COVER SHEET

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S.E.C. Registration Number

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

YUCHENGCO TOWER, RCBC PLAZA, 6819 AYALA AVENUE, MAKATI CITY

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

CARMELA V. SILVERIO

Contact Person

8 9 4 9 0 0 0

Company Telephone Number

12	31	17A	06	26
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 3 6

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SEC Number 17514
PSE Code ________
File Number ________

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

Yuchengco Tower, RCBC Plaza
6819 Ayala Ave. corner Sen G.J. Puyat Ave., Makati City

(Company's Address)

894-9000

(Telephone Number)

December 31, 2017

(Fiscal year ending)

SEC FORM 17-A

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2017**

2. SEC Identification Number 17514   4. BIR Tax Identification No. 000-599-760-000

3. Exact name of registrant as specified in its charter: **RIZAL COMMERCIAL BANKING CORP.**

5. Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City   1200
   Address of principal office   Postal Code

8. (632) 894-9000
   Registrant's telephone number, including area code

9. Not applicable
   Former name, former address & former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P10 par value	1,399,918,362 (as of 31 Mar 2018)

Are any or all of these securities listed on the Philippine Stock Exchange

Yes (x)   No ( )

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes (x)   No ( )

(b) has been subject to such filing requirements for the past 90 days

Yes (x)   No ( )

13. Aggregate market value of the voting stock held by non-affiliates:
    P 37,131,355,767.60 (as of Dec 29, 2017, P55.35 per share)

NOTE

For transparency, we are providing you the computation used for # 13 Aggregate market value of the voting stock held by non-affiliates below.

	Value	**Source**
Total Number of Shares	1,399,916,364	PSE
YGC Shares*	729,069,828	Jun Madrid (Stock Transfer)
Non YGC Shares	670,846,536	Total Number of Shares – YGC Shares
Share Price	Php 55.35	PSE
Aggregate Market Value	Php 37,131,355,767.60	Non YGC Shares x Share Price

*YGC Shares Breakdown

YGC Combined Ownership in RCBC

Rank	***Name***	***Common Shares***	***%***
1	PAN MALAYAN MANAGEMENT AND INVESTMENT CORP.	594,248,081	42.45%
2	RCBC TIG AS TRUSTEE OF TA# 75-077-8 FAO RCBC RETIREMENT PLAN	56,414,820	4.03%
3	MALAYAN INSURANCE CO., INC.	35,641,938	2.55%
4	GPL HOLDINGS INC.	22,380,483	1.60%
5	MICO EQUITIES, INC.	9,804,400	0.70%
6	BANKERS ASSURANCE CORPORATION	4,263,373	0.30%
7	FIRST NATIONWIDE ASSURANCE CORP.	3,714,413	0.27%
8	GREPA REALTY HOLDINGS CORP.	1,187,220	0.08%
9	MANILA MEMORIAL PARK CEMETERY INC.	895,100	0.06%
10	RCBC CAPITAL CORPORATION	520,000	0.04%
	Total (inclusive of theoretical conversion to Common shares of outstanding Preferred shares)	**729,069,828**	**52.08%**

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. It has total resources of P554 billion and total networth of P67.03 billion, including minority interest, as of end-December 2017. The Bank ranked eighth (8^{th}) in terms of assets among private local banks. In terms of business centers, the Bank, excluding government-owned and foreign banks, ranked sixth (6th) with a consolidated network of 508 business centers inclusive of 35 extension offices and supplemented by 1,562 ATMs as of December 31, 2017.

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

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

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

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

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

The Bank's subsidiaries are as follows:

RCBC Capital Corporation (RCBC Capital), a 99.96% owned subsidiary, was established in 1974 as the Bank's investment banking subsidiary. It offers a complete range of investment banking and financial consultancy services which include (i) the underwriting of equity, quasi-equity and debt securities on a firm or best efforts basis for private placement or public distribution; (ii) the syndication of foreign currency or peso loans; and (iii) financial advisory services.

RCBC Securities, Inc. (RCBC Securities), a wholly-owned subsidiary of RCBC Capital, is engaged in the electronic and traditional trading of listed securities and in providing corporate and market research. ***RCBC Bankard Services Corporation (RCBC Bankard)***, a wholly-owned subsidiary of RCBC Capital is engaged in providing services to the credit card business of the Bank.

RCBC Savings Bank, Inc. (RSB), a wholly-owned subsidiary of the Bank, was established in 1996 as the Bank's consumer banking arm. RSB provides deposit products, real estate loans, auto loans and personal loans. As of end-December 2017, RSB had 154 business centers and 459 ATMs nationwide.

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

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

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

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

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

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

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

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

Products and Services. Through the years, RCBC has developed a wide range of financial products and services covering deposit taking, international banking services, remittance, lending, project financing and merchant banking.

In 2017, the following additional products and electronic services were introduced:

- Time Deposit
  - 5 Year Peso Time Deposit
- Checking Account
  - Dragon All-in-One Checking Account (RCBC Savings)
- Premier Banking (RCBC Savings)
  - For individuals
    - Hexagon Club - Privilege
  - For SMEs and Corporations
    - Hexagon Club Prestige
- Debit Card
  - RCBC MyDebit Mastercard

Several products and services are pipelined for launch to the public in 2018 to offer value-added features and improve product delivery and service to enhance the Bank's competitive advantage.

Listed below are the products and services of RCBC:

A. DEPOSITS

Peso Deposits

- Checking Accounts
  - Regular Checking
  - Checking Account with Interest
  - SuperValue Checking
  - eWoman Checking
  - Rizal Enterprise Checking
  - eLite Checking
  - eLite 2500 (RCBC Savings)
  - eVIP Checking
  - Dragon Checking
- Savings Accounts
  - Regular Savings
  - iSave
  - Dragon Savings
  - Super Earner Loyalty Plus

eWoman Savings
ePassbook Savings
ePassbook Premium Plus
SSS Pensioner
Payroll Savings
WISE Savings
Telemoney ATM Savings Account
Contractual Savings - Passbook-based & connected to loan availment (RMB)

Time Deposits

Regular Time Deposit
Special Time Deposit
Time Deposit 2 Year, 3 Year, 4 Year, 5 Year
Time Deposit 30 to 365 days (RCBC Savings)
Time Deposit 2 Year, 3 Year, 5 Years + 1 day (RCBC Savings)

Foreign Currency Deposits

Savings Accounts

Regular Savings
US Dollar
Japanese Yen
Euro
British Pounds
Canadian Dollar
Chinese Yuan
Enhanced Chinese Yuan SA – with tiered interest rates
Australian Dollar
Swiss Franc
Dollar Dragon Savings

Time Deposits

US Dollar
2 Year USD TD
3 Year USD TD
4 Year USD TD
5 Year USD TD
Japanese Yen
Euro Dollar
British Pounds
Canadian Dollar
Australian Dollar
Swiss Franc

B. CASH CARDS

RCBC MyWallet
RCBC Savings Bank MyWallet
RCBC MyWallet Visa
RCBC MyWallet Co-branded Cards
RCBC MyWallet Visa Prepaid Card

C. ELECTRONIC BANKING CHANNELS

Automated Teller Machines
Bills Payment Machines
RCBC Online Banking for Retail
- Internet Banking
- Mobile Banking

RCBC Online Banking for Corporate
Cash Express (MPOS)/ POS
TouchQ

D. REMITTANCE SERVICES

RCBC TeleMoney Products and Services
- RCBC TeleRemit (Cash Pick-Up)
- RCBC TeleCredit (Credit to a Bank Account)
- RCBC TeleDoor2Door (Cash Delivery)
- RCBC TelePay (International Bills Payment)
- Maritime Allotment Payment System (MAPS)

E. CREDIT CARDS

RCBC Bankard
- Black Platinum Mastercard
- Visa Infinite Card
- World Mastercard
- Fully Booked-RCBC Bankard MasterCard
- RCBC Bankard Web Shopper
- Diamond Platinum Mastercard
- UnionPay Card
- Classic and Gold Card

F. LOANS

Commercial Loans (Peso and/or Foreign Currency)
- Fleet and Floor Stock Financing
- Short-term Credit Facilities
- Term Loans
- Trade Finance
- Vendor Invoice Program

Consumer Loans
- Auto Insurance Loan
- Car Loans
- Credit Card
- Gold Cheque
- Housing Loans
- Salary Loans

Microenterprise and Small Business Loans
- PITAKA ME Loan
- PITAKA ME PLUS Loan
- PITAKA Revolving Credit Line Facility
- Flexi Term Loan

Flexi Revolving Credit Line Facility

Agricultural Value Chain Financing

Agri-Finance Term Loan
Agri-Finance Revolving Credit Line Facility

Special Lending Facilities

DBP Wholesale Lending Facilities
Land Bank Wholesale Lending Facilities
SSS Wholesale Lending Facilities
BSP Rediscounting Facility
Guaranty Facilities

Small Business Guarantee and Finance Corporation (SBGFC)
Philippine Export-Import Credit Agency (PhilEXIM)
Home Guaranty Corporation (HGC)

G. PAYMENT AND SETTLEMENT SERVICES

Check Clearing
Domestic Letters of Credit
Fund Transfers

Collection Services
Cash Card
Checkwriting Services
Demand Drafts (Peso and Dollar)
Gift Checks
Manager's Checks
Payroll Services
Telegraphic Transfers
Traveler's Checks

International Trade Settlements

Import/Export Letters of Credit
Documents Against Payment/Acceptance
Open Account Arrangements

Overseas Workers Remittances
Securities Settlement
Collection and Receivables Services

BancNet On-Line
BancNet Direct Bills Payment
BancNet Point of Sale System

H. TREASURY AND GLOBAL MARKETS

Foreign Exchange

Foreign Exchange Spot
Foreign Exchange Forwards
Foreign Exchange Swaps

Fixed Income

Peso Denominated Government Securities and other Debt Instruments

Treasury Bills
Fixed Rate Treasury Notes (FXTNS)

Retail Treasury Bonds (RTB)
Local Government Units Bonds (LGUs)
Quasi-Sovereign Bonds or Government-Owned and Controlled Corporate Bonds
Short and Long Term Commercial Papers (STCPs/LTCPs)
Global Peso Notes (GPNs)
Corporate Bonds
Foreign Currency Denominated Bonds
Republic of the Philippines (RoP) Bonds
United States Treasury Bills, Notes and Bonds
Other Sovereign or Quasi-Sovereign Bonds or Government-Owned and Controlled Corporate Bonds
Corporate Bonds and other Debt Instruments

Derivatives
Interest Rate Swaps
Cross Currency Swaps
Asset Swaps

Advisory Services

I. TRUST SERVICES

Trusteeship
Retirement Fund Management
Corporate and Institutional Trust
Pre-Need Trust Fund Management
Customized Employee Savings Plan
Employee Savings Plan
Personal Management Trust
Estate Planning
Mortgage/Collateral Trust
Bond Trusteeship
Legislated and Quasi-judicial Trust
Project Accounts Trusteeship

Agency
Safekeeping
Escrow
Investment Management
Loan and Paying Agency
Bond Registry and Paying Agency
Facility Agency
Receiving Agency
Sinking Fund Management
Stock Transfer and Dividend Paying Agency

Unit Investment Trust Funds
Rizal Peso Money Market Fund
Rizal Peso Cash Management Fund
Rizal Peso Bond
Rizal Balanced Fund
Rizal Equity Fund
Rizal Dollar Money Market Fund
Rizal Dollar Bond Fund
Rizal Global Equity Feeder Fund (Up to March 28, 2018)

J. CORPORATE CASH MANAGEMENT

Collection and Receivables Services

Bills Collection Channels
Auto Debit Agreement (ADA)
Deposit Pick-up
Bills Payment Machine
PDC Warehousing

Channels

Over the Counter (OTC)
Automated Teller Machine (ATM)
Internet – RCBC Online Corporate (ROC)
Mobile

Disbursements

ROC Managers & Corporate Checks
Employee Payments Service (Payroll Services)
Auto Credit Arrangement (ACA)

Government Payment

Payment Gateway

Third Party Services

Collection and Receivables Services
Bancnet eGov - SSS/PAg-Ibig/Philhealth

K. INVESTMENT BANKING

Underwriting of Debt and Equity Securities for distribution via Public Offering or Private Placement:

Common and Preferred Stock
Convertible Preferred Stock and Bonds
Long- and Short-Term Commercial Papers and Corporate Notes
Corporate and Local Government Bonds

Arranging/Packaging of:

Syndicated Loans (Peso and Dollar)
Joint Ventures
Project Finance

Financial Advisory and Consultancy
Mergers and Acquisitions

L. ANCILLARY SERVICES

Day & Night Depository Services
Deposit Pick-up and Delivery
Foreign Currency Conversions
Foreign Trade Information
Research (Economic and Investment)
Wealth Management
Safety Deposit Box

Contribution to Income. The relative contribution of principal products or services to gross revenues is as follows: *(amounts in millions)*

Product/ Services	2017		2016*		2015	
	in Php-MM	%	in Php-MM	%	in Php-MM	%
Interest Income	**25,118**	**78.0%**	**23,137**	**76.5%**	**21,520**	**76.4%**
Loans and receivables	21,956	68.1%	19,442	64.3%	17,462	62.0%
Investment Securities	2,784	8.6%	3,269	10.8%	3,880	13.8%
Others	378	1.2%	426	1.4%	178	0.6%
Other Income	**7,100**	**22.0%**	**7,114**	**23.5%**	**6,655**	**23.6%**
Service fees and commission	3,138	9.7%	3,196	10.6%	3,473	12.3%
Trading and securities gains-net	900	2.8%	1,619	5.4%	1,327	4.7%
Trust Services	279	0.9%	294	1.0%	286	1.0%
Other Treasury &/ or ancillary services	2,783	8.6%	2,005	6.6%	1,569	5.6%
TOTAL	**32,218**	**100.0%**	**30,251**	**100.0%**	**28,175**	**100.0%**

*Restated

The three (3) foreign subsidiaries - RCBC International Finance Limited (Hong Kong), RCBC North America, Inc. (USA) and RCBC Telemoney Europe (Italy) - accounted for 0.04%, 0.12% and 0.65% of gross revenues for the years 2017, 2016 and 2015, respectively.

Competition. The Bank faces competition from both domestic and foreign banks as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks have been granted licenses to operate in the Philippines. These foreign banks have focused their operations on large corporations and selected consumer finance products, such as credit cards. They have increased competition in the corporate market and caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. Mergers, acquisitions, and closures reduced the number of players in the industry from a high of 50 upon the liberalization of rules on the entry of foreign banks to twenty (20) universal and commercial banks. With the inclusion of 23 foreign banks, this brings the total to 43 in 2017.

Competition in corporate banking is intense especially with the larger banks. Pricing of loans and yield of deposit and investment products are factors limiting the expansion in this area. As such, the focus has been diverted to SMEs, cash management services, and micro-financing for the expansion of the Bank's client-base, loan portfolio and revenues. The Bank has also continued its emphasis on product and service improvement through investment in technology and systems.

Customers. The Bank's key market segments are consumer, top corporate and middle market to whom it offers consumer, commercial and corporate loans and asset and cash management services. These services are provided through its branch network, ATMs and electronic delivery channels (internet and mobile banking).

To better serve the needs of its clients, the Bank has segmented its market to the following:

a) *Corporate/Institutional Market*

The National Corporate Banking Group (NCBG) manages the banking requirements of top-tier corporations. Under the Group are specialized segments that implement marketing and account management strategies to the specific business sectors it serves.

- The Local Corporate Banking Segment manages relationships with large domestic corporations covering industries such as power, real estate, telecommunications, mining, and transportation, among others. The group actively participates in various infrastructure developments involving project finance and loan syndication.

- The Chinese Banking Segments cater to the banking needs of all traditional Filipino-Chinese mainly located in the Downtown / Uptown Chinatown Area. Clients would include small, mid-sized and large accounts. Our 2 Chinese Segments operate out of the traditional Chinese hubs in Binondo and Kalookan.

- The Emerging Corporates Segment focuses on large middle market accounts within Metro Manila often referred as the "Next 500 Corporations". These are mostly family corporations that have grown over the years and are ready to move into the next stage of their business cycle.

The Conglomerates & Global Corporate Banking Group (C&GCBG) manages the unique and complex requirements of Conglomerates, Multinationals and Ecozone-based companies.

- The Conglomerates & Strategic Corporates Segment manages Conglomerates and corporations that are deemed to result in a mutually strategic relationship.

- The Global Ecozone Segment manages all Japanese and Korean accounts within and outside the Ecozones as well as other multinationals operating within the Economic Zone Areas. In 2012, a partnership with Resona Bank of Japan, the fourth largest bank in Japan, was forged to provide assistance and support to Resona's clients planning to invest as well as those already operating in the Philippines. A Memorandum of Understanding with Philippine Economic Zone Authority was entered to further promote foreign direct investments and foster business partnerships between Filipino and Japanese companies in 2013.

b) _SMEs/Commercial Middle Market_

The Commercial and SME Banking Segment (CSME) caters to the financial needs of the country's small businesses or the SMEs and the Commercial Middle Market segments. CSME's SME Banking provide a holistic approach serving both the financial (e.g. loans, deposits, investments, insurance, etc.) and non-financial needs (e.g. networking, financial literacy trainings, etc.) of client to help them grow their business. Clients are the entrepreneurs located in different parts of the country and spread in various industry sectors such as manufacturing, wholesale & retail trade, construction, hotels, agriculture, and healthcare, among others.

As part of its initiative to broaden market coverage, CSME focused on the provincial sector where growth opportunities abound but remained relatively untapped. It embarked on initiatives that provide financial inclusion and stability to Filipino entrepreneurs especially those with limited access to capital. With CSME's 27 lending centers and satellite offices, these entrepreneurs were given access points in strategic locations throughout the various regions in the country.

c) *Consumer/Retail Market*

RCBC offers a suite of products and services to the Consumer / Retail Market across its distribution network. Aside from a range of deposit variants that best suit the client's profile and needs, products from Treasury, UITF, Bancassurance (both life and non-life), credit card and consumer loans are made available and easily accessible. Retail lending facilities geared towards sole proprietors and small businesses are available as well for additional business capital requirement. The Bank continues to broaden its reach by increasing its branch & ATM networks in strategic growth areas plus the strong thrust to promote its digital channels like online pre-staging of account application and financial transaction in RCBC Touch Q (RCBC's Smart Queuing System), Website, Facebook and Retail Online Banking (Internet and Mobile).

RCBC Savings Bank

RSB, a wholly-owned subsidiary, was established as the consumer banking arm of RCBC to cater to retail clients. RSB offers its customers a wide range of deposit, loan, treasury and trust products, and auxiliary services (deposit pick-up, bills payment and others). RSB's primary mandate is the generation of consumer loans such as auto, housing, personal and salary loans for the Group.

RCBC Bankard

Credit card industry key player RCBC Bankard had another flourishing year in 2017. Spurred by aggressive top-of-wallet usage campaigns geared towards addressing the needs of specific customer segments, RCBC Bankard surpassed the growth in its key target areas vis-à-vis 2016 performance resulting to the following: (a) 8.95% increase in card base from 531,846 to 579,469, (b) 22.98% Increase in Issuing Billings from Php31.82 Billion to Php39.13 Billion (c) 19.22% increase in volume acquired, from Php17.26 Billion to Php20.58 Billion and (d) 30.06% increase in Net Credit Card Receivable Outstanding from Php12.20 Billion to Php15.87 Billion.

RCBC Bankard also persisted in its effort to enhance credit card security through the implementation of a One-Time Password (OTP) for online transactions while encouraging the use of EMV chip-enabled cards for POS-based purchases.

The year also saw the successful relaunch of RCBC Bankard's rebranding campaign in solidarity with the Bank's efforts. New card designs were developed and the tagline "We Believe in You" was carried in its communication materials.

To align with its mission of fulfilling its role as a responsible corporate citizen through active involvement in nation-building and humanitarian causes, it re-launched the RCBC Bankard Diamond Card with Gawad Kalinga's Kusina ng Kalinga (KnK) as the beneficiary of the Diamond Cares Program. Through the Program, every Php100 charged to the card generated a donation of Php0.20. Total donations turned over to KnK reached Php2,505,471. This donation is estimated to feed more than 750 public school children for the entire year.

RCBC Bankard capped the year with seven international awards including: (1) Best Loan Offering, (2) Best Card Offering, (3) Best Card Design, (4) Best Card Offering, (5) Best

Loyalty and Rewards Program, (6) Best Credit Card Offering Philippines, and (7) Best Bank Branding Refresh 2017.

Rizal Microbank

Rizal MicroBank is the thrift banking arm of RCBC that is focused on providing a suite of financial products and services to the "bottom of the pyramid", specifically the highly entrepreneurial segment of the microenterprise sector. Over 90% of households still remain unbanked and under-served, thus, providing Rizal MicroBank with a huge potential market for its microfinance services. In addition to its focus on the microenterprise segment, Rizal Microbank has been providing since 2013 business loan products intended for the sub-small enterprise segment or the so-called "missing middle" – comprise of small entrepreneurs whose loan requirements put them above microfinance and yet whose financing requirements are still below the lending floor of small & medium enterprise loans. In 2015, Rizal Microbank introduced an agricultural loan using the value chain finance framework/approach in cooperation with the International Finance Corp. (IFC). The agricultural loan product seeks to provide financing to agricultural value chain players such as traders, consolidators, aggregators, processors who are responsible in making something out of the produce of farmers and bringing them into their final market here in the Philippines and abroad. In addition, the foray into agricultural lending through the value chain framework/approach aims to provide the bank deeper insights into the agriculture sector and allow it to design and offer financial products and services specifically tailored fit to farmers engaged in production. The last initiative is something that RCBC and Rizal MicroBank are seriously studying in the light of the fact that most of those unbanked and underserved are found in the rural and farming areas of the country.

d) *Overseas Filipino Workers*

The steady number of Filipinos working and/or living abroad is a huge market. Given that, the Bank reaches out and offers a range of automated remittance services that are convenient and reliable to this wide network of Global Filipinos, both land-based and sea-based. The remittance arm of the bank caters not just to retail but to corporate clients as well. These include shipping and manning companies that provide payroll services to their employees, consequently utilizing the remittance service every payday. The bank also caters to their beneficiaries in the Philippines who receive these remittance funds.

RCBC Telemoney, the Bank's remittance brand, has been one of the stronger players in the business, spanning more than 25 years of service. With presence overseas through its own subsidiary in Hong Kong and other international tie-up partners like banks and money exchange/transfer business, it strives to capture significant market share of the remittance business by continuously providing excellent customer service. Through the years, the brand has established a strong foothold in countries like Saudi Arabia, United Arab Emirates, Qatar, Kuwait, Oman, Bahrain, Hong Kong, Japan, Greece and USA to name a few. RCBC Telemoney is present in 26 countries and remains relentless in its pursuit to expand the network of traditional and digital tie-up partners worldwide in order to offer the best service to fellow Filipinos abroad.

e) *High Net Worth Individuals Market*

RCBC Wealth Management was formally set-up in 2007 to cater to the financial and investment requirements of the high net worth individuals. A dedicated Relationship

Manager coordinates all the services needed to manage the financial matters of the high net worth client, and guides the client in making informed investment decisions, while ensuring privacy and confidentiality at all times. With a thorough understanding of the client's investment needs, performance objectives and risk tolerance, the Relationship Manager provides investment opportunities from different asset classes through an open architecture platform.

RCBC Wealth Management has offices in Makati, Binondo, Caloocan, Greenhills, Quezon Avenue, Cebu and Davao.

e) *Digital Banking*

RCBC's Digital Banking Group, being true to its commitment to create more value for the Bank's customers, continuously builds relevant and helpful solutions for its different customers using innovation and technology. In line with the Bank's objective of enabling inclusion of the underserved and unbanked, the Digital Banking Group also offers digital solutions that take the Bank's services to remote and far flung areas or to barangays where bank access is limited.

For individuals, the Digital Banking Group is focused to enable them to achieve their goals in life and helps them grow their finances- starting with educating them via social media to enabling access to investments online with appropriate financial controls and accumulation of rewards. For SMEs, the Group is focused to fast track their success and helps them acquire their own new customers and/or expedite the expansion of their network of potential partners and suppliers by integrating non-financial services. And for large corporates, the Group supports their objective to take care of their employees and partners, and opens up other avenues to help them with their financial needs.

The Digital Banking Group was created to lead the Bank's initiatives on digital innovations, to be where the Bank's customers are. The Group's primary functions include the business development, overall / end to end performance management and customer experience management of target retail consumers of all electronic banking products, channels and platforms, such as the Automated Teller Machines (ATM), Retail Internet and Mobile Banking Channels, Card Payments Solutions, Mobile Point-of-Sale (POS) systems and social network sites/messaging apps. Apart from digitalizing offerings, it manages its digital portfolio (products, channels and platforms) for the Bank with the end view of enabling other lines of businesses to design and create relevant offers to their respective target markets demonstrating holistic customer value propositions.

Transactions and/or Dependence on Related Parties. The information required is contained in item 12 on page 95.

Principal Terms and Expiration Dates of All Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held. The Bank has obtained the registration of the marks "RCBC" (word mark), "RCBC a YGC Member" and Logo, "RCBC Capital Corporation a YGC Memberand Logo", and "Rizal Microbank a Thrift Bank of RCBC and Design," "RCBC Land, Inc. a YGC Member and Logo," "RCBC Realty Corporation & Logo," and "RCBC Plaza & Device" with the Intellectual Property Office (IPO) at the Department of Trade and Industry of the Philippines. The Bank also has pending applications for the registration of the marks "RCBC" (blue hexagon on field of white), "RCBC" (white hexagon on field of blue), and "We Believe in You." The Bank believes that this is a common practice in the banking industry in the Philippines. The Bank has not been the subject of any disputes relating to its intellectual property rights.

