchanged for AIRMILES, Cash Rebates, Shopping Vouchers, Cash Credit to RCBC Bankard, or Deposit to RCBC or RCBC Savings Bank account • Free International Travel Insurance up to Php1,000,000 and Purchase Protection • Free access to the Skyview Airport Lounge for the Principal cardholder plus one travel companion
RCBC Bankard Visa Infinite	The premium lifestyle card that offers infinite joy in shopping in international destinations. • 5% rebate on straight-charge purchases at any local or international clothing and apparel retail shops • Complimentary Priority Pass™ membership • Free access to the Skyview Airport Lounge for the Principal cardholder plus one travel companion • Free International Travel Insurance up to Php1,000,000 and Purchase Protection • Flexible, non-expiring Rewards points which can be exchanged for AIRMILES, Cash Rebates, Shopping Vouchers, Cash Credit to RCBC Bankard, or Deposit to RCBC or RCBC Savings Bank account • Free-for-life Supplementary Cards (maximum of 9)
RCBC Bankard JCB Platinum	Prestige & privileges in a single card • Access to world-class travel benefits and offers – complimentary access to over 50 airport lounges and JCB Plaza Lounges, up to 20% discount on car rental services, and access to 24/7 Concierge Desk. • Earn flexible, non-expiring Rewards points for every spend, plus get more points from transactions in Japan. • Free International Travel Insurance up to Php1,000,000 and Purchase Protection
RCBC Bankard UnionPay Diamond Card	The ideal card for frequent travelers to China. • Earn double rewards points for hotel and restaurant spending in many parts of China • FREE access to the UnionPay VIP Lounge in ION Orchard where you can enjoy refreshments, internet access, a cozy rest area and a dedicated information counter which offers tourists services and more. • Free International Travel Insurance and Purchase Protection • Free-for-life Supplementary Cards (maximum of 9)
RCBC Bankard GOLD and CLASSIC Cards (Mastercard, JCB)	The card for those moving up the ladder of success. • Flexible, non-expiring Rewards points which can be exchanged for AIRMILES, Cash Rebates, Shopping Vouchers, Cash Credit to RCBC Bankard, or Deposit to RCBC or RCBC Savings Bank account • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge • Free budget monitoring tools • Convenient and rewarding bills payment
RCBC Bankard Flex Gold Visa	The card for young professionals packed with rewarding benefits • 2X Rewards Points on three preferred categories – choose from Grocery, Gas, Department Store, Household Appliances or Travel • Flexible, non-expiring Rewards points • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge • Free budget monitoring tools • Convenient and rewarding bills payment

CREDIT CARDS cont'd	
Product/Service	**Description**
RCBC Bankard Flex Visa	The card that will enable millennials to achieve their life goals • 2X Rewards Points on three preferred categories – choose from Dining, Clothing, Travel or Transportation • Flexible, non-expiring Rewards points • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge • Free budget monitoring tools • Convenient and rewarding bills payment
RCBC Bankard Corporate Card	Issued to corporations for use of their select officers and employees primarily for business-related expenses such as travel, representation, and purchase of office equipment and supplies. Available in Philippine Peso and US Dollar
CO-BRAND CARDS	
RCBC Bankard Landmark Anson's Mastercard	The breakthrough card that combines the benefits of a loyalty card, discount card, and credit card ALL-IN-ONE. • 5% Rebate on your Landmark Department Store, Landmark Supermarket and Anson's straight purchases every Mondays to Fridays • Earn Rewards points for all purchases outside Landmark • Redeem your Rewards Points and exchange them for Landmark Gift Certificates • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge
RCBC Bankard Wilcon Mastercard	Helps you build your dream house, protect your home or do the makeovers you have long wanted to undertake. • 3X rewards points on all Wilcon purchases • Separate Installment Limit for Installment and Regular purchases. Your Installment Limit will be equivalent to your regular credit limit. • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge
RCBC Bankard LJC Mastercard	The total dining card that lets you enjoy a plateful of dining benefits plus more from the highly esteemed LJC Restaurant Group. • 10% discount all year-round in all LJC Restaurants • Free bottle of wine as welcome gift • Up to 50% Birthday Discount • Earn non-expiring Rewards points from all your purchases which you can exchange for Dining Vouchers that you can use at any LJC Restaurant. • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge
RCBC Bankard Mango Mastercard	Fashion-forward shopping privileges • Exclusive Members-Only Sale • 0% installment at 3 and 6 months • Earn non-expiring Rewards points from all your purchases which you can exchange for Mango Shopping Voucher • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge
RCBC Bankard Sta. Lucia Mall Mastercard	The first mall wide card that lets you earn rewards and rebates, free movie passes and discounts all year round • Earn 1 Rewards point for every Php100 purchase at Sta. Lucia Mall Department Store, Home Gallery and Planet Toys and earn as much as 5X Rewards points for purchases of at least Php10,000 • 0.5% Rebate for all retail transactions • 1% year-round discount and members' only priority lane at Sta. Lucia Supermarket • FREE Movie Pass at Sta. Lucia Mall for a minimum purchase of Php3,000 at any of the participating stores at Sta. Lucia Mall • Exclusive members-only advance sale events • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge
RCBC Bankard Fully Booked Mastercard	Reading gets more exciting in many ways! • FREE Fully Booked Php500 Gift Certificate as a welcome gift • Year-round 10% Discount on Fully Booked purchases • Up to 10% Rebate at Fully Booked stores • Special Buys/Private Sale Events at Fully Booked stores • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge

CREDIT CARDS cont'd	
Product/Service	**Description**
Phoenix RCBC Bankard Mastercard	Enjoy pulse-racing lifestyle privileges • 5% fuel rebate on Phoenix Fuel purchases at participating Phoenix Fuel Stations nationwide. • Php500 worth of Phoenix Fuel as a welcome gift • Free Towing & Roadside Assistance and Accident Insurance through Assist & Assistance Concept (A & A Concept) • 5% discount on Phoenix gasoline and diesel engine oils • Earn flexible, non-expiring Rewards points • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge
AirAsia Credit Card	Your ticket to free flights • Up to 8,000 Welcome BIG Points • 1 BIG Point for as low as P22 spend • Priority Check-in, Boarding and Xpress Baggage • BIG Loyalty Platinum Status • Free Onboard WiFi
RCBC Bankard webshopper	Enjoy online shopping convenience and security • Specifically designed for internet-based shopping and non face-to-face transactions • It's a reference that contains a different credit card number, expiry date and card validation code/value that is linked directly to your regular credit card thus keeping your regular card details private and protected • No membership fees for life
YGC Rewards Plus RCBC Bankard	The YGC Rewards Plus Program comes with a YGC Rewards Plus RCBC Bankard which is used to store and earn additional Rewards Points. • Earn Rewards Points from your RCBC and RCBC Savings Bank deposit and Malayan insurance payments • Earn Rewards Points from your all your spending here and abroad • Earn flexible, non-expiring Rewards points from all your purchases which you can exchange for AIRMILES, Shopping Vouchers, or Cash Credit to your RCBC Bankard • International Travel Privileges – Travel Plus Lite Insurance, Purchase Protection and Access to the Skyview Airport Lounge

INVESTMENT BANKING	
Product/Service	**Description**
Underwriting of Debt and Equity Securities for distribution via Public Offering or Private Placement:	Guaranteeing and facilitating the distribution and sale of equity and debt securities issued by private institutions via public offering or private placement. This also includes securities of the Government or its instrumentalities.
Common and Preferred Stock	
Convertible Preferred Stock and Bonds	
Long- and Short-Term Commercial Papers and Corporate/Promissory Notes	
Corporate and Local Government Bonds	
Arranging/Packaging of:	Facilitates the raising of funds from a lender or a party of lenders which provide credit facilities, either in peso or fcdu. It also includes negotiating the financing structure for project finance loans.
Syndicated Loans (Peso and Dollar)	
Joint Ventures	
Project Finance	
Financial Advisory and Consultancy	Providing long-term and/or short-term advice to clients, in the areas of mergers and acquisitions, corporate finance strategies, restructurings, company valuation and spin-offs.
Mergers and Acquisitions	

RCBC
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