*Effect of Existing or Probable Governmental Regulations on the Business***.** The normal operations of the Bank is not adversely affected by any existing governmental regulation nor is it expected that any probable governmental regulation would have a material adverse effect on the operations of the Bank.

Amount Spent on Research and Development Activities. The Group's total investment in IT Software is P304 million in 2017, P294 million in 2016 and P348 million in 2015. Percent (%) to total revenue is 1.21% in 2017, 1.29% in 2016 and 1.57% in 2015. This is also disclosed in Note 15 of the AFS as part of the movement of the Group's software.

*Employees***.** The Bank, excluding subsidiaries, has 1,778 non-officers from 1,740 in 2016 and 2,676 officers from 2,499 in 2016 or a total manpower of 4,454 as of December 31, 2017 compared to 4,239 last year. The increase in the number of employees was mostly a result of the expansion in the Bank's branch network. Although not all non-officer employees are members of the RCBC Employees Association, all are covered by the Collective Bargaining Agreement (CBA). CBA covered period is from 2016 – 2021. Projected full year 2018 headcount is 4,675. All of the Bank's non-managerial employees, other than those expressly excluded under the collective bargaining agreement, are represented by an independent union, the RCBC Employees Association. In December 2016, the Bank (not including its subsidiaries) and the RCBC Employees Association agreed on the 3-year economic provisions and the 5-year non-economic terms of the collective bargaining agreement for the period 01 October 2016 to 30 September 2021.

The parent bank has not suffered any strikes nor was there any threat of a strike as a result of a dispute in the past five years, and the management believes that its relationship with its employees and the union is good.

The supplemental benefits that the Bank has for its associates include hospitalization, medical and dental benefits, group insurance and bereavement assistance. Associates are also entitled to vacation and sick leaves.

The Bank continues to invest in its employees through various training programs strategically focused on customer service, sales planning and management, product knowledge, leadership, risk management, and technical skills.

Risk Management. The Bank is exposed to risks that are inherent to its lending and trading businesses and the environment in which it operates. The Bank's goal in risk management is to ensure that it understands, measures and monitors the various risks that arise from its business activities, and that it adheres strictly to the policies and procedures which are established to address these risks.

The Bank's Board of Directors (BOD) ultimately takes accountability for all the risks taken, the tolerance for these risks, and the manner by which these same risks are managed. In the interest of promoting efficient corporate governance, however, the BOD has created committees to perform oversight responsibilities. Five committees of the BOD are relevant in this context:

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

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

- **Anti-Money Laundering Board Committee** – The Anti-Money Laundering Board Committee which meets monthly and as necessary, 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 compliance management is adequate.

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

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

Four senior management committees also 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 including the President of RSB, meets weekly to appraise market trends and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk and trading and investment portfolio decisions. It sets prices/rates for various asset and liability and trading products in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, provides guidance on the handling of the relevant risk exposure in between ROC meetings.

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

- The **Anti-Money Laundering 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.

Capital Adequacy Management. In addition to the risk management systems and controls, the Group holds capital commensurate with the level of risks it undertakes in accordance with minimum regulatory capital requirements. This interaction of risk and capital management is best expressed in the Bank's framework for its ICAAP, which is a continuous evaluation of capital adequacy versus the current and prospective risk profile of the Group.

Major Risks Involved

a) **Credit Risk** – risk that the borrower, issuer or counterparty in a transaction may default and cause a potential loss to the Bank. The Bank is exposed to credit risk as trading counterparty to dealers and customers, as direct lender and as a holder of securities. Categories of credit risk include contingent credit risk (risk that potential counterparty or customer obligations become actual and will not be repaid on time), country risk (risk that actions of sovereign governments or other uncontrollable events will adversely affect the ability of counterparties or customers to fulfill obligations to the Bank), underwriting risk (risk that an issue will lose value after launching but before trading in the secondary markets), and custody risk (risk that arises when the Bank has assets in the form of securities entrusted to a third party as a custodian).

   The Bank's overall goal of credit risk management is to maximize its rate of return by maintaining credit risk exposure within approved parameters. The Bank's credit policies are established by the Risk Oversight Committee and are set out in the Bank's Credit Policy Manual.

b) **Market Risk** – risk resulting from adverse movements in the level of or volatility of market rates or prices or commodity/equity prices which will affect the Bank's financial condition. The primary determinant of market risk is the volatility of the relevant market for a business line. The market risks of the Bank are: (a) foreign exchange rates, (b) interest rates, (c) equity prices and (d) commodity prices.

   To manage market risks inherent in the Bank's portfolio, three related measures of risk values are estimated or established:

   - The sensitivity of the position or portfolio to a movement in the market risk factor to which it is exposed;
   - The volatility of the position (the maximum expected movement in the market risk factor for a given time horizon at a specified level of confidence); and
   - The value-at-risk (the likely impact on earnings for a given time horizon due to expected movements in the market factors).

c) **Foreign Currency Risk** – The BSP has numerous regulations related to foreign currency management. The Bank complies with all of these, including limits on foreign currency exposures, liquidity reserves and types of currencies allowed for trading.

The Bank's risk measurement system incorporates risk factors for each different foreign currency. Foreign exchange positions are generally classified as trading positions and are marked-to-market at least daily. Foreign exchange forwards are classified at inception as either "trading" (outright open positions without an offsetting foreign exchange contract) or "hedging" (positions with an offsetting foreign exchange contract, generally part of a foreign exchange swap transaction).

d) **Interest Rate Risk** – The Bank follows a policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. The Bank's risk measurement system addresses different risk factors of different categories of instruments within each currency where the Bank holds interest rate sensitive positions.

ALCO meets at least weekly to set rates for various asset and liability and trading products. In pricing interest rates, foreign exchange and fee-based products, ALCO considers funding costs, market conditions, transaction volumes, and competitors' rates, among others.

The interest rate sensitive instruments of the Bank's trading and investment portfolio are covered by a system of loss limit and Management Action Trigger ("MAT") controls which quantify management's tolerance for losses on year to date and month to date cumulative loss. In addition, value-at-risk ("VaR") is computed per product group to determine potential loss.

The Bank employs "gap analysis" to measure the interest rate sensitivity of its assets and liabilities. The asset/liability gap analysis measures, for any given period, any mismatch between the amounts of interest-earning assets and interest-bearing liabilities which would mature, or would be subject to re-pricing, during that period.

e) **Liquidity Risk** – risk that there are insufficient funds available to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments, due to: (a) the inability to liquidate assets or obtain adequate funding and (b) the inability to easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions.

The Bank'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 demand or upon maturity. The main sources of the Bank's funding are capital, core deposits from retail and commercial clients and wholesale deposits. The Bank also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. The Bank's liquidity policies and procedures are set out in its Funding and Liquidity Plan. At least once annually, the Bank's Treasurer presents a business plan containing a request for liquidity limits to ALCO for final approval and ratification by the Board of Directors. The funding plan effectively serves as a projected funding requirement based on assumptions from the forecasted balance sheet.

To ensure that the Bank has sufficient liquidity at all times, the Bank's Treasury formulates a contingency plan using extreme scenarios of adverse liquidity and evaluates the Bank's ability to withstand these prolonged scenarios. The contingency plan focuses on the Bank's strategy for coordinating managerial action during a crisis and includes procedures for making up cash-flow shortfalls in adverse situations. The plan details the amounts of funds available and the scenarios under which it could use them.

f) **Operational Risk** – risk arising from the potential that inadequate information systems, operations or transactional problems (related to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected loss. Operational risk includes the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risk issues and systems not performing adequately.

   The Bank maintains departmental operations manuals that are periodically updated. The Bank has also developed a Business Continuity Plan, based on several crisis severity levels, which is tested at least annually and updated for any major changes in systems procedures. A complaints log, which is reviewed by management, exists for each business area for logging, monitoring and follow-up on customer complaints.

   To ensure that critical transactions are properly handled, the work of one person is verified by another. Items of value are under joint custody

   The Bank places emphasis on the security of its computer system and has a comprehensive IT security policy. The Bank designates a security administrator independent of the front office who is responsible for maintaining strict control over user access privileges to the Bank's information systems. The Bank's IT Shared Services Group has a Disaster Recovery Plan to ensure business continuity, recovery of critical data and uninterrupted processing of transactions in the event of a disaster.

g) **Legal and Regulatory Risk** – refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the implementation of which is overseen and coordinated by the Compliance Office, is the primary control process for regulatory risk issues, including money laundering and terrorist financing risks. The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on business centers and Head Office units and reporting compliance findings to the Audit Committee and the Board of Directors. On a case-to-case basis, when the Audit Committee is not immediately available, the Compliance Officer may initially report urgent matters to the President and Chief Executive Officer, and thereafter to the Audit Committee.

h) **Reputation Risk** – refers to potential adverse impact to earnings arising from negative public opinion. While the Bank holds that everyone plays a part in the management of its good name, it has nevertheless tasked a specific body – the Public Relations Committee (PR Comm) – to execute strategies towards the management of its reputation. The PR Comm has the following for its major objectives:

   - To serve as venue for surfacing and managing issues that affect, or tend to affect the public's perception principally of the Bank, and by extension, the members of the Yuchengco Group of Companies (YGC);

   - To design, recommend and, once approved, implement public relation strategies and/or campaigns that are designed to enhance the Bank'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 Bank's image arising from subsisting negative public information.

(See accompanying Notes to FS for a detailed discussion of Risk Management.)

Item 2. Properties

RCBC's headquarters is located on an island site at the corner of Ayala Avenue and Sen. Gil Puyat Avenue Ext. called the RCBC Plaza Building. The RCBC Plaza Building is one of the largest sites in the Makati Central Business District. The Bank and some of its subsidiaries lease and occupy about eleven and a half (11.5) floors of the twin tower complex. The Bank's lease, covering an area of 19,649.04 square meters, expired on December 31, 2015. The agreement was renewed for another five years until December 31, 2020. Annual rent of Bank's principal offices, exclusive of VAT, amounts to P249 million.

RSB Corporate Center, a property owned by the Bank, serves as the main headquarters of RSB which is the largest subsidiary of the Bank. It is located at the 25th and 26th Streets, Bonifacio Global City, Taguig City. The Bank and RSB occupy about thirteen and a half (13.5) floors or 18,848.14 square meters of the 33-storey building.

The Group's rental expense based on the lease contracts amounted to P1,100 million in 2017. The lease periods are from 1 to 25 years. Most of the lease contracts contain renewal options, which give the Parent Company and its subsidiaries the right to extend the lease on terms mutually agreed upon by both parties.

The Bank owns and/or leases sites as listed below and on the following pages:

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
A. RCBC OWNED PREMISES		
METRO MANILA AREA		
Alabang	Alabang-Zapote Road, Alabang, Muntinlupa City	1,955.00
Alabang (Toyota)	Alabang-Zapote Road, Las Piñas City	7,056.00
Baclaran	Taft Avenue Extension, Baclaran, Parañaque	219.00
BANKARD – Robinson's EPCI Tower	Robinson's Equitable-PCI Tower, #4 ADB Ave. cor. Poveda St., Ortigas Center, Pasig City.	3,531.00
BF Homes	Ground Floor, Centermall Building (Matrix Center), Presidents Avenue, BF Homes, Parañaque City	299.00
Binondo	Q. Paredes St., Binondo, Manila	2,149.66
Caloocan	No.259 Rizal Avenue, Caloocan City	1,300.00
Carlos Palanca	Ground Floor, BSA Suites, C. Palanca Street, Legaspi Village, Makati City	142.80
Commonwealth	Commonwealth Avenue, Old Balara, Quezon City	470.00
Connecticut	No. 51 Connecticut Street, Northeast Greenhills, San Juan City	1,003.00
Divisoria	Mezzanine, New Divisoria Condominium Center, Sta. Elena, Divisoria, Manila	449.60
Greenbelt	Ground Floor, BSA Tower, Legaspi Street, Legaspi Village, Makati City	173.80

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Greenhills	Grace Building, Ortigas Ave., Greenhills, San Juan, MM	108.69
J. P. Rizal	J. P. Rizal Street, Makati City	198.75
Kapitolyo	Shaw Boulevard, Kapitolyo, Pasig City	311.00
Katipunan	Torres Building, Katipunan, Loyola Heights, Quezon City	234.00
Legaspi Village	ACCRA Bldg., Gamboa cor. Salcedo Sts., Legaspi Village, Makati City	522.00
Legaspi Village (Cristina Condo)	Cristina Condominium, Legaspi cor. Herrera, Legaspi Village, Makati City	120.00
Metallim Compound	No. 95 T. Arguelles (formerly Brixton St.), Brgy. Imelda, Quezon City	2,421.70
Ortigas Center	Malayan Tower, ADB Avenue, Ortigas Center, Pasig City	272.95
Pacific Place	Ground Floor, Pacific Place Building, Pearl Drive, Ortigas Center, Pasig City	1,219.59
Quezon Avenue	Quezon Avenue, Quezon City	1,427.70
Rockwell	Phinma Plaza, Hidalgo Street, Rockwell Center, Makati City	259.00
RSBCC (BGC - The Fort)	Bonifacio South Big Delta, Fort Bonifacio, Taguig City	3,150.00
Salcedo	Le' Metropole Building, Sen. Gil Puyat Avenue corner Tordesillas and H.V. Dela Costa Streets, Salcedo Village, Makati City	192.04
Salcedo Village	Ground Floor, Y Tower II Building, Leviste (Alfaro) corner Gallardo Streets, Salcedo Village, Makati City	230.09
Sangandaan	Sangandaan, A. Mabini cor. Plaridel, Caloocan City	323.00
Taft-Remedios	Taft Avenue, Manila	295.10
Tektite	East Tower, PSE Center, Exchange Road, Pasig City	311.00
Timog	Timog Avenue, Barangay Laging Handa, Quezon City	690.00

LUZON AREA		
LOCATION/BC NAME	**BUSINESS ADDRESS**	**AREA (in sqm)**
Angeles	Sto. Rosario Street corner Theresa Avenue, Barangay Sto. Rosario, Angeles City	600.00
Angono	Quezon Avenue, Angono, Rizal	1,074.00
Apalit	National Road, San Vicente, Apalit, Pampanga	1,250.00
Bacoor	Lot 1, Pcs-042103-007035, Aguinaldo Hi-way cor. Road Lot 3, Brgy. Habay, Bacoor, Cavite	268.00
Bacoor	Unit 101-103, Aguinaldo Hi-way, Bacoor, Cavite	339.00
Baguio	Session Road, Baguio City	474.54
Balibago	McArthur Highway, Barangay Balibago, Angeles City	331.00
Batac	Marcos Highway, Batac, Ilocos Norte	378.08
Brystol Textile INC	Maguyam Road, Brgy. Maguyam Silang, Cavite	27,192.00
Cabanatuan	Maharlika Highway cor. Paco Roman St.Extension, Brgy. Barrera District Cabanatuan City, Nueva Ecija	1,203.00
Calamba	Provincial Road corner Cadena De Amor Street, Dolor Subdivision, Barangay 1, Poblacion, Calamba City, Laguna	815.00
Carmen	McArthur Highway, Carmen, Rosales, Pangasinan	720.00
Dasmarinas (FCIE-Cavite)	FCIE Compound, National Highway, Barangay Langkaan, Dasmariñas, Cavite	265.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Gateway	Gateway Industrial Park, Brgy. Javalera, General Trias, Cavite	787.00
La Union	Quezon cor. P. Burgos, San Fernando, La Union	442.00
Lima	Hotel Drive corner Business Loop, Lima Technology (Business) Center, (Lima Square), Barangay Santiago, Malvar, Batangas	1,524.00
Palawan	San Miguel St., Puerto Princesa, Palawan	1,526.00
San Mateo	Gen. Luna St., Brgy.Gitnang Bayan II, San Mateo, Rizal	307.00
Sta. Cruz	A. Regidor corner P. Burgos, Sta. Cruz, Laguna	131.00
Tobaco	Ziga Avenue, Tabaco, Albay	316.00
Taytay Extension Office	Rizal avenue, Cuatro Cantos, Taytay, Rizal	211.00

VISAYAS AREA		
LOCATION/BC NAME	**BUSINESS ADDRESS**	**AREA (in sqm)**
Ayala-Cebu	Lot 1 Blk 6, Along Mindanao Ave. & Siquijor Rd., Cebu Business Park, Cebu City	1,814.00
Bacolod-Libertad	Lot 390, de modecion catastral de Bacolod, Libertad Street, Bacolod City	2,547.00
Bacolod-Main	Rizal corner Locsin Streets, Bacolod City	440.00
Bacolod-Shopping	Hilado Extension Street, Capitol Shopping District, Bacolod City	1,057.00
Bayawan	National Highway, Bayawan, Negros Oriental	568.00
Cadiz	Abelarde corner Mabini Streets, Cadiz City	741.00
Escario	N. Escario Street, Cebu City	437.00
Fuente Osmena	GPL Tower, Fuente Osmena, Rotonda, Cebu City	845.27
Iloilo	J. M. Basa cor. Arsenal, Iloilo City	2,647.00
Kabankalan	Poblacion, Kabankalan City, Negros Occidental	1,000.00
Mandaue	A. Cortez Avenue, Barangay Ibabao, Mandaue City	1,664.00
P. del Rosario	P. del Rosario st., Bo. Sambag, Cebu City	298.00
Roxas City	Plaridel Street, Banquerojan, Roxas City	624.00
Sara	Don Victorino Salcedo Street, Sara, Iloilo	450.00
Silay	Rizal corner Burgos Streets, Zone1, Silay City	799.70
Tagbilaran	C.P.G. (J. P Garcia) Avenue, Tagbilaran City	633.00
Talisay	National Hi-way, Tabunok, Talisay, Cebu	679.00

MINDANAO AREA		
LOCATION/BC NAME	**BUSINESS ADDRESS**	**AREA (in sqm)**
Dadiangas	Pioneer Avenue, General Santos City	930.00
Davao-Recto	C. M. Recto and Palma Gil, Davao City	1,085.00
Digos	Rizal Avenue, Digos, Davao del Sur	300.00
Gen. Santos	Pioneer Avenue, General Santos City	443.00
Ipil	National Highway, Barangay Luiz Ruiz Sr., Poblacion, Ipil, Zamboanga del Sur	1,000.00
Isulan	National hi-way cor. Lebak Road, , Kalawag III, Isulan, Sultan Kudarat	372.00
Lapasan	C. M. Recto, Lapasan, Cagayan de Oro City	456.00
Ozamis	Don Anselmo Bernad corner A. Mabini Street, Ozamis City	202.00
Pagadian	Rizal Avenue, Pagadian City	301.00
Polomolok	Dhalia Street, Polomolok, South Cotabato	511.00
Surallah	National Highway, Surallah, South Cotabato	496.00

Tagum	Pioneer Avenue, Tagum, Davao del Norte	1,200.00
Velez	Velez Street, Cagayan de Oro City	382.00

B. RCBC OWNED PREMISES OCCUPIED BY RCBC SAVINGS BANK BUSINESS CENTERS

RSB Corporate Center, 26th Street, near corner 5th Avenue, Bonifacio South, Bonifacio Global City, Taguig City

Floor/Unit No. - Bldg. Name	Lease Area (sq.m.)
Basement 1 – Cash Center - RSB Corporate Center	625.19
Unit G01 – RSB Corporate Center	365.63
Unit G03- ATM Vestibule – RSB Corporate Center	10.21
Unit M01 - Mezzanine – RSB Corporate Center	108.28
Second Floor – Unit 207	195.61
Unit 207 – RSB Corporate Center	195.61
28th Floor – RSB Corporate Center	1,382.74
29th Floor – RSB Corporate Center	1,382.74
30th Floor – RSB Corporate Center	1,382.74
31st Floor – RSB Corporate Center	1,382.74
33rd Floor – RSB Corporate Center	888.39
92 Parking Slots	

LOCATION/BC NAME	BUSINESS ADDRESS	LEASEAREA (in sqm)
Angono	RCBC Savings Bank Angono Business Center, Quezon Avenue, Brgy. San Pedro, Angono, Rizal	139.15
Apalit	RCBC Savings Bank Apalit Business Center, National Rd. San Vicente, Apalit, Pampanga	200.00
Bacoor	RCBC Savings Bank Bacoor Business Center, Aguinaldo Hi-way, Bacoor, Cavite City	198.22
Bacoor	Units 101 & 102 RCBC Bacoor Business Center Condominium, Brgy. Salinas & Habay, Bacoor, Cavite	142.92
Cabanatuan	RCBC Savings Bank Cabanatuan Business Center, Maharlika Highway corner Paco St., Cabanatuan City	326.00
Commonwealth	RCBC Savings Bank Commonwealt Business Center, Lot 43 B3, Toyota Bldg., Commonwealth Ave., Old Balara, Quezon City	150.15
Escario	RCBC Savings Bank Escario Business Center, N. Escario St., Capitol Site, Cebu City	571.83
Escario	Unit 401 RCBC Savings Bank Escario Business Center, N. Escario St., Capitol Site, Cebu City	111.21
General Santos	RCBC Savings Bank General Santos Business Center, Pioneer Avenue, General Santos City	258.69
J. P. Rizal	RCBC Savings Bank J.P. Rizal Business Center, J.P. Rizal St. cor. Makati Ave., Poblacion, Makati City	208.02
Kapitolyo	RCBC Savings Bank Kapitolyo Business Center, 615 Shaw Blvd., Kapitolyo, Pasig City	189.80
Katipunan	RCBC Savings Bank Katipunan Business Center, Torres Bldg., Katipunan Ave., Loyola Heights, Quezon City	234.00

LOCATION/BC NAME	BUSINESS ADDRESS	LEASEAREA (in sqm)
Pacific Place	RCBC Savings Bank, Pacific Place Bldg., Pearl Drive, Ortigas Center, Pasig City	GF 476.77 sqm 2F 162.67 sqm
P. del Rosario	RCBC Savings Bank P. Del Rosario Business Center, P. Del Rosario St., Sambag, Cebu City	651.32
San Mateo	RCBC Savings Bank San Mateo Business Center, General Luna St., Gitnang Bayan, Ampid 1, San Mateo, Rizal	344.50
Sangandaan	RCBC Savings Bank Sangandaan Business Center, A. Mabini cor Plaridel St., Poblacion, Caloocan City	200.00
Taft-Remedios	RCBC Savings Bank Taft-Remedios Business Center, No. 1932 Taft Avenue, Malate, Manila	207.00
Talisay	RCBC Savings Bank Talisay Business Center, South Road, Bulacao, Talisay City, Cebu	180.67
Velez	RCBC Savings Bank Velez Business Center, Velez St., Cagayan de Oro City, Misamis Oriental	164.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
C. RCBC SAVINGS BANK OWNED PREMISES		
Anonas	69 Anonas cor Chico St. Project 2, Quezon City	187.50
Antipolo-Taytay Junction	Palmera Hills 300, Ortigas Ext. Dolores, Antipolo Rizal	650.00
Betterliving	Dona Soledad St. Betterliving Bicutan, Paranaque	479.00
Binakayan	Aguinaldo H-way, Binakayan Kawit, Cavite	197.00
Binan	126 A. Bonifacio St. Poblacion Binan Laguna	286.00
Binangonan	M.L. Quezon St. cor Zamora St. Binangonan Rizal	200.00
Blumentritt	Blumentritt cor. Andrade St. Sta Cruz Manila	210.00
Bocaue	249 Binang 2 Mc Arthur H-way Bocaue, Bulacan	250.00
Bolton	Bolton St. Davao City	300.00
Cabuyao	J.P. Rizal cor. Del Pilar St. Cabuyao, Laguna	248.00
Calamba	National Road, Calamba Laguna	300.00
Camarin	Susano Road, Camarin novaliches Quezon City	559.00
Dasmarinas	Aguinaldo H-way, Dasmarinas Cavite	264.00
Dumaguete	Real St. cor. San Juan St. Dumaguete City	211.00
E. Rodriguez	444 E. Rodriguez Sr. Blvd. Cor. Jacinto St. Quezon City	279.00
Felix Avenue	Karangalan Village, Phase II, Felix Avenue, Cainta Rizal	221.19
GMA	Block 2, lot 10 GMA, Cavite	204.00
Imus	Nuevo Tansang Luma, Imus Cavite	400.00
Jalandoni	Jalandoni St. San Agustin Iloilo City	256.00
La Paz	Luna st., la Paz, Iloilo City	339.00
Lacson	Lacson St., Mandalagan, Bacolod City	628.50
Lagro	Km 22 Quirino H-way Lagro, Novaliches Quezon City	280.00
Lucena	Lot 2983 Quezon Ave. Lucena City	214.00
Malolos	Paseo del Congreso, Malolos Bulacan	304.00
Mandaue	Mandaue Cebu City	254.00
Marulas	Mc Arthur H-way , Marulas Valenzuela Metro Manila	200.00
Masinag	Sumulong H-way, Masinag Antipolo Rizal	238.00
Meycauayan	831 Mc Arthur H-way, Meycauayan, Bulacan	215.00
Montalban	Jose Rizal cor. Linco St. Montalban Rizal	447.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Muntinlupa	National H-way, Muntinlupa City	227.00
Naic	Capt. Nazareno St. Naic, Cavite	337.00
Navotas	Estrella cor. Yangco St. Navotas East, Metro Manila	220.00
Novaliches	917 Bo. Gulod.,Quirino Highway	263.00
Noveleta	Poblacion Noveleta, Cavite	300.00
Ortigas Ext.	Ortigas Avenue, Ext. Pasig City	241.00
P. Tuazon	P. Tuazon cor. 12th Ave. Cubao Quezon City	355.00
Padre Rada	649 Pade Rada St. Tondo, Manila	400.00
Pateros	M. Almeda St. Bo. San Roque, Pateros Metro Manila	300.00
Plaridel	Cagayan Valley Road, Banga 1, Plaridel Bulacan	670.00
RSB Corporate Center	G/F RCBC Savings Bank Corporate Center , 25th and 26th Sts. Bonifacio Global City, Taguig	364.15
San Joaquin	Concepcion St. San Joaquin, Pasig City	159.00
San Roque	J.P. Rizal St. San Roque Marikina City	400.00
Sta. Mesa	4463 Old Sta. Mesa Manila	214.00
Sta. Rosa	J. Rizal Blvd. Cor. Perlas Village, Brgy. Tagapo Sta. Rosa,Laguna	480.00
T. Morato	169 Tomas Morato cor. Sct. Castor, Quezon City	175.00
Tagbilaran	C.P. Garcia cor. H. Grupo Sts., Tagbilaran Bohol	300.00
Tarlac	Mc Arthur Highway, Blossomville Subd., Brgy. Sto Cristo, Tarlac City	554.00
Visayas Ave.	6 Visayas Ave. Tandang Sora, Quezon City	300.00

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
D. RCBC LEASED PREMISES				
METRO MANILA AREA				
168 Mall	Unit 4H-01 4th Floor, 168 Shopping Mall, Sta. Elena St., Binondo, Manila	147,745.64	1-Jan-16	31-Dec-20
A. Mabini	1353 Tesoro Bldg. A. Mabini St. Ermita Manila	249,947.78	15-Oct-14	14-Oct-19
Abad Santos	1628 Jose Abad Santos Avenue, Tondo, Manila	202,230.00	1-May-17	30-Apr-27
Acropolis	191 Triquetra Bldg., E. Rodriguez Jr. ave., Bagumbayan, Quezon City	222,958.58	1-Jun-15	31-May-20
Acropolis Extension Office	Unit G8A-B, G/F MDC 100 Building, No. 188 E. Rodriquez Jr. Avenue cor. Eastwood Avenue, Barrio Bagumbayan, Quezon City	118,422.86	2-Dec-15	2-Dec-20
ADB Avenue-Garnet	Unit 110 AIC Burgundy Empire Tower ADB Ave. corner Garnet Road, Ortigas Center, Pasig City	295,576.80	1-May-17	30-Apr-22
Adriatico	Hostel 1632 G/F Unit No. 1632 M. Adriatico St. Malate, City of Manila	256,800.00	1-May-17	14-May-27

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Aguirre-Bf Homes	G/F Fitness & Beauty Mall Bldg., 290 Aguirre Avenue. Cor. Gov. Santos St., BF Homes, Paranaque City	154,080.00	1-Jan-17	1-Jan-22
Alabang -Filinvest Corporate City	Units G04 & G05 Vivere Hotel 5102 Bridgeway Ave., Filinvest Corporate City, Alabang, Muntinlupa City	140,482.44	21-Oct-15	21-Oct-20
Alabang Madrigal Business Park	Unit 5 and 6, Ground Floor CTP Alpha Bldg., Investment Drive, Madrigal Business Park, Ayala Alabang, Muntinlupa City	202,460.16	15-Sep-15	14-Sep-25
Amang Rodriguez	1249 A. Rodriguez Ave., Dela Paz, Pasig City	55,000.00	1-Jul-17	30-Jun-27
Amoranto	Units 1-F and 1-G Edificio Enriqueta 422 N.S. Amoranto St., cor. D. Tuason Ave. Quezon City	124,120.00	1-Mar-17	28-Feb-27
Aurora Blvd-Madison	Madison 101, Aurora Blvd cor. Madison St., Quezon City	241,479.47	1-Dec-15	30-Nov-25
Ayala	Unit 709 & 710 Tower I Ayala Triangle Ayala, Makati City	224,579.84	1-Oct-15	30-Sep-18
Annapolis-Greenhills	G/F Platinum 2000, No. 7 Annapolis St.,San Juan, Metro Manila	84,782.25	1-Sep-15	31-Aug-20
Araneta Center	G/F Unit 111 Sampaguita Theatre Bldg., Gen. Araneta & Gen.Roxas Sts., Cubao, Quezon City	396,004.00	1-Mar-09	28-Feb-19
Arnaiz	843 G/F B & P Realty Inc. Building, Arnaiz Ave., Legaspi Village, Makati City	125,534.96	1-Dec-11	30-Nov-21
Arranque	1001 Orient Star Bldg. cor. Masangkay and Soler Sts., Sta. Cruz, Manila	278,200.00	15-May-17	14-May-27
Banawe	Unit I-K, CTK Bldg. 385 Banawe cor. N.Roxas Sts. Quezon City	212,153.92	16-Feb-15	15-Feb-20
Bayani Road	30B Bayani Road AFPOVAI Subdivision, Fort Bonifacio, Taguig City	150,287.86	1-Sep-12	31-Aug-22
Bel Air	Unit 101 Dona Consolacion Bldg., 122 Jupiter St., Bel-Air, Makati City	128,529.84	1-Oct-16	30-Sep-21
Better Living	#14 Doña Soledad Ave., Better living Subd., Brgy. Don Bosco Parañaque City	114,659.75	15-Sep-13	14-Sep-18
Boni Ave.	617 Boni Ave. Mandaluyong City	246,446.94	1-May-17	30-Apr-21
Boni San Rafael	503 Boni Ave cor. San Rafael, Mandaluyong City	132,412.50	1-Sep-16	31-Aug-26
Buendia	Grepalife Bldg. 221 Sen. Gil J. Puyat Ave., Makati City	312,648.00	1-Jan-17	31-Dec-17
Buendia-Techzone	Techzone Philippines Bldg., 213 Sen. Gil Puyat Ave. Brgy. San Antonio, Makati City	83,520.99	1-Sep-15	21-Aug-20
C. Raymundo	261 Unit C, C. Raymundo Avenue, Brgy. Maybunga, Pasig City	115,560.00	1-Feb-17	31-Jan-27

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Cainta	Multicon Bldg., F.P. Felix Ave., Cainta	115,008.29	16-Nov-17	15-Nov-27
Caruncho	Prima 3 Commercial Center #7 Caruncho Avenue Pasig City	160,500.00	1-Jul-17	30-Jun-27
Commonwealth	G/F Verde Oro Bldg., 535 Commonwealth Ave.,Diliman Quezon City	313,317.40	15-Jan-13	30-Dec-17
Congressional	Ground Floor, Unit A & B, 188 Congreassional Avenue, Quezon City	153,178.95	1-Jan-17	31-Dec-21
Concepcion, Marikina	# 17 Bayan-Bayanan Ave., Concepcion 1 Marikina City	123,050.00	1-Aug-17	31-Jul-22
Cubao	Space 37/38 Shopwise Arcade, Times Square Ave., Araneta Center	152,430.00	1-Apr-17	MONTH-TO-MONTH
Dela Rosa	G/F Sterling Center Ormaza Coner Dela Rosa St. Legaspi Village Makati City	740,301.56	1-May-14	30-Apr-19
Dela Rosa -Pasong Tamo	Ground Floor, King's Court 2 Building, 2129 Chino Roces Avenue, Makati City	351,016.00	1-Mar-17	28-Feb-27
Delta	N. Dela Merced Bldg., West Avenue, Quezon City	81,682.02	1-Sep-15	contract still with lessor (for signature)
Del Monte	180 Del Monte Avenue, Quezon City	144,450.00	1-May-17	30-Apr-27
Diliman	Kalayaan Ave., corner Matalino St., Diliman, Quezon City	274,857.69	16-Nov-11	15-Nov-21
D. Tuazon	G/F Academe Foundation Bldg., No. 47 D. Tuazon St., Sta. Mesa Heights, Quezon City	148,783.50	15-Sep-15	14-Sep-20
E. Rodriquez-Dona Josefa	59 E. Rodriquez Sr. Ave. Brgy. Dona Josefa, Quezon City	97,126.58	1-Dec-15	30-Nov-20
East Capitol Drive	Ground Floor, Tinity Bldg., No. 26 East Capitol Drive, Brgy, Kapitolyo, Pasig City	145,520.00	1-Jan-17	31-Dec-26
Eastwood Mall	G/F Unit A – 102B, Eastwood Mall, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Ave. Bagumbayan, Quezon City	330,772.60	8-Mar-15	31-Jan-20
Edsa Kalookan	520 E. Delos Santos Ave., Kalookan city	121,631.01	1-Oct-11	30-Sep-21
Edsa Taft	Giselle Park Plaza Edsa cor. Taft Ave. Pasay City	219,443.65	1-Sep-12	Ongoing negotiation with lessor
Elcano	676 Elcano cor Lavezares St., Binondo, Manila	200,291.13	1-May-17	30-Apr-22
Ermita	550 UN Ave., Ermita Manila	308,839.78	01-Jun-14	31-Dec-18
Evangelista	Hernandez Building, Evangelista St., cor. Gen. Alejandrino St., Brgy Bangkal, Makati City	247,298.40	1-Jun-17	31-May-27
F. Blumentritt-R. Pascual	No. 158 F. Blumentritt St. corner R. Pascual, BrgyBatis, San Juan City	84,262.50	1-Sep-15	14-Sep-20

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Fairview	Medical Arts Bldg., Dahlia St. North Fairview, Quezon City	147,006.36	01-May-15	30-Apr-20
Frontera Verde	G/F Transcom Bldg., Frontera Verde Compd. Bgy. Ugong, Pasig City	329,625.85	01-Sep-13	31-Aug-18
Garnet	Unit No. 106 Parc Chateau Condominium, Garnet cor. Onyx St., Ortigas Center, Pasig City	133,031.95	14-Apr-15	14-Apr-20
Gilmore	100 Granada St. Brgy. Valencia, Quezon City	258,486.86	1-Jan-17	31-Dec-21
Greenhills Business Center(Form.Unimart)	Unit MA-103 Mckinley Arcade, Greenhills Shopping Center, San Juan City 502	190,197.00	1-Nov-16	31-Oct-21
Hermosa- Limay	Hermosa cor. Limay Sts., Tondo, Manila	139,100.00	1-Jan-17	31-Dec-26
Jp Rizal	773 JP Rizal Avenue, Brgy. Poblacion, Makati	137,709.00	1-Nov-16	31-Oct-26
Las Pinas	G/F Veraville Bldg., Alabang-Zapote Road, Las Pinas City	407,312.62	16-May-13	15-May-23
Leviste-Salcedo	G/F Eurovilla III Condominium, LP Leviste St. cor. San Agustin St., Salcedo Village, Makati City	342,069.48	15-Sep-15	14-Sep-20
Linden Suites	G/F Linden Suites Tower II, #37 San Miguel Ave., Ortigas Center, Pasig City	121,283.12	1-Oct-15	30-Sep-20
Loyola Heights	G/F MQI Centre 42 E. Abada St. cor. Rosa Alvero St., Loyola Heights, Quezon City	124,859.97	31-Jan-12	31-Jan-22
Lucky Chinatown Mall	3rd Floor Lucky Chinatown Mall, Soler St., Binondo, Manila	306,873.27	15-Sep-15	31-Jul-20
Macapagal Avenue-Pearl Drive	Scape Bldg., Macapagal Ave. corner Pearl Drive, Business Park 1, Barangay 76, San Rafael, Pasay City	207,427.31	1-Nov-16	31-Oct-21
Magallanes	G/F BMG Centre, Paseo de Magallanes, Makati City	92,856.15	15-Oct-15	30-Sep-20
Maginhawa Avenue	Ground Floor, Unit #129 Maginhawa St., Brgy Teachers Village, Quezon City	166,920.00	1-Mar-17	28-Feb-27
Makati Avenue	G/F Executive Bldg. Center Inc., 369 Sen. Gil Puyat cor. Makati Ave.	426,029.10	2-Nov-13	2-Nov-18
Makati Rada	One Legaspi Park, 121 Rada St. Legaspi Village Makati City	185,651.22	23-Mar-17	22-Mar-22
Malabon	685 J.P. Rizal Ave., San Agustin, Malabon	111,479.29	1-Jun-14	31-May-24
Malate	470 Maria Daniel Bldg., San Andres St., cor. M.H. del Pilar, Malate, Manila	113,100.46	1-May-15	1-May-20
Mandaluyong	Unit 102 G/F, EDSA Central Square, Greenfield District, Mandaluyong City	269,297.60	1-Sep-15	31-Jan-18
Marikina	No.36 Gil Fernando Ave., cor. Sta. Ana Ext. San Roque, Marikina City	189,199.83	1-Jan-15	31-Dec-24

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Mckinley Hills	G/F Two World Hill Building, Upper McKinley Road, McKinley Town Center Fort Bonifacio, Taguig City	625,414.74	1-Jun-13	31-Jul-18
Meralco Ave.	G/F Regency Bldg., Meralco Ave., cor. Exchange Road Ortigas, Pasig City	173,029.29	22-Feb-12	21-Feb-22
Mindanao Ave-Tandang Sora	GF 003 MC Square Bldg., Mindanao Ave cor. Tandang Sora, Quezon City	225,894.88	Oct-15	Oct-20
Missouri-Greenhills	No. 8 Missouri St., Northeast Greenhills,San Juan City	216,244.59	1-Sep-15	31-Aug-20
Moonwalk-Paranaque	No. 2 Armstrong St., Moonwalk Village, Paranaque City	170,772.00	1-Dec-15	30-Nov-20
Morayta	828 Nicanor Reyes St., Sampaloc, Manila City	100,800.00	1-Sep-16	31-Aug-21
N. Domingo Pasadena	LHK Building, 288 N. Domingo St.,Brgy. Pasadena, San Juan City	130,436.00	1-Sep-15	31-Aug-20
Navotas	551 M. Naval St. Brgy. Bangkulasi Navotas City	68,126.23	15-Jan-13	14-Jan-23
New Manila	Upper Ground Hemady Square Building 86 Dona Hemady cor E. Rodriguez Sr. Avenue Brgy Kristong Hari, Diliman, Quezon City	248,183.24	1-May-13	20-Apr-23
Novaliches	882 Quirino Highway, Novaliches, Quezon City	227,621.63	1-Jul-14	30-Jun-19
Otis	Isuzu Manila 1502 Paz M. Guazon St. Paco Manila	108,592.96	30-Sep-16	30-Sep-26
P. Ocampo-Fb Harrison	Ground Floor Unit Sunrise Center Bldg.,#488 Pablo Ocampo Sr., Avenue, Malate Manila	181,900.00	1-Jan-17	31-Dec-26
Pablo Ocampo-Venecia	G/F Savanna Commercial Center Bldg., 1201 Pablo Ocampo St. and Venecia St., Brgy. Sta. Cruz, Makati City	189,337.84	1-Dec-15	30-Nov-20
Paco-A. Linao	Unit s 1662 & 1664 Angel Linao St., Paco, Manila	107,000.00	1-Sep-16	21-Aug-26
Palanan-Bautista	G/F Shalimar Bldg., 3696 Bautista St., Palanan, Makati City	78,645.00	1-Oct-15	1-Oct-20
Pasay	2015 San Bell Bldg., Gil Puyat Ext. cor. Leveriza St., Pasay City	79,627.80	15-May-15	14-May-20
Paseo de Roxas	8747 G/F Lepanto Bldg., Paseo De Roxas, Makati City	405,739.85	16-Nov-09	15-Nov-19
Pasig	#92 Dr. Sixto Ave. Cor. Raymundo St. Pasig City	219,788.64	1-Aug-14	31-Jul-19
Pasig Kapitolyo	G/F D'Ace Water Spa Plaza, United St., cor. Brixton St., Brgy. Kapitolyo, Pasig City	98,432.90	15-Feb-12	14-Feb-22
Pasig-Toby's C. Raymundo	Lot 1 & 2A Good Harvest Complex, C. Raymundo Ave., Caniogan, Pasig City	75,730.51	1-Mar-17	28-Feb-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Pasig Westlake	Unit A G/F 168 Westlake Bldg., Pasig Blvd.,Brgy. Bagong Ilog, Pasig City	104,124.86	1-Aug-15	31-Jul-20
Pasong Tamo	2283 Pasong Tamo Ext. cor. Lumbang St., Makati City	349,788.87	16-Mar-16	15-Mar-21
Pasong Tamo-Bagtikan	1173 Don Chino Roces Ave., Brgy. San Antonio, Makati City	211,903.34	15-Nov-15	14-Nov-20
Pasong Tamo-EDSA	Wilcon IT Hub, 2251 Chino Roces, Makati City	228,957.22	1-Nov-15	31-Oct-20
Presidents Avenue-Paranaque	Lot 22, Blk 9 Presidnet's Avenue, Sucat, Paranaque City	115,560.00	1-Feb-17	31-Jan-27
Quezon Ave.-Roosevelt.	Lower Ground Floor 1, Fisher Mall Heroes Hill, Brgy. Sta. Cruz, Quezon Ave. cor. Roosevelt Ave., Quezon City	135,369.36	15-Oct-15	31-Dec-20
Quirino Ave.	411 Anflocor Bldg. Quirino Ave. cor NAIA Rd. Tambo Paranaque City	190,650.94	16-Oct-16	15-Oct-21
Raon, Sales	653 Gonzalo Puyat cor Sales St., Sta. Cruz, Manila	116,688.60	1-Jun-13	31-May-18
Remedios-Taft	No. 1853 Taft Avenue, Malate, Manila	188,748.00	15-Sep-15	14-Sep-20
Roosevelt	300 Roosevelt Ave., San Francisco Del Monte, Quezon City	102,109.30	16-Feb-16	15-Feb-21
Roosevelt-Pitimini	205 Roosevelt Ave. cor. Pitimini St., Quezon City	112,350.00	7-Sep-15	6-Sep-20
Roxas Blvd.	Unit 1 Russel Mall, Russel St. cor. Roxas Blvd. Pasay City	168,169.40	01-Dec-16	Ongoing negotiation with lessor
Roxas Blvd-Arquiza	Roxas Blvd cor. Arquiza St., Ermita, Manila	256,111.94	1-Nov-15	31-Oct-20
Roxas Blvd-Libertad	Unit 103 Coko Bldg. 1, 2550 Roxas Blvd., Pasay City	169,649.03	1-Jun-17	31-May-22
San Lorenzo	1018 L & R Bldg. Pasay Road, Makati City.	187,565.24	17-Aug-14	16-Aug-19
Shaw Blvd. Lawson	G/F SCT Bldg., 143 Shaw Blvd. Mandaluyong City	105,000.00	1-Oct-16	30-Sep-21
South Harbor	23rd Sts. Cor. Delgado St. South Harbor Manila	158,760.00	31-Dec-16	31-Dec-18
Sta. Lucia East	Ground Level Bldg. 2, Sta. Lucia Mall, Marcos Hi-way cor. Felix Ave., Cainta Rizal 1900	53,620.48	29-May-14	30-Jun-19
Sta. Mesa	1-B G. Araneta Ave. Brgy. Dona Imelda Quezon City	245,592.78	1-Jul-11	1-Jul-21
Sto. Domingo-Quezon Ave.	4 Sto. Domingo Ave., Quezon City	107,294.25	1-Dec-15	30-Nov-20
Sucat	2F Santana Grove, Dr. A. Santos Ave. cor. Soreena St., Sucat, Paranaque City	78,157.25	15-Apr-13	14-Apr-18
Taytay	Manila East Road, Taytay, Rizal	112,204.14	1-Jan-13	31-Dec-22
T. Alonzo	1461-1463 Soler St., Sta. Cruz, Manila	245,008.60	30-Jul-14	30-Jun-24

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM START	LEASE TERM END
The Firm	CVC Law Center 11th Ave. cor 39th St., Fort Bonifacio, Taguig	494,968.17	1-May-10	30-Apr-20
The Fort – JY Campos	JY Campos Center, 9th Avenue cor. 39th St., Fort Bonifacio, Taguig	330,066.26	20-May-13	19-May-23
The Fort – Sapphire Residences	G/F Sapphire Residences, 31st St., cor. 2nd Avenue, The Fort, Taguig City	145,180.94	15-Apr-15	14-Apr-20
The Fort Sunlife	Ground Floor, Sunlife Building, 5th Avenue corner Rizal Drive, BGC, Taguig City	193,408.39	15-Feb-12	14-Feb-22
The Strip-Ortigas Avenue	The Strip Ortigas Avenue, Pasig City	235,400.00	1-Jan-17	31-Jan-21
T. Mapua	Park Tower Condominium, 630 Tomas Mapua, Sta. Cruz, Manila	177,518.26	1-May-13	30-Apr-18
Trinoma	Space P015B Level 1, Trinoma EDSA cor. North Avenue, Quezon City	345,099.94	1-Sep-17	31-Aug-18
Tutuban	G/F Center Mall I, Tutuban Center corner C.M. Recto Ave., Tondo, Manila	87,968.00	16-Apr-13	15-Apr-28
Valenzuela	231 Mac Arthur Highway, Karuhatan, Valenzuela City	123,736.48	1-Sep-08	31-Aug-23
Wack Wack	Unit K Facilities Center Bldg., 548 Shaw Blvd, Mandaluyong City	94,263.75	1-Feb-15	31-Jan-20
West Ave	Unit 101 West Insula Condominium, 135 West Ave., Brgy. Bungad, District 5, Quezon City	122,339.27	1-Sep-13	31-Aug-23
Wilson-Greenhills	G Square Bldg., Upper Ground Floor, Units 4 & 5 Wilson St., Greenhills, San Juan	138,266.73	1-Dec-15	30-Nov-20

LUZON AREA

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM START	LEASE TERM END
Aparri	108 J.P. Rizal St., Brgy. Centro 14, Aparri, Cagayan	57,356.09	15-Feb-11	15-Feb-21
Angeles-Sto. Cristo	243 Sto. Entierro St., Brgy. Sto. Cristo, Angeles City	80,250.00	18-Feb-17	17-Feb-27
Bacao Extension Office	Yokota Commercial Bldg., Bacar Road, Gen. Trias, Cavite	56,624.40	17-Mar-17	16-Mar-20
Bacoor	Maraudi Bldg., Aguinaldo Highway, Brgy. Niog Bacoor City Cavite	72,538.56	2-May-08	1-May-18
Balagtas	McArthur Highway, Borol 1st, Balagtas, Bulacan	80,250.00	16-Nov-17	15-Nov-27
Balanga	Don M. Banzon Ave cor. Cuaderno St., Balanga City, Bataan	87,740.00	1-Oct-17	30-Sep-22
Baliuag	01 J. P. Rizal cor. Tagle Sts., Baliuag, Bulacan	129,136.98	16-Aug-17	15-Aug-27
Bataan	RCBC Bldg. AFAB Mariveles, Bataan	43,709.72	28-Mar-14	27-Mar-19

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Batangas	No. 17 Rizal Avenue cor. P. Gomez, Batangas City	94,374.00	1-Apr-12	31-Mar-22
Bauan Extension Ofc.	J.P. Rizal St., Poblacion, Bauan, Batangas	53,928.00	12-Sep-16	15-Sep-21
Binan	G/F Admin Bldg Laguna International Industrial Park., Mamplasan, Biñan, Laguna	58,790.00	1-Oct-16	30-Sep-21
Boac Extension Office	D. Reyes St., Brgy. San Miguel, Boac Marinduque	24,773.18	1-Jun-13	1-Jun-23
Cabanatuan	1051 Burgos Ave, Cabanatuan City, Nueva Ecija	86,034.14	1-Oct-11	30-Sep-21
Carmelray 1	Adm. Bldg., Carmelray Industrial Park 1, Canlubang, Calamba, Laguna	127,542.68	1-Nov-14	31-Oct-19
Carmelray 2	Adm. Bldg., Carmelray Industrial Park 2, Bgy. Tulo, Calamba, Laguna	160,305.29	1-Jul-16	1-Jul-21
Carmona	People's Technology Complex, SEZ, Governor's Drive, Carmona, Cavite	125,564.86	16-Jul-02	15-Jul-27
Cauayan	Calahi Bldg. FN Dy Blvd, Cauayan City	69,550.00	1-Aug-17	31-Jul-27
Cavite City	P. Burgos Avenue, Caridad, Cavite City	70,374.54	1-Dec-16	30-Nov-18
Clark	C.M. Recto Highway, Clark Special Economic Zone, Clark, Pampanga	235,400.00	1-Aug-13	14-Oct-20
Clark II	Bertaphil III Clark Center, Jose Abad Santos Avenue, Clark Freeport Zone	USD 2,100	1-Jun-16	31-Jul-26
CPIP-Batino	Citigold Bldg., Calamba Premiere Industrial Park, Batino, Calamba, Laguna	103,843.78	1-Jun-15	31-May-25
Dagupan	RCBC Bldg AB Fernandez Avenue, Dagupan City	329,734.25	1-Jul-99	30-Jun-19
DMIA Extension Office	Clark International Airport (CRK), Passenger Terminal Building, Arrival Area, Angeles, Pampanga	17,417.40	1-Feb-2017	ongoing negotiation with lessor
Dasmarinas Mangubat Drive	Heritage Bldg., Mangubat Drive, Dasmarinas,Cavite	69,044.08	14-Jan-15	14-Jan-20
Dasmarinas Pala-Pala	Dasmarinas Commercial Complex, Pala-Pala Governor's Drive, Dasmarinas Cavite	59,455.62	3-Oct-17	4-Oct-20
First Phil Indl Park BC(FPIP)	Unit 1 & 2, Ground Floor, Oasis Commercial Center, R.S. Diaz Ave., FPIP Brgy. Sta. Anastacia, Sto. Tomas, Batangas	95,200.00	14-Jun-16	13-Jun-21
Gapan	Tinio St., San Vicente, Gapan City, Nueva Ecija	75,109.17	1-Dec-12	30-Nov-22
Gateway Extension Office	G/F Samantha's Place Commercial Bldg., Governors Drive, Manggahan, Gen. Trias Cavite	71,691.52	1-Aug-16	31-Jul-21
GMA, Cavite	Citi Appliance Bldg., Brgy. San Gabriel,Governor's Drive, GMA, Cavite	86,706.11	1-Aug-14	31-Jul-19

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Guimba	Afan Salvador St., Guimba, Nueva Ecija	67,977.38	30-Sep-12	30-Sep-22
Hacienda Luisita	Robinson's Plaza, San Miguel, Tarlac City	97,323.61	01-Jan-15	31-Dec-19
Ilagan, Isabela	RCK Building, Calamagui 2nd, Maharlika Rd., Ilagan, Isabela	47,806.53	1-Dec-17	30-Nov-27
Imus	Esguerra Bldg., Palico IV, Aguinaldo Hi-way, Imus, Cavite	57,796.64	1-Oct-17	Ongoing Legal review
Laguna Technopark	LTI Administration Building II Laguna Technopark, Binan, Laguna	184,759.30	16-Mar-13	15-Mar-18
Laoag	Jackie's Commercial Building II, J. Rizal St., Laoag City	117,967.50	1-Feb-15	31-Jan-18
La Trinidad	Peliz Loy Centrum Bldg., Km 5, La Trinidad, Benguet	94,852.64	1-Sep-09	31-Aug-19
Legaspi City	G/F M.Dy Bldg. Rizal St. Legazpi City	92,862.25	1-Dec-11	30-Nov-21
Lipa	C M Recto Ave. cor. E. Mayo St., Lipa City	121,889.00	1-Feb-15	31-Jan-25
LISP III Extension Office	LISP III Admin Bldg., Millenium Drive, Brgy. San Rafael Sto. Tomas Batangas	61,870.26	1-Apr-13	31-Mar-18
Lucena	Quezon Ave. cor. Tagarao St., Lucena City	161,025.64	1-Jul-18	1-Jul-23
Lucena-Evangelista	Quezon Ave., cor. Evangelista st., Lucena City	62,662.02	22-Dec-08	21-Dec-18
Malolos	FC Building, McArthur Highway, Bo. Sumapang Matanda, Malolos, Bulacan	78,035.50	1-Dec-13	30-Nov-18
Marinduque	EDG Building, Bgy. Lapu-lapu, Sta. Cruz, Marinduque	31,578.95	01-Jan-18	01-Jan-28
Meycauayan	VD&S Bldg., Mac Arthur Highway, Calvario, Meycauayan City, Bulacan	74,696.45	16-Oct-08	15-Oct-18
Meycauayan Extension Office	Sterling Square, Sterling Industrial Compound, Iba Malhacan Natl Highway, Meycauayan City, Bulacan	78,217.51	16-Nov-15	15-Oct-25
Naga	G/F, Crown Hotel Bldg, Penafrancia Ave., Naga City	91,769.75	1-Jul-11	1-Jul-21
Olongapo	1055 Rizal Ave., Extn West Tapinac Olongapo City	87,343.39	1-Sep-08	31-Aug-18
Palawan National Highway	Lustre Arcade National Highway, Brgy. Tiniguiban, Puerto Princesa City	104,188.90	1-Aug-12	31-Jul-22
Rosario	Cavite Export Processing Zone Authority, Rosario, Cavite	30,709.00	7-Jan-17	6-Jan-27
San Fernando	G/F Hiz-San Bldg., McArthur Highway, Brgy. Dolores, San Fernando, Pampanga	95,796.14	1-Feb-11	31-Jan-21
San Fernando – JASA	Unit 3 & 4, GF Kingsborough Commercial Center, Jose Abad Santos Avenue, San Fernando, Pampanga	100,272.38	1-May-14	30-Apr-19
San Fernando-Sindalan	SBC Bldg. McArthur Highway, Sindalan, City of San Fernando, Pampanga	100,152.00	1-Apr-18	31-Mar-28
San Jose City	Mokara Bldg., Maharlika H-way, Abar 1st San Jose City, Nueva Ecija	86,875.04	1-Sep-08	31-Aug-18

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
San Pablo	Ultimart Shopping Plaza, M. Paulino St., San Pablo City	130,540.00	1-Jan-17	31-Dec-21
San Pedro	EM Arcade 1 Building, Brgy. Poblacion, National Highway, San Pedro Laguna	88,765.38	3-Feb-12	2-Feb-22
Santiago	#26 Maharlika Highway, Victory Norte, Santiago City, Isabela	99,092.70	1-Jan-14	31-Dec-23
Science Park	Admin Bldg., LISP1, Pulo Road, Brgy Diezmo, Cabuyao, Laguna	62,933.20	1-Jun-14	31-May-19
Solano	211 JP Rizal Ave., National Highway, Solano, Nueva Vizcaya	58,492.46	1-Jun-12	31-May-22
Solenad 2 EO	Unit M 20 Bldg 2 Nuvali Solenad 2, National Road Brgy. Sto. Domingo, Sta. Rosa City, Laguna	48,130.74	1-Jul-17	30-Jun-18
Sta. Cruz Extension Office	Teoxon Bldg., Sitio Narra Brgy. Labuin, Sta. Cruz Laguna	31,808.76	1-Jan-18	31-Dec-22
Sta. Maria, Bulacan	#39 J.P. Rizal St., Pob., Sta. Maria Bulacan	75,279.87	1-Jan-08	ongoing negotiation with lessor
Sta. Rosa	Paseo 5, Paseo de Sta. Rosa, Greenfield City, Don Jose, Sta. Rosa, Laguna	300,761.96	1-Jun-17	31-May-20
Sta. Rosa Balibago	Carvajal Building, Old National Highway, Balibago, Sta. Rosa, Laguna	82,245.82	1-May-17	30-Apr-22
Sta. Rosa-Balibago Waltermart Ext. Ofc.	Upper GF/Lower GF, Waltermart Sta. Rosa, Brgy. Balibago cor. San Lorenzo Road, Sta. Rosa, Laguna	58,208.00	16-Dec-17	31-Jan-20
Starmall Daang Hari	Starmall Prima Daang Hari cor. Molino Road, Brgy Molino 4, Bacoor, Cavite	14,737.58	21-Dec-15	20-Dec-20
Subic	Royal Subic Duty Free Complex, Rizal cor. Argonaut Highway, Subic Free Port Zone, Olongapo, Zambales	$2,979.31	1-Feb-09	31-Jan-19
Tagaytay	Unit A Olivarez Plaza, Tagaytay City	94,534.64	1-Jul-15	30-Jun-20
Tarlac	F. Tanedo St., Tarlac City	130,059.17	1-Jan-13	30-Sep-21
Tayug	A. Bonifacio St., Brgy. A, Tayug, Pangasinan	42,750.00	1-Apr-17	31-Mar-27
Tuguegarao	Bonifacio cor. Gomez St., Centro 7 Tuguegarao City	107,000.00	1-Mar-15	28-Feb-25
Urdaneta	E.F. Square Bldg. McArthur Highway, Urdaneta City, Pangasinan	103,354.44	1-Apr-13	30-Mar-23
VISAYAS AREA				
BC NAME	**BUSINESS ADDRESS**	**Lease Rate (inclusive of 12% VAT)**	**LEASE TERM**	
			START	**END**
Antique	Del Carmen Bldg, Solana St. corner T.Fornier St. , San Jose, Antique	91,041.42	1-Apr-09	31-Mar-19
Bacolod – Lacson	GF Lourdes C. Bldg II, 14th Lacson St., Bacolod City	87,633.00	1-Nov-16	31-Oct-21
Bacolod – Libertad	Libertad Extension, Bacolod City	50,557.50	1-May-16	30-Apr-21

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Bacolod – Shopping	Hilado Extension, Capitol Shopping Center, Bacolod City	110,000.00	10-Oct-16	9-Oct-26
Balamban Ext. Office	D.C. Sanchez St., Balamban, Cebu	58,501.12	15-Aug-16	14-Aug-21
Banilad	A.S Fortuna St., Banilad, Cebu City	179,445.42	16-Feb-12	15-Feb-22
Boracay	Station 1, Brgy Balabag Boracay, Malay, Aklan	90,110.80	1-Nov-09	31-Oct-19
Calbayog	Corner Magsaysay Boulevard and Rueda Streets, Calbayog City	101,368.42	1-Sep-17	31-Aug-27
Catarman	Ang Ley Building, JP Rizal St., Catarman, North Samar	82,142.63	1-Jan-12	31-Dec-21
Catbalogan	Del Rosario St., Catbalogan , Western Samar	93,203.65	1-Nov-12	31-Oct-22
Caticlan Ext Ofc	Jerry Port, Caticlan, Malay Aklan	18,208.28	1-Nov-13	31-Oct-18
Cebu IT Park	S-04 G/F Skyrise 4 Bldg., Cebu IT Park Lahug, Cebu City	126,489.75	1-Jul-17	30-Jun-22
Cebu Paseo Arcenas	Don Ramon Arcenas St., R. Duterte St., Banawa, Cebu City	111,852.07	27-Feb-14	26-Feb-19
Cebu – Sto. Nino	Belmont Hardware Depot Building cor. P. Burgos and Legaspi sts. Bgy. San Roque, Cebu City	77,575.00	1-Nov-13	31-Oct-18
Consolacion	ADM Building, Cansaga, Consolacion, Cebu	125,096.19	5-May-03	4-May-18
Dumaguete	Dr. V. Locsin St., Dumaguete City	71,532.54	1-Jan-13	31-Dec-17
Guadalupe	63 M. Velez & A. Abellana Sts., Guadalupe, Cebu City	48,231.99	1-Jan-12	31-Dec-37
Hinigaran	Rizal St. (National Road), Hinigaran, Negros Occidental	43,235.24	5-May-05	30-Apr-20
Iloilo-Ledesma	Cor. Ledesma & Quezon St., Iloilo City	117,700.00	2-May-08	30-Apr-18
Iloilo-Mabini	Go Pun Building, Mabini cor. Delgado Sts., Iloilo City	58,574.76	1-Apr-09	1-Apr-19
Jaro	Cor. Seminario & E. Lopez STS. Jaro. Iloilo City	114,490.00	1-Dec-14	30-Nov-24
J. Centre	A.S. Fortuna St. Bakilid Mandaue City	166,532.72	16-Oct-16	15-Oct-21
Kalibo	Roxas Ave., Kalibo Aklan	84,442.00	1-Apr-08	31-Mar-18
Mactan	Mepz Bldg., Mepz 1, Lapu-Lapu City, Cebu	21,397.86	9-Jan-17	8-Jan-32
MEPZ 2 Extension Office	Pueblo Verde Mactan Export Processing Zone II Basak, Lapu-Lapu City	95,692.00	13-Oct-16	12-Oct-21
Manalili	Tan Sucheng Bldg., V. Gullas St., Cebu City	272,324.58	1-Feb-17	31-Jan-22
North Reclamation	G/F CIFC Tower, Humabon St., cor Juan Luna Ave., North Reclamation Area, Cebu City	267,954.75	1-Aug-16	1-Aug-21
Ormoc	GF MFT Bldg., Real cor Carlos Tans Sts., Ormoc City	172,077.89	16-May-17	16-May-22
San Carlos	Laguda Bldg., Locsin St., San Carlos City, Negros Occidental	37,450.00	1-Aug-17	31-Jul-18

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Taboan	Cor. Lakandula & C Padilla Sts., Cebu City	64,401.27	1-Feb-08	31-Jan-18
Talisay Ext Ofc (For clarification of lease terms)	South Central Square, Lawaan 111, Talisay City, Cebu	77,390.51	16-Sep-15	15-Sep-20
Toledo	G/F Toledo Commercial Village Bldg, Rafols St Brgy Poblacion, Toledo City, Cebu	53,085.38	16-Sep-15	15-Sep-20
MINDANAO AREA				
BC NAME	**BUSINESS ADDRESS**	**Lease Rate (inclusive of 12% VAT)**	**LEASE TERM**	
			START	**END**
Ateneo De Davao Ext. Office	F-106G/F Finster Bldg., Ateneo de Davao University Main Campus, Cor.CM Recto Ave. & Roxas Ave., Davao City	73,497.51	15-Sep-11	15-Sep-21
Butuan	Dy Teban Building II, Ester Luna St., Butuan City	80,752.69	01-Jan-16	30-Sep-23
Butuan Ext. Office	Brgy. Tandang Sora, J.C. Aquino Ave., Butuan City	60,029.21	1-Jun-11	31-May-21
Cagayan de Oro-Velez	A. Velez corner Cruz Taal St., Cagayan de Oro City	193,576.82	1-Oct-11	30-Sep-18
CDO Osmeña (Cogon)	Simplex Building, Osmena St., Cagayan De Oro City	199,890.73	1-Sep-08	31-Aug-18
Cd-Masterson Avenue	Xavier Estates, Masterson Avenue, Upper Balulang, Cagayan de Oro City 9000	143,437.40	1-Oct-16	30-Sep-26
Calinan Ext. Office	National Highway, Poblacion Calinan, Davao City	17,070.27	1-Apr-16	31-Mar-21
Carrascal Extension Office	National Highway, Brgy. Gamuton, Carrascal, Surigao del Sur	37,159.76	1-Apr-14	1-Mar-24
Cotabato	M. Bldg Quezon Ave., Cotabato City	74,206.75	1-Jun-10	31-May-20
Damosa Gateway	Corner Mamay Road and JP Laurel Avenue, Lanang, Davao City	43,501.73	1-Aug-12	For signature of lease contract
Davao - Bajada	JP Laurel Ave., corner Villa Abrille st., Davao City	190,782.28	16-Aug-09	15-Aug-19
Davao-Quirino	E.Quirino Ave., Brgy. 3-A, Poblacion, Davao City	77,021.04	1-Oct-16	30-Sep-21
Dipolog	cor General Luna & Lacaya Sts., Dipolog City	49,546.35	1-Oct-11	30-Sep-21
Dole Ext. Office	Dole Phils Pavillion, Polomolok, South Cotabato	25,272.00	1-Jan-18	31-Dec-18
Gensan	RGH Bldg., J. Catolico Ave., Lagao, General Santos City	66,997.64	1-Mar-17	1-Mar-22
Iligan	Lanao Fil-Chinese Chamber of Commerce Inc. Bldg. Quezon Ave. cor. B. Labao St. Iligan City	110,245.52	1-Feb-14	30-Jan-20

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Kabacan	Poblacio, National Highway, Kabacan, Cotabato Province	50,312.36	1-Jan-12	31-Jan-22
Kidapawan	KMCC Bldg. Dayao St., Kidapawan City, North Cotabato	103,213.80	16-Jul-08	15-Jul-18
Limketkai	Gateway Tower 1, Limketkai Center, Cagayan de Oro City	241,418.94	5-Sep-09	31-Oct-19
Malaybalay	Don Carlos St., Poblacion, Malaybalay City	67,353.68	1-Aug-10	31-Jul-20
Maramag Ext. Office	FIBECO Compound, Sayre Highway, Brgy. Anahawon, Maramag, Buikidnon	42,725.10	1-Sep-11	31-Aug-21
Maranding Extension Office	National Highway, Maranding, Lala, Lanao del Norte	37,518.26	1-Oct-12	30-Sept-19
Marbel	Gen San Drive cor Roxas St., Koranadal City, South Cotabato	189,557.03	1-Nov-07	1-Nov-19
Marbel Extension Ofc.	Kobe Building, NDMU Compound, Alunan Avenue, Koronadal City, South Cotabato 9506	21,400.00	1-Nov-17	31-Oct-22
Nabunturan	SMPTC Bldg., Lauro Arabejo St., Brgy. Poblacion, Nabunturan Compostela Valley	54,868.75	1-Jul-12	30-Jun-22
Nccc Mall Davao	NCCC MALL Davao, Crossing McArthur Hiway and Ma-a Road, Matina, Davao City	95,852.40	14-Jul-13	13-Jul-18
Panabo	Greatsun Ventures Bldg., National Highway, Purok Atis, Sto. Nino, Panabo City	69,364.89	1-Jul-14	30-Jun-19
R. Castillo Extension Office	Techno Trade Corp. Bldg., 164 R. Castillo St., Davao City	24,421.08	31-Oct-17	30-Oct-22
Roadway Inn Ext. Ofc.	Roadway Inn, J.P. Laurel Avenue, Bajada, Davao City	63,208.76	1-Nov-17	31-Oct-22
Sta. Ana	Cor. Monteverde & Sales Sts., Davao City	266,269.50	7-Jun-15	6-Jun-20
Surigao	Cor. San Nicolas & Burgos Sts., Surigao City	57,829.71	1-Feb-08	31-Jan-18
Tacurong	G/F Hilario Bldg., cor Bonifacio St., National Highway, Tacurong City	71,651.79	16-Nov-16	15-Nov-26
Tandag	Pimentel Bldg., Donasco St., Tandag, Surigao del Sur	92,953.81	1-Jul-16	30-Jun-26
Toril	McArthur Highway, Toril Proper, Toril, Davao City	48,159.06	1-Aug-15	31-Jul-20
Valencia	Marchedon Building, Sayre Highway, Valencia City, Bukidnon	117,967.50	1-Oct-15	30-Sep-20
Victoria Plaza	Victoria Plaza Mall, J.P. Laurel Ave., Davao City	152,161.85	31-Jul-15	12-Jul-20
Zamboanga	SIA Bldg., Tomas Claudio St. Zone III Zamboanga City	160,500.00	1-May-13	1-May-23
Zamboanga Veterans	YPC Bldg., Veterans Ave., Zamboanga City	75,279.87	1-Jan-15	20-Jan-20

All the facilities and properties of the Bank are in good condition. Likewise, there are no liens and encumbrances on said properties of the Bank.

Item 3. Legal Proceedings

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

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

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

In October 2008, Global Steel Philippines (SPV-AMC), Inc. and Global Ispat Holdings (SPVAMC), Inc. (collectively, "Global Steel"), which purchased the Iligan Plant assets of the National Steel Corporation ("NSC Plant Assets") from the Liquidator (as defined in the Asset Purchase Agreement ("APA") dated September 1, 2004) in 2004, initiated arbitration proceedings with the Singapore International Arbitration Center ("SIAC") seeking damages on account of the failure of the Liquidator and the Secured Creditors (as also defined in the APA), including the Bank and RCBC Capital, to deliver the NSC Plant Assets free and clear from liens and encumbrance, purportedly depriving Global Steel of the opportunity to use the NSC Plant Assets to secure additional loans to fund the operations of the NSC Steel Mill Plant and upgrade the same.

On May 9, 2012, the SIAC Arbitral Tribunal rendered a partial award in favour of Global Steel in the amounts of (a) US$80.00 million, as and by way of lost opportunity to make profits and (b) ₱1,403.00 million, representing the value of the undelivered billet shop land measuring 3.41 hectares (the "Lost Land Claim"). On appeal, and on July 31, 2014, the Singapore High Court set aside the partial award. On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court but held that the Liquidator and Secured Creditors are still required to deliver to Global Steel clean title to the NSC Plant Assets.

The Bank's total exposure in connection with the obligation to transfer clean title to the NSC Plant Assets to Global Steel is approximately ₱209,121,055.18 in terms of estimated property taxes and transfer costs due on the NSC Plant Assets, as a result of the Philippine Supreme Court's affirmation of the ruling that all pre-closing taxes on the NSC Plant Assets are deemed paid. On the other hand, the Bank has a receivable from Global Steel in the amount of ₱485.50 million. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as Unquoted Debt Securities Classified as Loans ("UDSCL") with zero net book value. The Bank's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries).

Notwithstanding the finality of the Philippine Supreme Court's ruling on the pre-closing taxes, on October 19, 2016, the City of Iligan foreclosed on National Steel Corporation properties after issuing a Notice of Delinquency against National Steel Corporation, seeking to collect the taxes covering the period 1999 to 2016. In an order dated April 4, 2017, the Makati City Regional Trial Court (a) nullified the public auction of the NSC Plant Assets, among others, (b) enjoined any and all real property tax collection actions against the National Steel Corporation until the decision dated October 7, 2011, which held that the National Steel Corporation pre-closing taxes have been paid, is fully executed and National Steel Corporation's remaining tax liabilities are correctly computed. The Local Government Unit ("LGU") and the Iligan City Treasurer, among others, moved for reconsideration of this order.

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

In 2011, Verotel Merchant Services B.V. ("VMS"), a Dutch corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation civilly sued the Bank, 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$1.50 million, which the defendants allegedly misappropriated. VMS is an internet merchant providing online adult entertainment and online gambling, in addition to the sale of pharmaceuticals over the internet. Following an initial jury verdict in favor of VMS, and a series of subsequent motions and a reduction of monetary damages awarded to VMS, the Bank/Bankard filed their Notice of Appeal with the California Court of Appeals on July 11, 2016. On October 2, 2017, the Bank/Bankard filed their Revised Opening Brief on their appeal of the verdict with the California Court of Appeals.

RCBC Securities Case

In December 2011, RCBC Securities ("RSEC") 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, RSEC has filed additional criminal and civil cases, including charges of violations of Batas Pambasa Blg. 22 ("BP 22"), against the aforesaid former agent. On November 17, 2016, the Metropolitan Trial Court of Makati City, Branch 66, convicted Valbuena of the crime of BP 22. Valbuena proposed to pay RSEC ₱30.00 million, payable in five years, in settlement of all the claims against her, which RSEC 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 against RSEC. In September 2014, Carlos S. Palanca IV ("Palanca") and Cognatio Holdings, Inc. ("Cognatio") likewise filed a complaint against RSEC with the CMIC, even as Cognatio's earlier complaint dated December 30, 2013 against RSEC, its former Vice President for Operations/Chief Finance Officer, its former Compliance Officer and Valbuena, is pending with the Enforcement and Investor Protection Department of the Securities and Exchange Commission ("EIPD-SEC") ("SEC Cognatio Case"). In its decision letter dated December 4, 2014, the CMIC dismissed the complaint on the ground of prescription and res judicata. Consequently, Palanca/Cognatio respectively appealed the case to the SEC en banc, which granted the appeals of Palanca/Cognatio and reversed the CMIC's decision. In turn, RSEC appealed the SEC en banc's reversal of the CMIC decision to the Court of Appeals. On October 27, 2017, the Court of Appeals granted RSEC's Petition for Review and reinstated the CMIC decision, ruling that Palanca/Cognatio committed willful and deliberate forum shopping. Palanca/Cognatio's Motion for Reconsideration is currently pending resolution. The SEC Cognatio Case remains pending with the EIPD-SEC.

On February 22, 2013, Stephen Y. Ku ("Ku") filed a complaint against RSEC with the Regional Trial Court of Makati, Branch 149 (the "Makati Trial Court"), praying, among others, for the return of his shares of stock and cash payments which he claims to have turned over to Valbuena. On May 20, 2013, RSEC sought the dismissal of the complaint on the ground of non-payment of the correct filing fees and failure to state a case of action, which was, however, denied by the Makati Trial

Court. Aggrieved, RSEC filed a Petition for Certiorari with the Court of Appeals on November 22, 2013, which was given due course. In the Decision dated October 9, 2014, the Court of Appeals sustained RSEC's position and ordered the dismissal of the complaint pending before the Makati Trial Court on the ground of lack of jurisdiction. In a Petition for Review dated September 15, 2015, Ku sought the reversal of the ruling of the Court of Appeals, and as an alternative, prayed to be allowed to re-file his Complaint sans docket fees. The case remains pending with the Supreme Court.

Poverty Eradication and Alliviation Certificates (PEACe) Bonds

In October 2011, the Bank before the Court of Tax Appeals questioning the 20.00% final withholding tax on PEACe Bonds by the Bureau of Internal Revenue ("BIR"). The Bank subsequently withdrew its petition and joined various banks in their petition before the Philippine Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Philippine Supreme Court, the Bureau of Treasury withheld ₱199.00 million in October 2011 from the Bank on the interest on its PEACe bonds holdings. The amount was recognized as part of Loans and Receivables account in the statements of financial position. On January 13, 2015, the Philippine Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return the 20.00% final withholding tax it withheld on the PEACe Bonds on October 18, 2011. On March 16, 2015, the Bank and RCBC Capital filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition "deposit substitutes" the PEACe Bonds since there was only one lender at the primary market, and subsequent sales in the secondary market pertaining to a sale or assignment of credit, which is not subject to withholding tax. The Bank and RCBC Capital also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital/Code Non-Governmental Organization ("NGO"), or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed.

In a Resolution dated October 5, 2016, the Supreme Court of the Philippines partially granted the Bank and RCBC Capital's Motion for Clarification and/or Partial Reconsideration, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCBC Capital which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes.

On April 11, 2017, the Bank received a copy of the Entry of Judgment stating, among others, that the Decision date January 13, 2015 and the Resolution dated August 16, 2016, which partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Bank and RCBC Capital, became final and executory on October 20, 2016. The Bureau of Treasury has settled P196,930,961.35 of the Bank's claim. The balance of P1,844,591.47, which is the subject of a deed of assignment in favour of the Bank (by a rural bank which has since been placed under liquidation), is the subject of discussion with the Philippine Deposit Insurance Corporation and Bureau of Treasury.

Applicability of RR 4-2011

On March 15, 2011, the Bureau of Internal Revenue issued Revenue Regulations No. 4-2011 ("RR 4-2011") which prescribed that for income tax reporting purposes, banks and other financial institutions must (a) report costs and expenses either under Regular Banking Unit ("RBU") or FCDU/Expanded FCDU ("EFCDU") or Offshore Banking Unit ("OBU") if specifically identified as such; or (b) allocate such cost and expenses, which cannot be specifically identified, based on percentage share of gross income earnings of a unit. The BIR, however, issued assessment notices to banks and other financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU and within FCDU.

On April 6, 2015, the Bank and other member-banks of the Bankers Association of the Philippines ("BAP") ("Petitioners"), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order ("TRO") and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati ("Makati Trial Court"), wherein the Petitioners assailed the validity of RR 4-2011 on the ground, among others, that (a) RR 4-2011 violates the Petitioners' substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; and (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation.

On April 8, 2015, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, 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 Bank and other BAP member banks, including the issuing Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, 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 Bank and other BAP member banks are concerned. The pre-trial conference of the case began on August 2, 2016, and continued to August 3, 2017. During the 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. As of October 5, 2017, the parties have submitted their respective Memorandum.

Alleged Unauthorized Transfer of funds – Bank of Bangladesh

In February 2016, there was an alleged unauthorized transfer of funds from the Bank of Bangladesh to four accounts in the Bank, which were eventually transferred to various accounts outside of the Bank. In August 2016, the Monetary Board approved the imposition of supervisory action on the Bank to pay the amount of ₱1.00 billion in relation to the completed special examination. There may be other cases arising from these events. The has fully recognised the BSP's ₱1.00 billion fine as part of miscellaneous expenses in its 2016 Consolidated Statements of Profit or Loss, and it has paid this penalty in full ahead of the August 2017 deadline set by the BSP. The Bank's payment of the penalty did not affect its ability to perform its existing obligations or unduly hamper its operations.

On November 18, 2016, the AMLC filed a criminal complaint against current and former employees of the Bank in relation to the BOB Incident. The AMLC alleged that Maia Santos-Deguito, Raul Victor B. Tan, Ismael S. Reyes, Brigitte R. Capiña, Nestor O. Pineda, Romualdo S. Agarrado and

Angela Ruth S. Torres violated Section 4(f) of R.A. No. 9160, as amended ("AMLA"), in connection with the BOB Incident. The AMLC alleged that each of the named persons performed or failed to perform an act, which facilitated the crime of money laundering, particularly the remittance and eventual withdrawal of US$81.00 million from certain accounts maintained at the Bank.

On March 27, 2017, current Bank employees Ismael S. Reyes, Brigitte R. Capiña and Romualdo S. Agarrado and former Bank employees Raul Victor B. Tan and Nestor O. Pineda filed affidavits contesting, among other things, their culpability and the existence of several required elements to the charges alleged by the AMLC. Between May and July 2017, the AMLC and the aforementioned individuals filed various affidavits and manifestations in connection with the charges. The AMLC charges against Ismael S. Reyes, Brigitte R. Capiña, Raul Victor B. Tan and Romualdo S. Agarrado, Nestor O. Pineda and Angela Ruth S. Torres have been submitted for resolution. To date, only the AMLC charges against former Bank employee Maia Santos-Deguito have proceeded to trial.

On March 8, 2016, William S. Go, an existing client of the Bank and in another Business Center, and the Bank filed criminal charges against (a) Maia Santos-Deguito, the former Branch Manager of the Makati Jupiter Business Center, and (b) Angela Ruth S. Torres, the former Senior Customer Service Officer of the Makati Jupiter Business Center, with the Office of the City Prosecutor of the Makati City ("OCP"). The criminal complaints alleged that the two former employees: (a) falsified bank documents in order to open fictitious U.S. Dollar and Peso denominated accounts in the name of William S. Go's DBA Centurytex Trading, which were used in the transfer/conversion of US$81.00 million subject of the BOB Incident, and (b) Angela Ruth S. Torres committed perjury when she executed the affidavit identifying William S. Go as the person who allegedly received the ₱20.00 million withdrawn from his fictitious Peso account on February 5, 2016. The OCP dismissed the charges of falsification against Angela Ruth S. Torres, but the criminal cases against Maia Santos-Deguito are currently pending before the Makati Metropolitan Trial Court. The Bank has several other ongoing criminal cases or petitions for review currently pending in relation to actions that it has initiated against former Bank employees in relation to the BOB Incident.

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

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

Item 4. Submission of Matters to a Vote of Security Holders

In the Bank’s annual meeting of stockholders held last June 27, 2017, the stockholders present or representing 85.1% of the outstanding capital stock unanimously elected the following directors to serve as such for a term of one year:

As Regular Directors:

1. Ms. Helen Y. Dee
2. Mr. Cesar E. A. Virata
3. Mr. Gil A. Buenaventura
4. Mr. Tze Ching Chan
5. Mr. Richard G.A. Westlake
6. Mr. John Law
7. Mr. Yuh-Shing (Francis) Peng
8. Atty. Florentino M. Herrera

As Independent Directors:

1. Mr. Armando M. Medina
2. Mr. Juan B. Santos
3. Mr. Melito S. Salazar, Jr.
4. Atty. Adelita A. Vergel De Dios
5. Mr. Gabriel S. Claudio
6. Mr. Vaughn F. Montes
7. Ms. Lilia R. Bautista

As Advisory Board Members:

1. Yvonne S. Yuchengco
2. Francis C. Laurel
3. Atty. Lilia B. De Lima (Independent)

At the said annual meeting, the stockholders also approved the following:

1. Annual Report and Audited Financial Statements for 2016
2. Ratification of actions of the Board of Directors, different Committees and Management
3. Confirmation of Significant Transactions with DOSRI and Related Parties
4. Appointment of External Auditor

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The common shares of the Bank are listed in the Philippine Stock Exchange. As of April 10, 2018 the market price of RCBC's common shares closed at 44.35 per share. The trading prices of said shares for the different quarters of the years 2017, 2016 and 2015 are as follows:

		Q1		Q2		Q3		Q4	
		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date	
2018	High	57.30	1.17.18						
	Low	43.25	3.22.18						
2017	High	45.10	2.14.17	66.00	6.1.17	61.10	7.7.17	63.30	10.20.17
	Low	33.50	1.03.17	37.70	4.3.17	45.00	9.28.17	48.00	10.6.17
2016	High	34.30	2.23.16	32.50	04.04.16	36.95	09.16.16	38.00	10.19.16
	Low	29.10	3.22.16	30.00	05.16.16	31.60	07.08.16	33.55	12.29.16

Source: Philippine Stock Exchange

There were 78 preferred shareholders and 758 common shareholders of record as of December 31, 2017. Likewise, preferred shares and common shares outstanding as of December 31, 2017 were 276,845 and 1,399,916,364, respectively.

As of December 31, 2017, total equity ownership of foreigners on the Bank's common shares was at 34.0% or 475,893,371 shares.

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

The top 20 common stockholders as of Dec 31, 2017

	Name	No. of Shares	% to Total
1	PCD NOMINEE CORP.(NON-FILIPINO)	475,678,926	34.01%
2	PAN MALAYAN MANAGEMENT	473,963,631	33.89%
3	PCD NOMINEE CORPORATION (FILIPINO)	418,557,854	29.93%
4	SYBASE EQUITY INVESTMENTS CORPORATION	23,528,800	1.68%
5	ABOITIZ & COMPANY, INC.	3,103,530	0.22%
6	HYDEE MANAGEMENT & RESOURCE CORPORATION	2,173,349	0.16%
7	NAVARRO, RIZALINO S.	260,865	0.02%
8	A. T. YUCHENGCO, INC.	255,190	0.02%
9	CONCEPCION, CARMENCITA DE LAS ALAS	224,490	0.02%
10	ALAS, CARLOS DE LAS	114,298	0.01%
11	ALAS, CORNELIO DE LAS	114,195	0.01%
12	CHAN, FREDERICK	111,677	0.01%
13	YANG JIN LIANG	100,000	0.01%
14	RUFINO, JOSIE PADILLA	92,865	0.01%
15	LOMBOS, MANUEL C. &/OR MEYRICK J.	68,574	0.00%
16	YAO, SHUOBIN	57,000	0.00%
17	YAO, SHUOYU	57,000	0.00%
18	RUFINO, JOSEFINA PADILLA	54,292	0.00%

19	QUE, LIONG HEE G.	52,297	0.00%
20	CIPRIANO, BIENVENIDO C.	45,354	0.00%

The top 20 preferred stockholders as of Dec 31, 2017

	Name	No. of Shares	% to Total
1	ROSARIO, RODOLFO P. DEL	81,521	31.46%
2	GO, HOMER	46,355	17.89%
3	CONCEPCION, CARMENCITA	31,842	12.29%
4	OPTIMUM SECURITIES CORP.	16,666	6.43%
5	BDO SECURITIES CORP.	9,304	3.59%
6	ERESE, HENRY	8,790	3.39%
7	NGO, LORETA	8,600	3.32%
8	MANDARIN SECURITIES CORPORATION	7,583	2.93%
9	TAN, LUCIANO H.	7,309	2.82%
10	ABACUS SECURITIES CORP.	6,021	2.32%
11	HWANG, HANS YAP	5,558	2.14%
12	ANG, TONY ANG &/OR ROSEMARIE	5,372	2.07%
13	SIA, JOHNSON CHUA	5,000	1.93%
14	CAMPOS LANUZA & CO. INC.	3,535	1.36%
15	ACERO, NICASIO MARIN JR., &/OR ARNOLFO O.	3,371	1.30%
16	CO, JUSTINA DY	3,258	1.26%
17	CHENG, SUSAN	2,665	1.03%
18	GLOBALINKS SEC. & STOCKS	2,454	0.95%
19	BEDAN CORPORATION	2,100	0.81%
20	LUYS SECURITIES CO. INC.	1,852	0.71%

The details of the 2015, 2016 and 2017 cash dividend distributions follow:

Nature of Securities	Dividend		Record Date	Date Approved		Date Paid/Payable
	Per Share	Total Amount Php (in Thousand Php)		By BOD	by BSP	
Preferred	P 0.0564	P 0.02	December 21, 2014	October 27, 2014	December 19, 2014	January 28, 2015
Hybrid Perpetual	*	P221.57	*	October 27, 2014	March 20, 2015	April 27, 2015
Preferred	P 0.0564	P0.02	March 21, 2015	January 26, 2015	March 20, 2015	March 27, 2015
Common	P 0.6000	P839.95	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
Preferred	P 0.6000	P0.19	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
Preferred	P 0.0567	P0.02	June 21, 2015	April 27, 2015	September 11, 2015	September 22, 2015
Preferred	P0.0583	P0.02	September 21, 2015	July 27, 2015	September 11, 2015	September 24, 2015
Preferred	P0.0593	P0.02	December 21, 2015	November 4, 2015	**	December 22, 2015
Preferred	P0.6495	P0.02	March 21, 2016	January 25, 2016	**	March 23, 2016
Preferred	P0.0660	P0.02	June 21, 2016	April 25, 2016	June 16, 2016	June 21, 2016
Common	P0.7200	P1,007.94	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016

Preferred	P0.7200	P0.21	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
Preferred	P0.0676	P0.02	September 21, 2016	July 25, 2016	September 16, 2016	October 11, 2016
Preferred	P0.0724	P0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017
Preferred	P0.0749	P0.02	March 21, 2017	January 30, 2017	March 22, 2017	March 24, 2017
Common	P0.5520	P772.75	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
Preferred	P0.5520	P0.15	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
Preferred	P0.0807	P0.02	June 21, 2017	April 24, 2017	April 26, 2017	June 23, 2017
Preferred	P0.0840	P0.02	September 21, 2017	July 31, 2017	September 5, 2017	September 22, 2017
Preferred	P0.0840	P0.02	December 21, 2017	October 30, 2017	December 12, 2017	December 22, 2017

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

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

Item 6. Management's Discussion and Analysis or Plan of Operation

2015 .

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

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

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

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

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

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

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

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

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

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

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

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

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

The low interest rate environment was also supported by relatively narrow budget deficit, which stood at –PHP121 billion from January to December 2015, the narrowest in 8 years after a deficit of

-PHP73.1 billion (or -0.6% of GDP) in 2014 due to faster growth in government revenues despite and slower growth in government spending.

National government debt as of end-2015 was up 3.8% to PHP5.954tn, reflecting the country's improved fiscal performance and credit ratings. The country's debt-to-GDP ratio eased to 44.8% as of end-2015, vs. 45.4% in end-2014. This supported by the sustained accelerated pace of economic growth in tandem with disciplined fiscal spending that moderated borrowing requirements for the year
The peso exchange rate depreciated vs. the US dollar in 2015, by 2.34 pesos or 5.2% to close at 47.06 in end-2015, among the weakest in more than 6 years, compared to 44.72 in end-2014. This benefited exporters, OFWs and their dependents, and others that earn in foreign currencies, in terms of greater peso proceeds of their foreign currency earnings.

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

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

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

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

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

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

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

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

Financial and Operating Highlights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retained earnings went up by 18.11% or ₱3.327 billion from ₱18.367 billion to ₱21.694 billion as a result of net income earned during the year which was partially offset by dividends declared and the redemption premium on hybrid perpetual securities charged directly to retained earnings. The

Bank's capital, excluding non-controlling interest, reached ₱58.105 billion, 9.41% or ₱4.996 billion higher from ₱53.109 billion in 2014 and accounted for 11.26% of total resources.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2015**	**2014**	**2013**
Interest Income	21,520	20,200	18,824
Interest Expense	5,943	5,233	5,513

Net Interest Income	15,577	14,967	13,311
Other Operating Income	6,655	7,102	9,810
Impairment Losses	2,350	2,509	2,054
Operating Expenses	15,061	14,236	14,474
Net Income attributable to Parent Company Shareholders	5,129	4,411	5,321

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

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

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

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

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

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

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

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

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

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

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

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		Parent	
	2015	2014	2015	2014
Return on Average Assets (ROA)	1.09%	1.04%	1.30%	1.23%
Return on Average Equity (ROE)	9.33%	9.23%	9.34%	9.26%
BIS Capital Adequacy Ratio (CAR)	15.72%	15.37%	15.63%	14.93%
Non-Performing Loans (NPL) Ratio	0. 79%	0.90%	0.26%	0.24%
Non-Performing Assets (NPA) Ratio	1. 45%	1.72%	0.37%	0.47%
Net Interest Margin (NIM)	4.15%	4.30%	3.62%	3.71%
Cost-to-Income Ratio	67.74%	64.51%	62.45%	60.08%
Loans-to-Deposit Ratio	86.74%	82.19%	87.12%	82.09%
Current Ratio	0.43	0.49	0.43	0.48
Liquid Assets-to-Total Assets Ratio	0.17	0.21	0.17	0.21
Debt-to-Equity Ratio	7.88	7.62	6.40	6.22
Asset-to- Equity Ratio	8.88	8.62	7.41	7.23
Asset -to- Liability Ratio	1.13	1.13	1.16	1.16
Interest Rate Coverage Ratio	1.81	2.02	2.06	2.14
Earnings per Share (EPS)				
Basic	Php 3.07	Php 3.11	Php 3.07	Php 3.11
Diluted	Php 3.07	Php 3.11	Php 3.07	Php 3.11

Wholly-Owned/Virtually Owned Subsidiaries

RCBC SAVINGS BANK	Audited	
In Php 000s	2015	2014
Net Income	Php 1,250,962	Php 1,040,096
Return on Average Assets (ROA)	1.48%	1.42%

Return on Average Equity (ROE)	14.10%	13.80%
BIS Capital Adequacy Ratio (CAR)	13.55%	14.73%
Non-Performing Loans (NPL) Ratio	1.94%	2.57%
Non-Performing Assets (NPA) Ratio	5.23%	6.35%
Earnings per Share (EPS)	Php 40.52	Php 33.69

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

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

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

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Unaudited	
In Php 000s	2015	2014
Net Income /(Loss)	Php 3,749	Php (4,367)
Return on Average Assets (ROA)	2.92%	-3.25%
Return on Average Equity (ROE)	3.02%	-3.35%

Capital to Total Assets	95.02%	97.24%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php 1.50	Php (1.75)

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

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

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

NIYOG PROPERTY HOLDINGS, INC.	Audited	
In Php 000s	2015	2014
Net Income	Php 88,670	Php 27,309
Return on Average Assets (ROA)	10.68%	3.36%
Return on Average Equity (ROE)	11.43%	3.45%

Capital to Total Assets	86.06%	94.63%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 63.75	Php 19.63

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

Notes to the Computations:

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

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

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

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

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

2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial and Operating Highlights

<u>Balance Sheet</u>

RCBC's Total Assets stood at ₱521.2 billion.

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

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

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

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

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

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

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

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

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

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

Income Statement

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

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

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

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

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

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

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

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

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

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

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

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

Performance Indicators

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

Wholly-Owned/Virtually Wholly Owned Subsidiaries

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

RIZAL MICROBANK	Audited	
In Php 000s (Except EPS)	2016	2015
Net Loss	Php (3,384)	Php (64,848)
Return on Average Assets (ROA)	-0.33%	-7.47%
Return on Average Equity (ROE)	-0.55%	-14.11%

BIS Capital Adequacy Ratio (CAR)	65.28%	90.26%
Non-Performing Loans (NPL) Ratio	0.09%	0.00%
Non-Performing Assets (NPA) Ratio	1.24%	0.89%
Loss per Share (EPS)	Php (0.30)	Php (5.76)

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

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

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

RCBC NORTH AMERICA, INC.	**Audited**	
In Php 000s (Except EPS)	**2016**	**2015**
Net Loss	Php (1,555)	Php (3,825)
Return on Average Assets (ROA)	-91.01%	-76.41%
Return on Average Equity (ROE)	-90.98%	-178.16%
Capital to Total Assets	217.45%	215.19%

Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Income/Loss per Share	Php (35.56)	Php (87.47)

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

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

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

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s (Except EPS)	Audited 2016	 2015
Net Income	Php 70,218	Php 33,983
Return on Average Assets (ROA)	1.04%	0.81%
Return on Average Equity (ROE)	11.23%	5.86%

Capital to Total Assets	13.95%	20.54%
Non-Performing Loans (NPL) Ratio	12.51%	15.70%
Non-Performing Assets (NPA) Ratio	8.41%	13.94%
Earnings per Share (EPS)	Php 0.15	Php 0.07

Notes to the Computations:

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

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

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

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

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

2017

Philippine GDP growth in 2017 was at 6.7%, slower vs. 6.9% in 2016, still among the fastest growing economies, not only in ASEAN, but in the whole of Asia, as the faster GDP growth in 2016 may be attributed to election-related spending during the May 2016 presidential elections (i.e. higher base/denominator effects a year ago). Philippine GDP growth remained relatively high compared to recent years due to improved economic and credit fundamentals such as favorable demographics (i.e. demographic sweet spot or majority of the population reached working age since 2015), still relatively low interest rates compared to recent years/decades that continued to spur more investments and overall economic growth, as fundamentally supported by benign inflation amid relatively lower prices of crude oil and other global commodities vs. in recent years. Continued growth in OFW remittances, BPO revenues, and foreign tourist revenues continued to support consumer spending, which accounted for about 68.7% of the Philippine economy in 2017. The ASEAN Economic Integration has already started in end-2015 and is expected to lead to greater economic growth, going forward.

Fitch Ratings upgraded Philippine credit rating on December 11, 2017, by 1 notch to BBB (1 notch above the minimum investment grade; already the same as the credit ratings by S&P and Moody's), from BBB-; with stable outlook. Investor sentiment on the Philippines improved further after the passage of the first package of the tax reform measures (TRAIN) in December 2017.

Philippine GNP growth (2017) was at 6.5%, slower compared to 6.7% in 2016.

In terms of industrial origin, Services (57.4% of GDP) grew by 6.7%, slower than 7.4% in 2016, still among the major contributors to economic growth. Industry (34.1% of GDP) grew by 7.2%, slower vs. 8.4% in 2016, amid slower growth in exports relative to imports due to the global economic slowdown. Agriculture (8.5% of GDP) grew, by 3.9%, vs. -1.3% in 2016 when there was El Nino drought that reduced agricultural production in the early part of 2016.

In terms of expenditure shares, the major contributors to the country's economic growth in 2017 were: Consumer Spending (68.7% of GDP) at 5.8%, slower vs. 7.0% in 2016, Investments (28.6% of GDP) at 9.0%, slower vs. 23.7% in 2016, and Government Spending (10.5% of GDP) at 7.3%, slower vs. 8.4% in 2016.

Philippine economic growth remained resilient by growing for 76th straight quarter, despite the relatively slower global economic growth brought about by the slowdown in China, risk of recession and deflation in Japan and in the Euro zone, and increased global market volatility. Softer global economic growth also supported the still relatively lower world oil prices in 2017, compared to recent years, but already corrected higher from the lows after OPEC and other major oil-producing countries cut oil production output in an effort reduce the glut/oversupply in global oil supplies.

The US economy, the world's biggest, continued to recover in 2017, fundamentally supporting the decision of the US Federal Reserve to further increase key monetary interest rates by a total of +0.75 basis points in 2017 (+0.25 each on March 15, 2017; June 14, 2017; and December 17, 2017), after +0.25 each on December 14, 2016 and on Dec. 16, 2015. These Fed rate hikes in 2017 resulted partly to some volatility in the global financial markets. Other sources of global market volatility in 2017 include the tapering of Fed's balance sheet in 4Q 2017 (US$10 billion) and increased tensions on North Korea amid ICBM/missile tests. Positive external developments in 2017 highlighted by US President Trump's signing of Republican-backed US$1.5 trillion tax cut/overhaul of US tax code on December 22, 2017, in first major legislative win, delivering a major tax cut to US corporations along with a package of temporary tax cuts for other businesses and most individuals.

China, the world's second largest economy and among the biggest importers of commodities, still experienced relatively slower economic growth (still among the slowest in about 25 years).

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

Inflation averaged 3.2% in 2017, higher compared to 1.8% in 2016, but still below the 2%-4% target range of the Bangko Sentral ng Pilipinas (BSP), largely due to the continued relatively lower global crude oil/commodity prices compared to recent years.

The 91-day Treasury bill yield ended 2017 at 2.15%, higher vs. 1.55% in end-2016, also significantly up from a record low of 0.001% in end-2013, but still considered relatively lower compared to recent years/decades.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, were mostly higher in 2017, especially long-term tenors. The benchmark 3-month PDST-R2 yield was at 2.43% as of end-2017, higher by 0.35 percentage points for the year.

Interest rates are still considered relatively lower compared to recent years/decades, despite the uptick in 2017, and still translated to relatively lower borrowing costs that encouraged greater economic activities in terms of creating new businesses and the expansion of existing businesses.

This could also have spurred greater demand for loans/borrowings, amid improved economic and credit fundamentals for the country recently and the corresponding need to service the financing requirements of the local economy, which was among the fastest growing in Asia.

The upward correction in most long-term interest rates was partly due higher inflation, rising trend in US/global interest rates amid normalization of monetary policy in the US and in some developed countries, as well as wider budget deficits in 2016 and 2017, at –PHP350.6 billion in 2017 (or -2.2% of GDP), slightly narrower vs. –PHP353.4 billion (or -2.4% of GDP) in 2016 as government spending increased especially on infrastructure, but still consistently below the government's upwardly revised target ceiling of 3% of GDP for 2017 (from 2%).

National government debt as of end-2017 was up by 9.2% to PHP6.652 trillion. However, the country's debt-to-GDP ratio remained relatively low at 42.1% as of end-2017, same as in end-2016. This is supported by the sustained accelerated pace of economic growth in tandem with disciplined fiscal spending that moderated borrowing requirements in recent years.

The peso exchange rate depreciated vs. the US dollar in 2017, by 0.21 pesos or 0.4% to close at 49.93 in end-2017, among the weakest in about a decade, compared to 49.72 in end-2016. This benefited exporters, OFWs and their dependents, and others that earn in foreign currencies, in terms of greater peso proceeds of their foreign currency earnings.

Gross international reserves (GIR) as of end-2017 increased by US$878 million or 1.1% to US$80.691 billion or equivalent to 8.3 months' worth of imports and more than two times the international standard of 4 months.

OFW remittances were up, by 4.3% year-on-year to US$28.1 billion (9% of GDP) in 2017, slower vs. 5.0% growth in 2016. Revenues from the Business Process Outsourcing (BPO) industry were up by 16% to US$28.9 billion (9.2% of GDP), slower vs. 18% growth in 2016 at US$25 billion (8.2% of GDP).

Net foreign portfolio investments outflows in 2017: -US$0.205 billion, vs. +US$0.404 billion in 2016. Balance of payments (BOP) deficit was at -US$0.863 billion (-0.3% of GDP), after -US$0.420 billion (-0.1% of GDP) in 2016. OFW remittances, BPO revenues, foreign tourist revenues continued to support structural US dollar inflows into the country, as well as consumer spending, which accounted for about 68.7% of the local economy. Additional OFW, BPO, and tourism jobs and improved local employment conditions partly caused unemployment rate to remain relatively low at 5.7% in 2017, vs. 5.4% in 2016.

Total exports of the country for 2017 grew by 10.2% to US$63.2 billion amid the pickup in global economic growth. Total imports for 2017 went by, 10.4% to US$92.8 billion, reflecting the increased requirements of a fast-growing economy. Consequently, trade deficit or net imports for 2017 widened to a record of -US$29.6 billion, wider vs. the -US$26.7 billion in 2016.

Net foreign direct investments in 2017: Grew by +21.4% year-on-year to US$10 billion, a new record high vs. previous record high of US$8.2 billion in 2016 amid the improved economic and credit fundamentals of the Philippines, as attested by the further upgrade of the country's credit ratings by most of the biggest credit rating agencies, to a notch above the minimum investment grade (which was reached for the first time since 2013), which boosted international investor confidence on the country.

On the Philippine banking industry, the total loans of banks, as of end-2017 was up by 16.4% year-on-year to PHP8.862 trillion, slower vs. 16.6% growth as of end-2016, which was partly spurred by still relatively lower interest rates compared to recent years/decades and sustained economic growth. Gross non-performing loan (NPL) ratio of all banks (including interbank loans) as of end-2017 improved to 1.72%, from 1.89% as of end-2016.

Domestic liquidity/M3 growth (as of end-2017): 11.9% year-on-year to PHP10.637 trillion, slower vs. 12.8% as of end-2016, partly reflecting the slower growth in loans/credit.

The Philippine Stock Exchange Composite Index (PSEi) gained by 25.1% in 2017, to close at 8,558.42, after -1.6% in 2016. It reached a record high of 8,640.04 on December 29, 2017 and a low of 6,746.80 on January 3, 2017.

Financial and Operating Highlights

Balance Sheet

RCBC's Total Assets stood at ₱554.0 billion.

BALANCE SHEET			
In Million Pesos	2017	2016	2015
Total Assets	553,988	521,193	516,061
Investment Securities	72,932	75,622	111,201
Loans and Receivables (Net)	354,243	306,167	299,119
Total Deposits	388,412	353,077	342,362
Capital Funds	67,027	62,133	58,129

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

Due from Bangko Sentral ng Pilipinas, representing 10.61% of total resources, decreased by 11.60% or P7.719 billion from P66.520 billion to P58.801 billion as a result of a decrease in overnight deposit and term deposit placements. Due from other banks decreased by 21.65% or P5.475 billion from P25.293 billion to P19.818 billion, mainly due to decrease in foreign bank placements. Total trading investment securities, representing 13.16% of Total Resources stood at P72.932 billion.

As permitted by PFRS 9 and BSP Circular 708, the Group sold in 2017 certain peso and dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of P22.729 billion. The disposals resulted in a gain of P683 mio, which is included under Trading and securities gains-net in the statement of profit or loss. In addition, the Group concluded that the sales did not result in changes in its business models for managing financial assets to collect contractual cash flows.

Loans under reverse repurchase agreement grew by 24.62% or P1.942 billion from P7.889 billion to P9.831 billion mainly due to higher placements with the BSP.

Loans and Receivables-net increased by 15.70% or P48.076 billion from P306.167 billion to P354.243 billion and represented 63.94% of total resources. This was primarily as a result of increase in the volume of loan releases across all product types. In terms of ADB, SME Loans grew by 18% or P6.0 billion, Consumer Loans by 15% or P10.7 billion, and Corporate Loans by 12% or P20.5 billion. Growth in consumer loans was led by the Credit Card Portfolio, which grew by 28% or P2.9 billion, Auto Loans by 21% or P5.5 billion, and Mortgage Loans by 9% or P3.2 billion. For the Loan Mix, Corporate Loans was 55%, SME was 16% and Consumer Loans was 29% of the Total Loans.

Investments in Associates, net grew by 8.88% or P34 million from P383 million to P417 million as a result of additional equity income from associates.

Investment Properties, net increased by 5.26% or P170 million from P3.229 billion to P3.399 billion attributable to additional foreclosed properties made by subsidiaries. Deferred Tax Assets declined by 12.91% or P291 million due to higher taxable income during the year resulting to utilization of tax benefits of minimum corporate income tax incurred in prior years. Other Resources, net decreased by 8.61% or P849 million from P9.861 billion to P9.012 billion mainly due to disposal of assets held for sale by a subsidiary.

Deposit liabilities grew by 10.01% or P35.335 billion from P353.077 billion to P388.412 billion and represented 70.11% of Total Resources. Demand deposits increased by 23.64% or P9.943 billion from P42.053 to P51.996 billion, Savings Deposits were recorded at P165.187 billion and accounted for 29.82% of Total Resources. Time deposits grew by 15.62% or P23.131 billion from Php148.098 bio to P171.229 billion and accounted for 30.91% of total resources. Increase in deposit liabilities was as a result of newly opened business centers.

Bills payable increased by 16.80% or P6.324 billion from P37.643 billion to P43.967 billion mainly attributable to higher foreign borrowings; it represented 7.94% of total resources. Bonds payable decreased by 32.54% or P13.535 billion from P41.595 billion to P28.060 billion primarily as a result of the maturity of the U.S.$275 million senior notes in January 2017. Accrued taxes, interest and other expenses payable decreased by 13.23% or P638 million from P4.823 bio to P4.185 mainly due to decrease in accruals for other expenses as a result of the settlement of prior year's accrual of the BSP's regulatory action relating to the alleged heist involving the Bank of Bangladesh.

Total liabilities stood at P486.961 billion and represented 87.90% of Total Resources.

Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income decreased by 7.51% or P160 million due to revaluation of investment securities. Actuarial losses on Defined Benefit Plan decreased by P1.514 billion from P1.593 billion to P79 million as a result of the revaluation of plan assets held by the retirement fund. Retained Earnings grew by 14.34% or P3.518 billion from P24.531 billion to P28.049 billion due to higher income for the period and accounted 41.85% of Total Capital Funds.

Total Capital Funds grew by 7.88% or P4.894 bio from P62.133 bio to P67.027 bio.

Income Statement

INCOME STATEMENT			
In Million Pesos	2017	2016	2015
Interest Income	25,118	23,137	21,520
Interest Expense	7,097	7,430	5,943
Net Interest Income	18,021	15,707	15,577

Other Operating Income	7,100	7,114	6,655
Impairment Losses	2,155	1,770	2,350
Operating Expenses	17,815	17,355	15,061
Tax Expense (Income)	841	(174)	(307)
Net Income attributable to non-controlling interest	2	2	(1)
Net income	4,308	3,868	5,129

Total interest income increased by 8.56% or P1.981 billion from P23.137 billion to P25.118 billion and accounted for 99.99% of total operating income. Interest income from loans and receivables went up by 12.93% or P2.514 billion from P19.442 billion to P21.956 billion and accounted for 87.40% of total operating income. The increase is mainly due to increase in average volume of Loans and Receivables. Interest income from investment securities went down by 14.84% or P485 million mainly due to decrease in volume of total investment securities. It accounted for 11.08% of total operating income. Other interest income decreased by 11.27% or P48 million from P426 million to P378 million primarily as a result of decrease in BSP term deposit placements.

Total interest expense stood at P7.097 billion and accounted 28.25% of total operating income. Interest expense from deposit liabilities grew by 21.11% from P3.269 billion to P3.959 billion, representing 15.76% of total operating income. The increase was a result of higher volume and cost of time deposits. Interest expense from bills payable and other borrowings declined by 24.59% or P1.023 billion mainly due to the maturity of the U.S.$275 million senior notes in January 2017. As a result, net interest income increased by 14.73% or P2.314 billion from P15.707 billion to P18.021 billion.

The Group booked higher impairment losses at P2.155 billion, up by 21.75% or P385 million from P1.77 billion and represented 8.58% of total operating income. Increase in impairments losses net was mainly due to higher general loan loss provisions relative to increase in loan volume as previously discussed.

Other operating income of P7.100 billion accounted for 28.26% of total operating income and is broken down as follows:

- Service fees and commissions stood at P3.138 billion and accounted for 12.49% of total operating income.
- Trading and securities gain-net declined by 44.41% or P719 million from P1.619 billion to P900 million attributable to decrease in realized trading gains from securities sold.
- Foreign exchange gains increased by 189.13% or Php522 million from P276 million to P798 million attributable to higher volatility in the market resulting to increase in volume of transactions.
- Trust fees settled at P279 million.
- Share in net earnings of subsidiaries and associates settled at Php92 million.
- Miscellaneous income went up by 18.46% or Php295 million from Php1.598 billion to P1.893 billion brought about by higher dividend and gains on assets sold.

Operating expenses stood at P17.815 billion and accounted 70.92% of Total Operating Income.

- Manpower costs increased by 11.63% or P629 million from P5.408 billion to P6.037 billion, as a result of hiring for the newly opened branches. It consumed 24.03% of the total operating income.

- Occupancy and equipment-related grew by 10.24% or P294 million from P2.871 billion to P3.165 billion mainly due to the 27 branches opened in 2017. It accounted 12.60% of the total operating income.
- Taxes and licenses stood at P1.821 billion.
- Depreciation and amortization increased by 8.38% or P148 million from P1.766 billion to P1.914 billion.
- Miscellaneous expenses declined by 10.82% or P592 million to settle at P4.878 billion from P5.470 billion, primarily as a result of the P1.0 billion fine imposed by the BSP in 2016, and it consumed 19.42% of total operating income

Tax expense increased by P1.015 billion from a tax income of P174 million to a tax expense of P841 million, primarily as a result of higher taxable income as well as the origination and reversal of temporary differences relating to MCIT.

Net profit attributable to non-controlling interest settled at P2 million.

Overall, net income increased by 11.37% or P440 million from P3.870 billion in 2016 to P4.310 billion in 2017.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		Parent	
	2017	2016	2017	2016
Return on Average Assets (ROA)	0.82%	0.77%	1.02%	0.93%
Return on Average Equity (ROE)	6.72%	6.42%	6.74%	6.43%
BIS Capital Adequacy Ratio (CAR)	15.46%	16.16%	15.33%	16.23%
Non-Performing Loans (NPL) Ratio	1.25%	0.98%	0.54%	0.17%
Non-Performing Assets (NPA) Ratio	1.37%	1.52%	0.48%	0.34%
Net Interest Margin (NIM)	4.25%	4.06%	3.85%	3.47%
Cost-to-Income Ratio	70.92%	76.05%	68.01%	74.30%
Loans-to-Deposit Ratio*	90.84%	86.60%	91.67%	87.62%
Current Ratio	0.47	0.56	0.52	0.52
Liquid Assets-to-Total Assets Ratio	0.20	0.26	0.20	0.26
Debt-to-Equity Ratio	7.27	7.39	5.60	5.73
Asset-to- Equity Ratio	8.27	8.39	6.60	6.73
Asset -to- Liability Ratio	1.14	1.14	1.18	1.17
Interest Rate Coverage Ratio	1.73	1.50	1.95	1.60
Earnings per Share (EPS)				
Basic	Php 3.08	Php 2.76	Php 3.08	Php 2.76
Diluted	Php 3.08	Php 2.76	Php 3.08	Php 2.76

**Excluding Interbank loans and Loans under Reverse Repurchase Agreement*

Wholly-Owned/Virtually Wholly Owned Subsidiaries

RCBC SAVINGS BANK	Audited	
In Php 000s	2017	2016
Net Income	Php 1,350,231	Php 1,005,140

Return on Average Assets (ROA)	1.22%	1.05%
Return on Average Equity (ROE)	11.80%	9.89%
BIS Capital Adequacy Ratio (CAR)	14.03%	12.44%
Non-Performing Loans (NPL) Ratio	3.13%	2.88%
Non-Performing Assets (NPA) Ratio	4.09%	5.95%
Earnings per Share (EPS)	Php 43.74	Php 32.56

RIZAL MICROBANK	Audited	
In Php 000s (Except EPS)	2017	2016
Net Loss	Php (9,537)	Php (3,384)
Return on Average Assets (ROA)	-0.69%	-0.33%
Return on Average Equity (ROE)	-1.54%	-0.55%
BIS Capital Adequacy Ratio (CAR)	43.24%	65.28%
Non-Performing Loans (NPL) Ratio	0.02%	0.09%
Non-Performing Assets (NPA) Ratio	0.01%	1.24%
Loss per Share (EPS)	Php (1.09)	Php (0.30)

RCBC CAPITAL CORPORATION and Subsidiaries	Audited	
In Php 000s (Except EPS)	2017	2016
Net Income	Php 550,269	Php 294,079
Return on Average Assets (ROA)	12.40%	7.13%
Return on Average Equity (ROE)	14.46%	8.14%
BIS Capital Adequacy Ratio (CAR)	39.36%	27.99%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.03%	0.05%
Earnings per Share (EPS)	Php 4.66	Php 2.49

RCBC FOREX BROKERS CORPORATION	Audited	
In Php 000s (Except EPS)	2017	2016
Net Income	Php 4,502	Php 39,917
Return on Average Assets (ROA)	2.48%	16.60%
Return on Average Equity (ROE)	2.60%	20.14%
Capital to Total Assets	95.31%	77.08%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 9.00	Php 79.83

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Audited	
In Php 000s (Except EPS)	2017	2016
Net Loss	Php (8,940)	Php (1,931)
Return on Average Assets (ROA)	-6.34%	-1.38%

Return on Average Equity (ROE)	-6.49%	-1.40%
Capital to Total Assets	97.83%	100.05%
Non-Performing Loans (NPL) Ratio	0.00%	-0.54%
Non-Performing Assets (NPA) Ratio	0.00%	-
Loss per Share	Php (3.58)	Php (0.77)

RCBC NORTH AMERICA, INC.	**Audited**	
In Php 000s (Except EPS)	**2017**	**2016**
Net Loss	Php 0	Php (1,555)
Return on Average Assets (ROA)	0.00%	-91.01%
Return on Average Equity (ROE)	0.00%	-90.98%
Capital to Total Assets	58.70%	217.45%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php 0	Php (35.56)

RCBC TELEMONEY EUROPE S.P.A	**Audited**	
In Php 000s (Except EPS)	**2017**	**2016**
Net Loss	Php (9,172)	Php (45,056)
Return on Average Assets (ROA)	-55.15%	-52.36%
Return on Average Equity (ROE)	12.43%	-110.16%
Capital to Total Assets	-647.61%	-47.43%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share (EPS)	Php (91.72)	Php (450.56)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	**Audited**	
In Php 000s (Except EPS)	**2017**	**2016**
Net Income	Php 88	Php 2,259
Return on Average Assets (ROA)	0.05%	1.05%
Return on Average Equity (ROE)	-0.07%	-1.88%
Capital to Total Assets	-61.78%	-62.35%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 0.00	Php 0.01

NIYOG PROPERTY HOLDINGS, INC.	**Audited**	
In Php 000s (Except EPS)	**2017**	**2016**
Net Income	Php 134,909	Php 10,414

Return on Average Assets (ROA)	18.42%	1.40%
Return on Average Equity (ROE)	19.32%	1.46%
Capital to Total Assets	96.05%	94.43%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 96.99	Php 7.49

RCBC LEASING AND FINANCE CORP. and Subsidiary	**Audited**	
In Php 000s (Except EPS)	**2017**	**2016**
Net Income	Php 91,147	Php 70,218
Return on Average Assets (ROA)	1.10%	1.04%
Return on Average Equity (ROE)	13.64%	11.23%
Capital to Total Assets	7.87%	13.95%
Non-Performing Loans (NPL) Ratio	8.61%	12.51%
Non-Performing Assets (NPA) Ratio	6.65%	8.41%
Earnings per Share (EPS)	Php 0.199	Php 0.15

Notes to the Computations:

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

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

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

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

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

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2018

Sustaining the core business growth and to stabilize core earnings while focusing on select segments and niche markets will be the main thrust of the Bank for 2018. SME and consumer loans will remain as the main drivers of loan growth; Microfinance lending will continue to grow especially in the Mindanao and Visayas regions. In addition, Bank aims to build its securities portfolio and increase low-cost deposits.

The Bank aims to increase its fee-based income from deposit and branch-related transactions, e-banking channels, corporate, consumer and investment banking businesses, wealth management, trust, retail banking, cash management, Bancassurance, investment banking, and cards business. The Bank aims to increase deposit volume by introducing new products, client requisition through branch expansion and offer cash management products and services to business enterprises, and regular deposit campaigns and promos.

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

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

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

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of pocket expenses, by its independent accountant amounts/amounted to P11.24 million and P10.75 million for 2017 and 2016, respectively. Additionally, approximately P1.73 million was paid for other services rendered by the independent accountant in 2017.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2017 and 2016, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names, ages, citizenship and present positions of all directors are as follows:

Regular Directors

Ms. Helen Y. Dee, 73, Filipino, has been the Bank's Chairperson since 2007. Ms. Dee is also the Chairperson/President of Hydee Management and Resource Corporation; Chairperson of House of Investments, RCBC Savings Bank, RCBC Leasing and Finance Corporation, Landev Corporation, Hi-Eisai Pharmaceutical Inc., Mapua Information Technology Center, Inc., Malayan Insurance Co. Inc., , and Manila Memorial Park Cemetery, Inc.; and Vice Chairperson of Pan Malayan Management and Investment Corporation. She also holds directorship positions in top companies such as Philippine Long Distance Telephone Company, Petro Energy Resources, Inc., Sunlife Grepa Flnancial, Inc., Honda Cars Philippines, Inc., Isuzu Philippines, Inc., AY Holdings, Inc. and MICO Equities, Inc. Ms. Dee is also a Trustee of the Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology . She graduated from Assumption College with a Bachelor of Science degree in Commerce and completed her Masters in Business Administration at the De La Salle University.

Mr. Cesar E.A. Virata, 87, Filipino, 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; Belle Corporation; Lopez Holdings Corporation; City & Land Developers, Inc.; RCBC International Finance, Ltd. (Hong Kong); Luisita Industrial Park Corporation; Niyog Property Holdings, Inc.; Cavitex Infrastructure Corporation.; ALTO Pacific Company, Inc.; Malayan Colleges, Inc.; RCBC Bankard Services Corporation; AY Foundation, Inc.; and YGC Corporate Services, Inc., among others. 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 for the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agriculture 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. Mr. Virata graduated from the University of the Philippines with degrees in Mechanical Engineering and Business Administration (Cum Laude). He completed his Masters in Business Administration at the Wharton Graduate School, University of Pennsylvania.

Mr. Gil A. Buenaventura, 65, Filipino, has been the Bank's Director, President, and Chief Executive Officer since July 1, 2016. Mr. Buenaventura 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, Mr. Buenaventura graduated from the University of San Francisco in California with a Bachelor of Arts in Economics in 1973, and from the University of Wisconsin in Madison, Wisconsin, with a Master of Business Administration in Finance in 1975.

Mr. Tze Ching I. Chan, 61, Chinese, has been a Director of the Bank since 2011. He 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. Mr. T.C. Chan completed both his Bachelors Degree in Business Administration and Masters of Business Administration from the University of Hawaii in the United States. He is professionally qualified as a Certified Public Accountant (AICPA).

Mr. Richard Gordon Alexander Westlake, 66, of New Zealand, has been a director of the Bank since October 1, 2014. He is the founder and managing director of Westlake Governance Limited, a New Zealand-based globally focused business now regarded as a leading adviser in Corporate Governance. Mr. Westlake has over 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 years.

Mr. John Law, 67, is a dual citizen of France and Taiwan. He has been a director of the Bank since April 27, 2015. He is also currently a Senior Advisor for Greater China for Oliver Wyman, and is 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), UBS Securities Co. Ltd. (China), Bank of Nanjing (China), Bank of Hangzhou (China), Sacombank (Vietnam), and SinoPac Securities Ltd. (Taiwan), and worked in various capacities at the International Finance Corporation/World bank, JP Morgan and Citibank / Citigroup. He is a graduate of BS Psychology from Chung Yuan University in Taiwan, holds an MBA from Indiana University, USA, and a Master of Art in Poetry from the University of Paris, France.

Mr. Yuh-Shing (Francis) Peng, 46, Taiwanese, has been a director of the Bank since April 27, 2015. He 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 handing 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 holds a Bachelor of Science degree in Control Engineering National from the ChiaoTung University and Bachelor of Laws degree from the National Taiwan University. He also obtained a Masters in Business Administration from the National Central University.

Atty. Florentino M. Herrera, III, 66, has been a Director of the Bank since August 30, 2016. He 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 Philippines 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. He obtained both his Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines in 1972 and 1977, respectively.

Independent Directors

Mr. Armando M. Medina, 68, Filipino, has been an Independent Director of the Bank since 2003. He is a member of various board committees of the Bank, including the Related Party Transactions Committee where he is Chairman, and Executive Committee, Trust Committee, and Technology Committee where he is a member. He is also an Independent Director of RCBC Savings Bank, RCBC Capital Corporation, and Malayan Insurance Co. Inc. Prior to being Independent Director, he held top management positions in the Bank for 16 years. He was also President/COO from 1986-91 and President/CEO from 1991-1996. 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 graduated (Magna Cum Laude) from De La Salle University with a Bachelor of Arts degree in Economics and a Bachelor of Science in Commerce in Accounting.

Mr. Juan B. Santos, 79, has been an Independent Director of the Bank since November 2, 2016. He 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 the Philippine Long Distance Telephone Company (PLDT), Philex Mining Corporation, San Miguel Corporation, Equitable Savings Bank, Inc., and PCI Leasing and Finance, Inc. He obtained his Bachelor of Science Degree in Business Administration from the Ateneo de Manila University, and pursued post-graduate studies on Foreign Trade at the Thunderbird School of Global Management in Arizona, USA. He completed his Advanced Management Course at International Institute for Management Developpment (IMD) in Lausanne, Switzerland.

Amb. Lilia R. Bautista, 82, has been an Independent Director of the Bank since July 25, 2016. She 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 Member and, subsequently, Chairperson of the WTO Appellate Body, Chairperson of the Securities and Exchange Commission, Ex-Officio Member of the Anti-Money Laundering Council, Acting Secretary of the Department of Trade and Industry, Chairman Ex-Officio of the Board of Investments, and Ambassador Extraordinary and Plenipotentiary, Chief of Mission, Class 1 and Permanent Representative to the United Nations Office, World Trade Organization, World Health Organization, International Labor Organization and Other International Organizations in Geneva, Switzerland. She has a degree in Bachelor of Laws and Masters in Business Administration, both from the University of the Philippines. She obtained a Master of Laws from the University of Michigan (Dewitt Fellow).

Mr. Melito S. Salazar, 68, has been an Independent Director of the Bank since June 27, 2016. He is also an Independent Director of Sun Life of Canada Prosperity Balanced Fund, Inc., Sun Life of Canada Prosperity Philippine Equity Fund, Inc., Sun Life Prosperity GS Fund, Inc., Philippines First Insurance Corp., YANMAR Philippines, TECO Philippines and Concepcion Industrial Corporation, a Director of the Chamber of Commerce of the Philippine Islands, Dean of the Centro Escolar University School of Accountancy and Management, columnist of the Manila Bulletin and Regent of the Philippine Normal University. 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 graduated with a degree of Bachelor of Science in Business Administration major in Accounting and a Master of Business Administration from the University of the Philippines in 1971 and attended executive development and training programs in MIT, the Harvard Business School and INSEAD.

Atty. Adelita A. Vergel De Dios, 71, has been an Independent Director of the Bank since June 27, 2016. She is currently an Independent Director of RCBC Savings Bank, and Member of 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 is a Certified Public Accountant with a degree of Bachelor of Business Administration (BBA) from the University of the East, which she obtained in 1965. She completed her Bachelor of Laws as Magna cum Laude from the University of the East in 1973.

Mr. Vaughn F. Montes, Ph.D., 67, has been an Independent Director of the Bank since September 26, 2016. Mr. Vaughn F. Montes has had a long career in banking, 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. Mr. Montes has an AB Economics degree from Ateneo de Manila University, which he completed in 1971. He obtained a Master of Science in Industrial Economics degree from the Center for Research and Communication, Manila in 1973, and a PhD in Business Economics from the Wharton Doctoral Programs, University of Pennsylvania in 1984.

Mr. Gabriel S. Claudio, 63, 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. He obtained his degree in AB Communication Arts in 1975 from the Ateneo de Manila University.

Executive Officers

The names, ages and positions of the Bank’s executive officers are as follows:

Redentor C. Bancod, 53, Filipino, Senior Executive Vice-President, is the Head of the IT Shared Services Group and was appointed for a concurrent role, as Chief of Staff on November 2, 2017. Prior to assuming these roles, he was the Head of IT Shared Services & Operations Group and the concurrent head of Digital Banking Group. Previously, he was Vice-President & General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice-President and Chief Technology Officer of Sun Life Of Canada (Philippines) Inc. from October 2003 to 2007; Senior Vice- President & Chief Information Officer of Equitable Bank from July 1996 to September 2003; Assistant Vice-President and Head of Applications Development in Far East Bank from October 1993 to June 1996; Assistant Vice-President of Regional Operations (Asia Pacific) of Sequel Concepts, Inc. U.S.A/Ayala Systems Technology Inc. from November 1992 to September 1993; Project Manager in Union Bank of Switzerland, NA from April 1988 to November 1992; and Chief Designer and Technical Adviser in Computer Information System Inc. from March 1984 to April 1998. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines and is a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University.

John Thomas G. Deveras, 54, Filipino, Senior Executive Vice-President, is the Head of Asset Management & Remedial Group and Strategic Initiatives. Initially, he was the Strategic Initiatives Head when he joined RCBC in 2007 but was appointed as Head of Asset Management & Remedial Group in October 2015. Prior to joining the Bank, he was an Investment Officer at International Finance Corporation. He also worked for PNB Capital and Investment Corporation as President and PNB Corporate Finance as Senior Vice-President. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and earned his Masters in Business Administration from the University of Chicago.

Chester Y. Luy, 48, Filipino, Senior Executive Vice President, is the Head of Treasury Group. Prior to joining RCBC, he served in several leadership roles with various banks : Bank of Singapore as Managing Director / Head of Corporate Finance and Structured Transactions (January 2015 to June 2016), Julius Baer as Managing Director / Senior Advisor and Head of Investment Finance (December 2010 to November 2014), Bank of America / Merrill Lynch as Managing Director/Co-Head of Investment Team for Asia Pacific Region (June 2009 to November 2010), Barclays Capital as Managing Director / Head of High Yield Debt Capital for Asia Pacific Region (April 2002 to June 2009), HSBC Securities as Managing Director / Supervisory Analyst for Credit Risk Analysis Group (March 2001 to April 2002), JP Morgan Chase Securities as Vice President for Credit Risk Analysis Group (June 1995 to March 2001) and Merrill Lynch as Investment Management for Asia Pacific Region (June 1990 to September 1993). Mr. Luy graduated in 1990 from the University of the Philippines with a degree in Bachelor of Science in Business Administration. He obtained his Masters in Business Administration degree major in Finance at J.L. Kellogg Graduate School of Management, Northwestern University in 1995.

Michelangelo R. Aguilar, 61, Filipino, Executive Vice-President, is the Head of Conglomerates and Global Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and Corporate Banking Segment 1 Head from September to November 2012. Prior to joining the Bank, Mr. Aguilar was Managing Director of Standard Chartered Bank and Head, Origination and Client Coverage and Co-Head, Wholesale Banking (2004 to 2011) and Country Head, Global Markets (1997 to 2004). He obtained his Bachelor of Science degree in Mechanical Engineering from De La Salle University and his Masters in Business Management from the Asian Institute of Management. He is a registered Mechanical Engineer granted by the Board of Mechanical Engineers, Professional Regulatory Commission.

Michael O. de Jesus, 58, Filipino, Executive Vice-President, is the Head of National Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and the Corporate Banking Segment 2 Head from July 2007 to November 2012. He has a Bachelor of Arts degree in Economics from Union College in Schenectady, New York and a Masters in Business Administration (Finance) from The Wharton School, University of Pennsylvania.

Rommel S. Latinazo, 58, Filipino, Executive Vice-President, is the President and Chief Executive Officer of RCBC Savings Bank. Prior to this, he was the Head of Corporate Banking Segment 1 under the Corporate Banking Group. He joined the Bank in 2000 as First Vice-President. Previously, he held various positions in Solidbank Corporation, Standard Chartered Bank, CityTrust Banking Corporation, First Pacific Capital Corporation and Philamlife Insurance Company. Mr. Latinazo obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and his Masters in Business Administration from the University of the Philippines.

Ana Luisa S. Lim, 58, Filipino, Executive Vice-President, is the Chief Compliance Officer and Head of Regulatory Affairs Group. She was formerly the Head of Operational Risk Management Group prior to assuming her current role. She was also the Head of Internal Audit Group prior to her transfer to Operational Risk Management. She is also a Director and Corporate Secretary of BEAMExchange, Inc. She joined the Bank in 2000 primarily to implement the risk-based audit approach under a shared-services set-up in conformity with the Bank's strategic risk management initiatives. Ms. Lim obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor.

Edel Mary G. Vegamora, 57, Filipino, Executive Vice President, is the Chief Audit Executive and Head of the Internal Audit Group. Her banking background includes being the Chief Financial Officer and Controller of Bank of Commerce from December 2013 to August 2017 and prior to that, she was the Chief Internal Auditor/ Head of Internal Audit of BDO Unibank, Inc. from September 2010 to January 2013. She also had experiences from other banks as follows: as Director of Head of Finance at ING Bank NV -Philippine Branch from August 2001 to July 2007; as Controller at Philippine Savings Bank from October 1991 to July 1993, and as Head of Division 1 of Audit Group in Metrobank from October 1988 to October 1991.

She had other experiences gained from engagement with various firms which include the following : as Managing Director for Worldwide Financial Marketing Alliance; as Senior Consultant/Partner at Diaz, Murillo Dalupan & Co., CPAs, as Part time Internal Auditor for CBCP-Caritas Filipinas Foundation Inc., NASSA, as Part-time Executive Director (Pro Bono) at iTeach, Inc; as Chief Financial Officer, Treasurer of Sun Life of Canada (Phils) Inc., as Chairman of the Board and President (Pro Bono) of the Institute of Internal Auditors; as Director for Assurance (Banking and Insurance Business) of KPMG Laya Mananghaya & Co. CPAs; as Regional Finance Head of Sun Life Assurance Co. of Canada - Asia Pacific Divsiion (Philippine Branch) and as Manager-Tax Division, TCG; Started as Financial Auditor (Banking Clients) at Sycip Gorres Velayo & Co.

Ms. Vegamora graduated from the University of the East in 1980 with a degree in BS Business Administration, major in Accounting. She completed her Masters in Business Administration (Abridged) in 1998 offered in Manila by the New York Institute of Finance. She is a Certified Public Accountant (1980) and a Certified Internal Auditor (Institute of Internal Auditors International, USA 1999). She also obtained a Certification in Risk Management Assurance given by the Internal Auditors International, USA 2012. She is a graduate of the Professional Directors Program of the Institute of Corporate Directors and a Fellow at the same institute.

Simon Javier A. Calasanz, 38, Filipino, First Senior Vice President, is the President and CEO of RCBC Bankard Services Corporation. Prior to this, he worked for over 13 years at Hongkong Shanghai Banking Corporation where he handled the following roles : Senior Vice President and Head of Contact Center Management and Consumer Loans (February 2012 to October 2015), Senior Vice President and Head of Cards and Consumer Assets (January 2009 to January 2012), Vice President for Credit Approval Risk Management (May 2007 to January 2009), OIC for Consumer Credit and Risk (September 2008 to November 2008), Assistant Vice President for Personal Financial Services (September 2006 to April 2007), Manager for Third Party Verification Agencies and Process Management (July 2005 to September 2006), Assistant Manager for Quality Review and Systems Support (December 2004 to July 2005), Manila Credit and Risk Support Manager-Manila Project Team (August 2004 to October 2004), Assistant Manager for Management Information Systems (June 2003 to December 2004), Management Information Credit Analyst (September 2002 to June 2003) and Credit Approval Unit Credit Analyst (April 2002 to September 2002). In addition, he also performed significant roles for the Credit Card Association of the Philippines where he is currently the Special Advisor to the Board, and for the Credit Management Association of the Philippines in which the last position he assumed was as Director in 2008. Mr. Calasanz graduated from De La Salle University with a Bachelor of Science degree in Commerce, major in Marketing Management and Bachelor of Arts degree in Psychology.

George Gilbert G. Dela Cuesta, 49, Filipino, First Senior Vice President, is the Group Head of the Legal Affairs Group and the Bank's Corporate Secretary. He joined RCBC in November 2016 as Deputy Head for Legal and Regulatory Affairs Group. Previously, he was Head of Legal for Asian Terminals for more than seven (7) years. He previously worked also as General Counsel for Hanjin Heavy Industries & Construction Co. Ltd. and for Mirant (Phils) Corporation. He had previous consultancy engagements and employment with Follosco Morallos & Herce Law Office, PNOC-EDC and at the Department of Environmental and Natural Resources. He started his career at Quisumbing and Torres. Atty. dela Cuesta graduated from the University of the Philippines in 1988 with a degree in Bachelor of Arts major in Political Science. He earned his Law degree from the same university in 1992.

Jonathan C. Diokno, 44, Filipino, First Senior Vice President, is the Head of the Retail Banking Group. He previously worked at Banco De Oro Unibank where he handled roles as Head of BDO Remittance Origination, Head of Business Development. He also had employment with Citibank where he was Head of Sales for Cash Management under Global Relationship Banking (Multinational Accounts) and at Standard Chartered Bank where he was a Manager for Business Development. He also had a stint at Bank of the Philippine Islands where he handled various roles such as Sales Officer, Operations and Customer Service Officer, Cash Operations Unit Officer. He started his career in banking under the Junior Officer Training Program of Citytrust Banking Corporation. Mr. Diokno graduated from the University of the Philippines with a Bachelor of Science major in Business Administration in 1994.

Lourdes Bernadette M. Ferrer, 59, Filipino, First Senior Vice-President, is the Head of the Trust and Investments Group. Prior to joining the Bank in September 2000, she held various related positions in Solidbank Corporation and the International Corporate Bank. She graduated from the University of the Philippines with a Bachelor of Science degree in Statistics and likewise obtained her Master's Degree in Business Administration from the same university.

Gerald O. Florentino, 49, Filipino, First Senior Vice-President, is the President of RCBC Securities. He held the position of Group Head and Deputy Group Head of Corporate Planning in RCBC prior to assuming his current position. Before joining the Bank, he was Senior Vice-President for the Investment Banking Group of Investment and Capital Corporation of the Philippines. He gained his corporate planning expertise from AXA Philippines as Vice-President and Head of Strategic Planning, Project Management and Business Development and AXA Way from 2007 to 2009. He also held various positions in UCPB for seven years during which his last appointment was the Head of Cash Management Products for the Working Capital Products Group. Mr. Florentino graduated from the Loyola University of Chicago, Illinois with a degree in Bachelor of Business Administration majoring in Finance and obtained his Masters in Business Management from the Asian Institute of Management.

John P. Go, 49, Filipino, First Senior Vice-President, is the Head of Chinese Banking Segment 2. Prior to joining the Bank, Mr. Go was the Vice-President/Chief Finance Officer/Assistant to the Chairman of Liwayway Marketing Corporation (March 2002 to January 2008), Assistant Vice-President of UCPB (August 1996 to February 2002) and Manager/Business Development Department Head of Monte Piedad Savings Bank (January 1996 to July 1996). He holds a Bachelor of Science degree in Marketing from the Philippine School of Business Administration.

Margarita B. Lopez, 50, Filipino, First Senior Vice President, is the Head of Digital Banking Group and the concurrent Head of Operations Group. Prior to joining the Bank, she was connected with Manulife Financial as a member of the Board of Directors and Corporate Vice President/ Asia Head of Digital from October 2014 to March 2016 and the Chief Operations Officer from February 2010 to September 2014. She also held the following positions in various institutions: Chief Operations Officer / Head of Customer Services and Support at Philippine AXA Life (January 2007 to February 2010), Group Head/First Vice President of Electronic Banking Services at Philippine National Bank (January 2005 to December 2006) and Division Head/Vice President of Transactional Banking at United Coconut Planters Bank (1996 to 2004). She also held consultancy roles from 1988 to 1996 and was the Analyst Programmer for Infolink assigned at CityTrust from 1987 to 1988. Ms. Lopez started her career as Lecturer at the University of the Philippines in 1995. She obtained her Bachelor of Computer Science and Masters in Technology Management, Business and Industry in the same university.

Regino V. Magno, 59, Filipino, First Senior Vice-President, is the Head of Business Risk Group. He was the Bank's Chief Risk Officer and the Head of Corporate Risk Management Services (CRISMS) when he was hired in 2009. Prior to joining the Bank, he was the Chief Risk Officer of Sterling Bank of Asia from August 2007 to December 2008. He was a Market Risk Consultant of Chase Cooper, a London-based consulting firm, Chief Risk Officer of Philippine National Bank for four years, a Consultant of Philippine Deposit Insurance Corporation for one year, and a Senior Risk Manager at the Bank of the Philippine Islands for four years. He also held various positions in CityTrust Banking Corporation. Mr. Magno obtained his Bachelor of Science degree in Industrial Management Engineering from De La Salle University and his Masters in Business Administration from the University of the Philippines. (Retired on February 25, 2018)

Remedios M. Maranan, 57, Filipino, First Senior Vice-President, is the Special Assistant to the Retail Banking Group Head for Business Controls. Prior to assuming this role, she was the National Service Head of Retail Banking Group. Ms. Maranan started as a BOTP Trainee in 1989 after which she assumed various positions in branch operations. Her noteworthy stints include being the Regional Operations Head for Metro Manila in December 1998 to April 2004, BC Services Division Head in May 2004 to May 2008 and Regional Service Head for Metro Manila in June 2008 to February 2010 and Deputy Group Head of BC Services from March 2010 to September 2013. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the Polytechnic University of the Philippines.

Yasuhiro Matsumoto, 58, Japanese, First Senior Vice-President, is the Head of Global and Ecozone Segment and concurrently, Head of the Japanese Business Relationship Office. Prior to this, he worked for The Bank of Tokyo-Mitsubishi UFJ, Ltd. since 1984, when the bank was named The Sanwa Bank, Ltd. He has also previously served as a director of the Bank. He obtained his Bachelor of Economics degree from Waseda University, Japan.

Emmanuel T. Narciso, 56, Filipino, First Senior Vice President, is the Group Head of Global Transaction Banking. Prior to joining RCBC, he was the Group Head of Transaction Banking in Banco de Oro Unibank, Inc. from June 2011 to August 2015. He was also previously connected with the Hongkong and Shanghai Banking Corporation, where he handled the following roles: Head of Business Banking Division (Philippines), Head of Payments and Cash Management for Vietnam and Philippines. He also worked for Security Bank Corporation as Head of Corporate Transaction Banking Division and Citibank N.A. where his last appointment was as Business Development Head for Global Transaction Services. Mr. Narciso started his career in the banking industry when he was hired by the Bank of the Philippine Islands as an Analyst/Programmer in 1984. He obtained his Bachelor of Arts in Economics from the Ateneo de Manila University in 1984 and finished his Master in Business Management from the Asian Institute of Management in 1989.

Reynaldo P. Orsolino, 57, Filipino, First Senior Vice-President, is the Segment Head of Emerging Corporates. He was also the Head of Commercial & Medium Enterprises Division before assuming his current position. Prior to joining the Bank, he served as Senior Vice-President of Philippine National Bank from June 2003 to July 2007, and previously held senior positions at the Planters Development Bank, Asian Banking Corporation, and the Land Bank of the Philippines. He holds a Bachelor of Arts degree in Economics from the University of the Philippines.

Alberto N. Pedrosa, 48, Filipino, First Senior Vice-President, is the Head of Investment and Markets Trading and Balance Sheet Management Group. Prior to assuming this role, he was the Head of Investment and Markets Trading Segment. He was also the Investment Portfolio Management Division Head from August 2009 to June 2015. Prior to joining the Bank, he was the Chief Trader for Uniworks, Inc. (April 2009 to July 2009), Vice-President and Head of Global Liquid Products Trading for JG Summit Capital Markets (2000 to 2008), Assistant Vice-President of Asset, Liquidity Management and Investment Trading for PCIBank (1995 to 2000) and Senior Assistant Manager and Junior FX Trader for the Bank of the Philippine Islands (1993 to 1995). Mr. Pedrosa started his career when he joined BPI's Officer Training Program in 1993. He completed his Bachelor of Science degree in Commerce majoring in Philosophy at the London School of Economics.

Joseph Colin B. Rodriguez, 50, Filipino, First Senior Vice President, is the President and CEO of RCBC Forex Brokers Corporation. Prior to this appointment, he was the Treasurer of RCBC Savings Bank in September 2016 to and before this secondment, he was the President and Chief Executive Officer of RCBC Forex Brokers Corporation from April 2015 to August 2016 and Senior Vice President and Treasurer of RCBC Savings Bank from August 2011 to March 2015. He also assumed various positions in Rizal Commercial Banking Corporation as Head of the FX Risk Division and Head of Institutional Relationship Management Division. Before joining RCBC, he spent over two decades at the Treasury division of several foreign /local banks. He was Vice President and Head of the Foreign Exchange and Swap Desk at ING Bank Manila. He was also a Dealer at the Manila office of Banque Indosuez and Assistant Dealer at the Riyadh office of Banque Al Hollandi (ABN AMRO Bank). He also headed the FX and Swaps division of Bank of the Philippine Islands. He graduated from De La Salle University with a double degree in Liberal Arts & Commerce, Major in Marketing and in Political Science.

Rowena F. Subido, 51, Filipino, First Senior Vice-President, is the Group Head of Human Resources. She was also the Deputy Group Head of Human Resources before assuming her current position. Prior to joining the Bank, she worked with Citibank, N.A. as Country Lead Human Resources Generalist/Senior Vice-President, prior to which she was Head of Human Resources for the Institutional Clients Group for almost two years. She has also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Human Resources Head for four years. She also has HR experience in retail, distribution and manufacturing industries, having worked for California Clothing Inc. where she was Human Resources Head, International Marketing Corporation as Division Manager for Human Resources & Operations, Tricom Systems (Philippines), Inc. as Personnel and Administration Officer and Seamark Enterprises, Inc. as a Personnel Officer. Ms. Subido obtained her Bachelor of Science degree majoring in Psychology from the University of Santo Tomas and her Masters in Psychology majoring in Organisational/Industrial Psychology at De La Salle University.

Bennett Clarence D. Santiago, 48, Filipino, First Senior Vice President, is the Head of the Credit Management Group. Prior to joining RCBC, he was the Business Head for Small Business Loans in the Consumer Lending Group of Banco De Oro Unibank. His experiences in this bank include serving as Head, Business Development, Commercial Banking, Institutional Banking Group and Head, Credit Risk Control, Commercial Banking. He had previous stints with other banks in various roles such as Commercial Bank Risk Head of Citibank, N.A.; Chief Compliance Officer of Unionbank, Strategic MIS Officer, Unionbank and Loans Product Manager, Unionbank; Risk Management Center Head and Credit Risk Officer, International Exchange Bank. He started his banking career at Hongkong Shanghai Banking Corporation as Assistant Account Manager, Garments Division. He handled other roles thereafter in the said bank as follows: OIC, General Trading and Manufacturing Division, Business Development Officer, Assistant Manager, Financial Institutions, Remedial Management, and Relationship Manager, Financial Institutions. He also had experiences from other industries such as Globe Telecom Inc. where he worked as Senior Manager for Insurance and Manager for Asset Liability and Dasmarinas Garments Corporation as Executive Assistant. He graduated from the University of the Philippines in 1991 with a Bachelor of Science degree in Business Administration. He finished his Master in Business Administration in 2001 from Ateneo de Manila Business School.

Ma. Christina P. Alvarez, 47, Filipino, Senior Vice-President, is the Head of Corporate Planning Group. Prior to assuming this position, she was the OIC of Corporate Planning Group from October to December 2014 and the Financial Planning and Development Division Head from August 2006 to September 2014. She worked with various institutions in the following capacities: Financial Planning Officer at Banco de Oro from July 2005 to July 2006, Corporate Planning Officer at RCBC from 1999 to 2005, Risk Management and Planning Officer of Malayan Bank from 1998 to 1999, Research Officer of Unicapital, Inc. from 1995 to 1996 and Credit/Financial Analyst of Multinational Investment Corporation from 1991 to 1995. Ms. Alvarez graduated from Ateneo de Manila University in 1991 with a Bachelor of Arts degree in Management Economics. She earned her Masters in Business Management degree from the Asian Institute of Management in 1998.

Lalaine I. Bilaos, 49, Filipino, Senior Vice President, is the Head of the Local Corporate Banking Segment – Division II. Prior to occupying the position of Division Head on April 2011, she was holding the position of a Relationship Manager. She joined the bank in June 1992 as a Secretary for Corporate Planning. Six months therafter, she moved to Credit Operations Department to handle a Credit Analyst role. By January 1994, she joined Corporate Banking Group and was assigned under Project Finance as a Project Analyst. She also had other roles in the said team as Marketing Assistant and Jr. Project Account Officer. She became an Account Officer in 2000 at the Corporate Division 1 of Corporate Banking Group in Ortigas. Before joining RCBC, she had stints with Dynamic Union of Consultants and Managers, Inc and American Home Assurance Co. as Credit and Collection Assistant and Billing Assistant respectively. She graduated from De La Salle University in Manila in 1989 with a degree in Bachelor of Arts major in Economics.

Enrique C. Buenaflor, 47, Filipino, Senior Vice President, is the Head of Corporate Cash Management Segment. He joined RCBC in 2010 as Business Development Manager of Global Transaction Banking Group and was later appointed as Head of Business Development Division in 2011. Prior to joining RCBC, he was the Group Head/Vice-President of Structure Products for Philippine Bank of Communications (August 2005 to March 2010), Operations Head of Central Verification Unit for Citifinancial Corporation (July 2004 to July 2005), Sales Head/Assistant Vice-President of Corporate Cash Management Services (2001 to 2004) and Product Manager (1999 to 2001) for ABN AMRO Bank. He also worked for Philippine Global Communications Corporation as Senior Manager for Corporate Planning (July 1999 to November 1999) and Capitol Wireless, Inc as Business Development Director/Marketing and Sales Manager (March 1997 to May 1999). He started his career in Citibank N.A. as Operations Staff in 1992 and then as Management Associate in 1996. Mr. Buenaflor earned his undergraduate degree, Bachelor of Science in Business Management from Ateneo de Manila University and finished his Masters in Business Management at Asian Institute of Management.

Karen K. Canlas, 43, Filipino, Senior Vice-President, is the Division 2 Head of Wealth Management Segment 2. She was the OIC of Division 1 from February to August 2011 and the Senior Relationship Manager of the same division from February 2010 to February 2011. Prior to joining RCBC, she was the Corporate Sales Unit Head/Vice President of Export Bank from August 2005 to January 2010, Relationship Manager/Senior Manager of Equitable PCI Bank from February 2003 to August 2005, Branch Head (Main Office) of Bank of Commerce from May 2002 to January 2003, Manager (Relationship Banking Group) of Export and Industry Bank from September 2001 to May

2002 and Branch Head of Global Business Bank from September 2000 to September 2001. She also held various positions at Urban Bank for almost 6 years in which her last appointment was as Manager of Alabang Regional Office, Business Development Group. Ms. Canlas started her career as Technical Staff at the National Economic Development Authority in March 1994. She obtained her Bachelor of Arts major in Economics minor in Political Science degree from De La Salle University in 1994.

Brigitte B. Capina, 57, Filipino, Senior Vice-President, is the Regional Sales Director of South Metro Manila. Prior to occupying this position, she was the Marketing and Sales Director of Makati Central Business District in 2013, the Regional Sales Manager of South Metro Manila in 2012, Regional Sales Manager of Corporate Headquarters in 2009 and Business Manager for various branches such as RCBC Plaza in 2005, Buendia in 2004 and Makati Avenue in 2003. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the University of San Agustin, Iloilo City and her Masters in Business Management from the University of the Philippines, Visayas.

Arsenio L. Chua, 57, Filipino, Senior Vice-President, is the Regional Sales Director of North Metro Manila. Prior to occupying this position, he was the Marketing and Sales Director of Ortigas Central Business District in 2013, Regional Sales Manager of North Metro Manila in 2012, Regional Sales Manager of Central Metro Manila in 2010, District Sales Manager of Southern Metro Manila in 2009 and Business Manager of Caloocan Branch in 2007. He obtained his Bachelor of Science degree in Management and Industrial Engineering from the Mapua Institute of Technology.

Claro Patricio L. Contreras, 57, Filipino, Senior Vice-President, is the Head of Remedial Management Division. Prior to joining RCBC, he was the AVP for Special Accounts Management Services Group at BPI (April 2000 to June 2000), AVP for Credit Mgmt. Services Group at FEBTC (January 1997 to March 2000), and Manager for Credit Management Services Group at FEBTC (October 1995 to December 1996). He completed his Bachelor of Science degree in Commerce majoring in Business Management from San Beda College.

Elizabeth E. Coronel, 49, Filipino, Senior Vice-President, is the Head of Conglomerates and Strategic Corporates Segment. She joined RCBC in June 2013 as Senior Banker and Head of Conglomerate Banking Division. Previously, she was the Senior Vice-President and Chief Operations Officer of Equicom Savings Bank, a position she held for more than five years. She also held various positions in local and foreign banks namely Mizuho Corporate Bank as Vice President and Co-Head of Corporate Finance Department (January 2007 to February 2008), Equitable PCIBank as Vice-President and Head of Corporate Banking Division 4 (1996 to 2007) and Citibank as Relationship Manager of Global Consumer Bank (1993 to 1996). She started her career in the banking industry when she joined RCBC in 1989 as Marketing Assistant for Corporate Banking. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizuho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

Antonio Manuel E. Cruz, Jr., 50, Filipino, Senior Vice President, is the OIC for Chinese Banking Segment 1. Prior to being designated to this role, he was the Division 1 Head for Emerging Corporates Segment. He joined the Bank in 2008 and assumed the following positions for Commercial & Small Medium Enterprises under National Corporate Banking: Metro Manila-Luzon Head from December 2012 to September 2013, Makati Lending Center Head from September 2009 to December 2012 and Metro Manila Lending Center Head from January 2008 to September 2009. Before joining RCBC, he was the Ortigas Lending Center Head for Philippine National Bank from

December 2005 to December 2007 and the Relationship Manager for Asia United Bank from September 2000 to November 2005. He started his banking career at Solidbank Corporation where he assumed the following positions: Relationship Manager from January 1994 to August 2000, Management Trainee from July 1993 to December 1993, Senior Analyst from January 1993 to June 1993 and Junior Analyst from July 1990 to December 1992. Mr. Cruz obtained his degree in AB Economics from the Ateneo de Manila University in 1990.

Edwin R. Ermita, 55, Filipino, Senior Vice-President, is the Bank Security Officer. He was also the Corporate Services Division Head prior to assuming his current position. Previously, Mr. Ermita worked for CTK Incorporated as Consultant, Solidbank as Security and Safety Department Head and UCPB as Security and Safety Department Head. He started his career in UCPB as Teller in 1983 before moving to Branch Marketing in 1985. Mr. Ermita earned his Bachelor of Science in Management from Ateneo de Manila University. He finished his Masters in Business Administration with specialization in Industrial Security Management from the Philippine Women's University.

Benjamin E. Estacio, 47, Filipino, Senior Vice-President, is the Regional Service Head of Mindanao. Prior to assuming this position, he was the District Service Head of Southern Mindanao from May 2004 to March 2011. Mr. Estacio started his career with the Bank as SA Bookkeeper in February 1992 after which he assumed various positions in the branch. He graduated from the University of San Carlos, Cebu City with a Bachelor of Science in Commerce major in Accounting in 1991.

Erico C. Indita, 49, Filipino, Senior Vice President, is the National Sales Director/ Segment Head of Retail Banking Sales. Mr. Indita was hired as Domestic Remittance Clerk in 1993 after which he assumed various positions in Retail Banking. His noteworthy stints includes being the Regional Sales Director of Central Metro Manila (January 2015 to November 2016), District Sales Director of Makati Central Business District (January 2014 to December 2014), Marketing and Sales Director of Chinese Uptown (February 2013 to December 2013), District Sales Manager of Makati Central Business District (January 2011 to February 2013) and Business Manager of Makati Avenue (November 2004 to December 2010). He graduated from San Beda College with a degree in Bachelor of Science in Commerce major in Management in 1989 and finished his Masters in Business Administration at the Ateneo de Manila in 2007.

Jonathan Edwin F. Lumain, 56, Filipino, Senior Vice President, is the Bank's Chief Technology Officer. Mr. Lumain joined the Bank in 2001 and held the following IT-related positions: IT Head for Shared Technology Services (January 2008 to May 2016), Application Systems Department Head (August 2003 to December 2007) and Information Management Head (August 2001 to August 2003). Prior to joining RCBC, he was the Department Head of Branch Systems for BPI (November 1999 to July 2001), Department Head of Trust Banking Systems Development for Far East Bank and Trust Company (August 1993 to October 1999), Project Manager for Philippine Commercial International Bank Automation Center (November 1990 to July 1993) and Systems Analyst for Al Ajlani Ent., KSA (May 1985 to October 1990). He started his career in IT when he joined Andres Soriano Corporation as Programmer Trainee in December 1981. Mr. Lumain earned his Bachelor of Science in Business Administration degree from the University of the Philippines in 1981. He obtained his Master of Science in Computer Science from the Ateneo de Manila University in 1997.

Vivien I. Lugo-Macasaet, 58, Filipino, Senior Vice-President, is the Head of Management Services Division. She was also the Head of the HO Operations Division from November 2008 to January 2014. Prior to joining the Bank, she served as Vice-President of Financial Markets Operations at Citibank (May 2006 to June 2008), Senior Vice-President and Group Head of the International Processing Group at PNB (December 2002 to April 2006) and Vice-President and Business Manager for Institutional Equities at JP Morgan Equities (July 2001 to October 2002). Ms. Lugo-Macasaet graduated from the University of the Philippines with a Bachelor of Arts degree in Economics.

Florentino M. Madonza, 47, Filipino, Senior Vice-President, is the Group Head of Controllership effective October 14, 2014. He was the Deputy Group Head of Controllership from August 2014 to October 2014, General Accounting and Services Division Head from July 2004 to July 2014, General Accounting Department Head from September 2001 to July 2004, Assistant to the Department Head of General Accounting from January 1998 to September 2001, Asset Management and Sundry Section Head from September 1997 to December 1997 and Corporate Disbursement and Payroll Section Head from June 1996 to September 1997. Prior to joining the Bank, he worked for Sycip, Gorres, Velayo and Co. from July 1993 to May 1996 as Auditor. Mr. Madonza completed his Bachelor of Science in Commerce major in Accounting (Cum Laude) from the Araullo University, and is a Certified Public Accountant.

Jane N. Manago, 53, Filipino, Senior Vice-President, is the Group Head of Wealth Management. Prior to this appointment, she was the OIC of Wealth Management Group from December 2015 to January 2016, Segment Head of Wealth Management 1 from September 2014 to November 2015, Division 2 Head of Wealth Management from December 2006 to August 2014 and Relationship Manager for Division 2 from April 2006 to December 2006. She also worked for YGC Corporate Services Inc. as Officer-In-Charge and Marketing Head. Prior to joining the Bank, she worked with Citibank as Cash Product Manager for Global Transaction Services (September 1998 to January 1999), Account Manager (April to August 1998) and Head of Corporate Banking for Chinatown Branch (November 1996 to March 1998) and at Equitable Banking Corporation from May 1986 to October 1996, where her last appointment was the Head of the Research and Special Projects Unit. She obtained her Bachelor of Science degree in Commerce degree majoring in Business Administration and her Bachelor of Arts degree majoring in Behavioural Science from the University of Santo Tomas.

Jose Jayson L. Mendoza, 46, Filipino, Senior Vice President, is the Provincial Division Head for Commercial and SME Banking Segment. He joined the Bank in 2008 as Lending Center Head for Small & Medium Enterprises Division-Luzon. Previously, he worked with MayBank Philippines as Head of Retail Loans Management (January 2005 to August 2008), Philippine National Bank as Account Officer (January 2003 to December 2004), Philippine Savings Bank as Account Officer (August 1996 to December 2002) and Islacom as Senior Credit Investigator (May 1994 to July 1996). He started his banking career when he joined Allied Banking Corp. as Credit Investigator in 1993. Mr. Mendoza graduated in 1993 from De La Salle University with a degree of AB Management.

Gerardo G. Miral, 52, Filipino, Senior Vice-President, is the Head of Consumer Lending Group of RCBC Savings Bank. Prior to his secondment to RCBC Savings Bank, he was the Division II Head of Global and Ecozone Segment from April 2011 to January 2016 and Relationship Manager for JES Division II from February 2002 to April 2011. He also assumed various positions in the branch from September 1987 to February 2002. Mr. Miral obtained his Bachelor of Arts major in Economics degree from the University of Sto. Tomas in 1986.

Ma. Cecilia F. Natividad, 43, Senior Vice President, is the Head of the Marketing Group. Before joining RCBC, she served as Head of Marketing at Western Union Financial Services, Inc. She previously worked with other firms like Nestle Philippines Incorporated as Consumer Marketing Manager and at Ayala Life Assurance Incorporated as Sales Trainor, and at Amon Trading as Management Trainee. She graduated from the Ateneo de Manila University in 1995 with a Bachelor of Science degree in Management major in Legal Management.

Evelyn Nolasco, 56, Filipino, Senior Vice-President, is the Head of the Asset Disposition Division. Before she joined the Bank, she was the Senior Vice-President and Treasury Head of the ASB Group of Companies in 1995 and Manager for Corporate Finance for SGV & Company from 1994 to 1995. She graduated from De La Salle University with a Bachelor of Science degree in Commerce majoring in International Marketing and obtained her Master's degree in Business Management from the Asian Institute of Management.

Matias L. Paloso, 59, Filipino, Senior Vice-President, is the Head of Retail Banking Support Segment. He was formerly the Head of RBG Products, Support & Systems Segment from July 2014 to November 2016 and was seconded to RSB as Deputy Group Head of Retail Banking from April 2012 to July 2014. Prior to this, he was assigned at RCBC as the Regional Sales Manager of North Metro Manila in 2011, Regional Sales Manager of Southern Luzon in 2009, District Sales Manager of South West Luzon in 2002 and Business Center Manager of Camelray Branch in 1999. He obtained his Bachelor of Science degree in Commerce majoring in Accounting from Divine Word College, Tagbilaran City. (Retired 2/25/18)

Loida C. Papilla, 56, Filipino, Senior Vice-President, is the Asset Management Support Division Head. She joined RCBC in 2006 as Operations Support Division Head. She worked for various institutions in the following capacities : Assistant Vice-President / Head of Billing and Collections Section in PNB (April 2004 to February 2006), Assistant Vice-President/OIC in UCPB Securities Inc. (August 1999 to January 2004), Operations Finance Manager in Guoco Securities Inc. (January 1994 to August 1999), Media Consultant in the Office of the Senate President (October 1992 to December 1993), Research Director in Philippine Newsday (June 1989 to June 1992), Research Head in Business Star (June 1987 to June 1989) and Researcher in Business Day Corp. (November 1981 to June 1987). Ms. Papilla graduated from the University of the East in 1981 with a Bachelor of Science in Business Administration major in Accounting. She is also a Certified Public Accountant.

Arsilito A. Pejo, 55, Filipino, Senior Vice-President, is the Regional Sales Director of Visayas Region. Prior to this, he was the Regional Sales Director of Eastern Visayas. Mr. Pejo joined RCBC in 1982. His noteworthy stints include being the Regional Service Head of Visayas from June 2008 to December 2014 and Area Service Head of Visayas from May 2004 to May 2008, Regional Operations Head from October 2002 to April 2004 and Cebu Operations Center Head from June 1998 to September 2002. He obtained his Bachelor of Science degree in Commerce major in Accounting from Colegio de San Jose – Recoletos in 1982.

Honorata V. Po, 57. Filipino, Senior Vice President, is the Regional Sales Director for the South Luzon Regional Office. Prior to assuming the role of Regional Sales Director in 2016, she was a District Sales Director and a District Sales Manager for Southeast Luzon District from 2014 to 2016 and 2008 to 2013 respectively. In between these roles, she was designated as Financial Center Head based in Lucena in 2013. She joined the bank in 1994 as Business Center Manager, a position which she held until 2008. Before she joined RCBC, she was connected with Philippine National Bank from 1983 to 1993. She handled various roles in the said bank which include the following - Audit Clerk, Statistician, Audit Examiner, Accountant, Cashier and Branch Manager. Her first banking experience was gained from Far East Bank where she worked as a Teller from 1980 to 1982. Outside the banking industry, she had engagements in other institutions as follows: as Regional Governor for the Philippine Chamber of Commerce and Industry (2009 to 2010), as President of Quezon - Lucena Chamber of Commerce and Industry (2007 to 2008) and as a Director/Minor stockholder of Moldedcraft Consulting Corporation. She obtained a Bachelor of Science in Business Administration major in Accounting at the University of the East in 1980.

Nancy J. Quiogue, 49, Filipino, Senior Vice-President, is the Regional Service Head of North Metro Manila. Prior to assuming her current position, she was the Regional Service Head for North Metro Manila and Central Metro Manila. She was the Regional Service Head for Metro Manila from April 2010 to December 2014 and District Service Head for Metro Manila from May 2004 to April 2010. She also held various positions at the Bank since 1991. Ms. Quiogue graduated from the Philippine School of Business Administration with a Bachelor of Science degree in Business Administration majoring in Accounting.

Elsie S. Ramos, 52, Filipino, Senior Vice-President, is the Legal Affairs Division Head. She joined the Bank in 2006 and assumed the position of Litigation Department Head. Prior to joining RCBC, she was the Corporate Lawyer and Head of Legal and Corporate Affairs Division for Empire East/Land Holdings (2004 to 2006), Senior Associate and Lawyer-In-Charge of the Docket/Records Section for Ponce Enrile Reyes and Manalastas (2003 to 2004), Senior Associate for Martinez and Mendoza (2001 to 2002), Senior/Junior Associate for Ponce Enrile Reyes and Manalastas (1996 to 2000) and Legal Consultant for Companero Y Companera (1997 to 1998). She held various positions in the University of the Philippines, Department of History such as Assistant Professor (1994 to 1998), Assistant to the Chairman (1992 to 1993) and Instructor (1988 to 1994). She was also a Part-Time Instructor at the St. Scholastica's College, Manila from 1987 to 1989. She obtained her Bachelor of Arts and Master of Arts degree in History from the University of the Philippines, Diliman. She also finished her Bachelor of Law in the same university.

Ismael S. Reyes, 51, Filipino, Senior Vice-President, is the Head of Retail Banking Marketing Segment. He was formerly the National Sales Director when he joined the Bank in 2013. Prior to joining RCBC, he assumed various positions in Philippine Savings Bank as First Vice-President/ Head of the Loans Operations Group (October 2012 to October 2013), First Vice President/Branch Banking Group Head (January 2011 to October 2012), Vice-President/Deputy Branch Banking Group Head (June 2010 to December 2010) and Vice- President/ Business Development Unit Head (October 2008 to May 2010). He worked for iRemit Inc where he handled roles such as Division Head for Market Management (January 2004 to September 2008) and Deputy Head for the Global Sales and Marketing Division (August 2001 to December 2003). He also worked with Bank of the Philippine Islands where he was assigned as Operations Manager /Section Head for Funds Transfer Department from 1999 to 2001. His banking career started in Far East Bank in 1987 when he was hired as Staff for International Operations Division. By 1990 he was promoted to a supervisory rank in the same division and as an officer in 1993. He held the position of Department Head in International Operations in 1995 and became a Project Officer for the Remittance Center in 1996. Mr. Reyes earned his Bachelor of Science degree in Commerce major in Economics at the University of Santo Tomas.

Steven Michael T. Reyes, 46, Filipino, Senior Vice-President, is the Head of Commercial Trading and Sales Segment. Previously, he was First Vice President of Global Markets for Australian & New Zealand Banking Group (March 2009 to January 2014), Vice President / Head of Capital Markets for Banco De Oro (October 2006 to March 2009), Assistant Vice President /Debt and Interest Rate Trader for Citibank, Singapore (January 2006 to October 2006) and Assistant Vice President/Bonds Trader for Citibank, Manila (January 2002 to December 2005). He also worked for Equitable PCIBank from July 1999 to December 2001 and PCIBank from May 1996 to July 1999 and held the following positions : Senior Manager/Head of Capital Markets Desk (July 2000 to December 2001), Manager /Global Fixed Income Proprietary Trader (July 1999 to July 2000), Assistant Manager / Fixed Income Proprietary Bond Trader (July 1997 to July 1999) and Proprietary Bond Trader (May 1996 to July 1997). Mr. Reyes started his banking career when he joined Bank of the Philippine

Islands in 1993 as Position Analyst. He completed his Bachelor of Science in Tourism Management at the University of the Philippines in 1993.

Ma. Rosanna M. Rodrigo, 56, Filipino, Senior Vice President, is the Regional Sales Director of North Luzon Region. Ms. Rodrigo joined the Bank in 1992 and assumed the following positions : Marketing and Sales Director of North West Luzon (February 2013 to September 2013), District Sales Manager of North Central Luzon (November 2009 to February 2013), Branch Manager of Tarlac (February 2005 to November 2009), Branch Manager of Hacienda Luisita (July 1997 to January 2005) and Senior Personal Banker of Tarlac (November 1992 to June 1997). She also worked for Producers Bank of the Philippines as Cashier of Tarlac Branch (April 1983 to October 1992), Far East Bank and Trust Co. as New Accounts Clerk of Tarlac Branch (March 1982 to March 1983) and as contractual employee for New Accounts of Tarlac Branch (December 1981 to February 1982). Ms. Rodrigo obtained her Bachelor of Arts degree in Mass Communication major in Broadcasting from the University of the Philippines in 1981.

Raoul V. Santos, 51, Filipino, Senior Vice-President, is the Investment Services Division Head. He joined RCBC in 2001 as Portfolio Management Section Head before assuming the Investment Services Department Head position in 2008. He also worked for Metropolitan Bank and Trust Company (2000 to 2001), Solidbank Corporation (1999 to 2000). Phinma, Inc. (1991 to 1999) and SGV & Co. (1990 to 1991). Mr. Santos obtained his Bachelor of Science degree in Management of Financial Institutions and Bachelor of Arts degree in Asian Studies from the De La Salle University.

Libertine R. Selirio, 52, Filipino, Senior Vice-President, is the Division I Head of Global and Ecozone Segment. Prior to this, she was the Deputy Division Head of JES II from June 2011 to October 2012, Relationship Manager of JES Division II from February 2002 to May 2011, Branch Manager of Dasmarinas from September 2000 to February 2002, Branch Manager of Carmona from July 1998 to September 2000 and Branch Manager of Imus from September 1997 to July 1998. Before joining RCBC, she worked for Pilipinas Bank and assumed the following positions: Account Officer (1993 – 1997), Financial Analysis and Evaluation Section Head (1991 – 1993), Credit Analyst (1989 – 1991) and EDP Teller (1987 – 1989). Ms. Selirio earned her Bachelor of Science in Commerce major in Accounting from St. Scholastica's College in 1986.

Johan C. So, 47, Filipino, Senior Vice-President, is the Head of Division 1 in Local Corporate Banking Segment. Prior to assuming current position, he was the Head of Kaloocan Division from July 2013 to January 2014 and Head of Chinese Banking Division III from June 2008 to June 2013. From August 2005 to May 2008, he worked for Philippine Bank of Communications in which the last position he assumed was as Vice-President/Unit Head of Corporate Banking Group 5. He also worked for Standard Chartered Bank from May 1999 to May 2002, T.A. Bank of the Philippines, Inc. from February 1997 to May 1999 and China Banking Corporation from 1993 to 1997. Mr. So graduated from De La Salle University in 1992 with a degree in Bachelor of Science in Applied Economics and Bachelor of Science in Commerce major in Marketing Management. He obtained his Masters degree in Business Administration from the Ateneo Graduate School of Business in 1999.

Ma. Angela V. Tinio, 54, Filipino, Senior Vice-President, is the Head of Commercial and Small Medium Enterprises Banking Segment. She has been with the Bank since 2000, holding various positions in Corporate Banking such as VisMin Lending Region Head (December 2010 to June 2013), Metro Manila-Luzon Region Head (April 2006 to November 2010) and Account Management Department Head (July 2000 to April 2006). She worked with Bank of the Philippine Islands as Special Business Unit/Corporate Banking II Manager and Market Head in April 2000. She also held various positions in Far East Bank and Trust Company from June 1997 to April 2000, PDB Leasing and Finance Corporation from February 1996 to April 1997 and Traders Royal Bank from January 1985 to January 1996. Ms. Tinio obtained her Bachelor of Arts degree in Economics from the University of the Philippines and her Master's degree in Business Administration from the De La Salle University.

Gianni Franco D. Tirado, 45, Filipino, Senior Vice President, is the Regional Sales Director of Mindanao Region. Prior to assuming his current role, he was the Marketing and Sales Director of Central Mindanao (February 2013 to September 2013), District Sales Manager of Central Mindanao (March 2009 to February 2013) and Branch Manager for several branches in Mindanao (November 2000 to February 2009). He also assumed the Branch Operations Head of Marbel (February 1998 to October 2000), CI/Appraiser/Loans Clerk (June 1996 to January 1998) and CASA Bookkeeper of Dadiangas (October 1993 to May 1996). Mr. Tirado earned his Bachelor of Science in Commerce major in Accounting degree from the Notre Dame of Dadiangas University in 1993. He also completed his Masters in Education major in Special Education at the Holy Cross of Davao College in 2009.

Juan Gabriel R. Tomas IV, 46 Filipino, Senior Vice President, is the Head of the Customer Service Support Segment in, Operations Group. His experiences include serving as Head of Capital Markets and Custody, Operations Group, Citibank N. A., Head of Treasury Services Unit, Citibank N. A., Production Officer for Treasury Services Unit, Citibank, Consultant for Controllers' Department, Deutsche Bank AG Manila, and Consultant, for Process Competency Group at Accenture (formerly Andersen Consulting). Mr. Tomas graduated from Ateneo de Manila University in 1993 with a Bachelor of Science degree in Management. He completed his Masters in Business Management major in Finance in 2001 at the Asian Institute of Management.

Raul Martin J. Uson, 55, Filipino, Senior Vice President, is the Segment Head for Branch Services Support Segment. Prior to joining RCBC, he was previously connected with PBCom as Business Centre Operations and Oversight Head. He also assumed the following roles at Citibank N.A. prior to joining PBCom in 2012 : Operations and Services Head (2007 to 2012), Deputy Senior Country Operations Officer for Citi Indonesia (2006), Credit Operations and Transaction Services Head for Citigroup Business Process Solutions (2004 to 2006), Transaction Services Head (2001 to 2004), Internal Control Head (1999 to 2001), Infrastructure Head (1998 to 2001), Quality Assurance Head (1996 to 1998), Expense Processing Department Head (1993 to 1995), Quality Assurance Officer (1991 to 1993), Trade and Reconcilement Unit Head (1988 to 1991), Cash Officer for Greenhillls Branch (1985 to 1988) and Teller for Makati Branch (1984 to 1985). Mr. Uson graduated from the University of the Philippines Baguio with a degree in AB Economics and Psychology in 1983.

Emmanuel Mari K. Valdes, 44. Filipino, Senior Vice President, is the Head of Deposit, Product and Promotions Division in Retail Banking Group. Prior to assuming this role, he was the Head of Retail Financial Products Division with the rank of First Vice President. From October 2013 to June 2017.He joined the RCBC in 2010 as Head of Cash Management Services Department and was assigned in 2013 as Financial Center Head under Retail Banking Group. He started his banking career in January 1996 when he joined CityTrust Banking Corporation as a Sales Officer in Retail Banking Branch. He then transferred to Bank of Southeast Asia in 1997 where he handled the same role. He had previous stints thereafter with other banks such as UnionBank of the Philippines where he was Head of Sales Department for Cash Management Services and Standard Chartered where he was a Sales Head also. He graduated from De La Salle University in 1995 with a degree in Bachelor of Science in Commerce major in Business Management.

Teodoro Eric D. Valena, Jr., 59, Filipino, Senior Vice-President, is the IT Head for Information Management Services. Prior to assuming this role, he was designated as the Applications Architect of IT Shared Services Group. Previously, he was the Retail E-Channels Division Head from January 2015 to September 2015, Finacle Division Head from January 2008 to December 2014, Applications Development & Management Division Head from September 2006 to December 2007 and the Application System Services Department Head from April 2001 to September 2006. Prior to joining the Bank, he held various IT-related positions in several institutions such as Citibank (January 1987 to March 2001), MANCOMTECH (July 1986 to November 1986), Revenue Information Systems Services Inc. (October 1983 to May 1986), Trans-Union Corp. (June 1983 to October 1983), Mini-Systems Inc. (October 1981 to March 1983) and United Computer Programming Center (April 1981 to October 1981). Mr. Valena started his career as a Programmer/ Trainee at Mini-Systems Inc. in 1980. He graduated from the University of the Philippines with a Bachelor of Arts in Social Sciences major in Economics in 1983.

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

To the knowledge and/or information of the Bank, the present members of the Board of Directors and its executive officers are not, presently or during the last five (5) years, involved or have been involved in any legal proceeding adversely affecting/involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere arising from their duties as such. To the knowledge and/or information of the Bank, the said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country.

Item 10. Executive Compensation

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

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES			
Names	**Principal Position**	**Aggregate Compensation** (net of Bonuses)	**Bonuses**
2018 Estimate			
Gil A. Buenaventura	President & Chief Executive Officer	74,104	55,063
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Chester Y. Luy	Senior Executive Vice President		
Rommel S. Latinazo	Executive Vice President		
2017 Actual			
Gil A. Buenaventura	President & Chief Executive Officer	65,870	48,945
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Chester Y. Luy	Senior Executive Vice President		
Rommel S. Latinazo	Executive Vice President		
2016 Actual			
Gil A. Buenaventura	President & Chief Executive Officer	45,728	14,582
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Michaelangelo R. Aguilar	Executive Vice President		

Emmanuel T. Narciso	First Senior Vice President		
Officers and Directors as a Group Unnamed			
2018 Estimate		2,318,608	1,085,180
2017 Actual		2,060,985	964,604
2016 Actual		1,889,554	580,200

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

Likewise, the members of the Board of Directors and the Advisory Board are entitled to per diem for every meeting they attended. For the years 2017 and 2016, total per diem amounted to P10.005 million and P10.667 million, respectively.

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2017, RCBC knows of no one who beneficially owns in excess of 5% of RCBC's common stock except as set forth in the table below:

(1) Title of Class	(2) Name, address of record owner and relationship with issuer	(3) Name of Beneficial Owner and Relationship with Record Owner	(4) Citizenship	(5) Number of Shares Held	(6) Percent
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City Relationship with Issuer: RCBC is a subsidiary of PMMIC	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Filipino	594,248,081*	42.45%
Common	**Cathay Life Insurance Corp.** Address: 296 Ren Al Road Sec4 Taipei 10633 Taiwan R.O.C. Relationship with Issuer: Stockholder		Non-Filipino	326,929,297	23.35%
Common	**International Finance**	International Finance	Non-	71,151,505	5.08%

	Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P. Address: 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder	Corporation (IFC) *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		

**Combined Direct and Indirect Shares of PMMIC*

(2) Security ownership of management*:

	(1) Title of Class	(2) Name of beneficial owner	(3) Amount and nature of record / beneficial ownership		(4) Citizenship	(5) Percent of class (%)
			Par Amount	Nature		
Directors						
1	Common	Helen Y. Dee	10,116,790	R / B	Filipino	0.07
2	Common	Gil A. Buenaventura	50	R / B	Filipino	0.00
3	Common	Cesar E.A. Virata	1,001,670	R / B	Filipino	0.01
4	Common	Lilia R. Bautista	50	R	Filipino	0.00
5	Common	Vaughn F. Montes	50	R	Filipino	0.00
6	Common	Florentino M. Herrera III	34,670	R / B	Filipino	0.00
7	Common	Richard G.A. Westlake	10	R	New Zealander	0.00
8	Common	Tze Ching Chan	10	R	Chinese	0.00
9	Common	Yu - Shing Peng	10	R	R.O.C. Taiwan	0.00
10	Common	Armando M. Medina	1,950	R	Filipino	0.00
11	Common	John Law	10	R	French	0.00
12	Common	Gabriel S. Claudio	10	R	Filipino	0.00
13	Common	Melito S. Salazar Jr.	10	R	Filipino	0.00
14	Common	Adelita A. Vergel de Dios	10	R	Filipino	0.00
15	Common	Juan B. Santos	50	R	Filipino	0.00
		Sub-total	***11,155,350***			
Executive Officers						
4	Common	Evelyn Nolasco	27,000	B	Filipino	0.00
		Sub-total	***27,000***			
		TOTAL	**11,182,350**			**0.08**

*There are no additional shares which the listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligations, or otherwise.

The aggregate number of shares owned of record by all directors and executive officers as a Group named herein as of December 31, 2017 is 11,182,350 common shares or approximately 0.80% of the Bank's outstanding common shares.

Other than the above-named persons or groups holding more than 5% of the Bank's outstanding Common stock, there are no other persons that hold more than 5% of any class of stock under a voting trust or similar agreement.

There are also no arrangements, existing or otherwise, which may result in a change in control of the Bank.

Item 12. Certain Relationships and Related Transactions

The Bank is a member of the Yuchengco Group of Companies (YGC). The Yuchengco family, primarily through Pan Malayan Management and Investment Corporation (PMMIC), is the largest shareholder. As of December 31, 2017, PMMIC owned 473,963,631 certificated shares, approximately 33.86% of the Bank's issued and outstanding common shares. Total shareholdings comprising both certificated and scripless shares amount to 594,248,081, approximately 42.45% of the Bank's issued and outstanding common shares.

The Bank and its subsidiaries, in the ordinary course of business, engage in transactions with entities within the YGC. The Bank adheres to the policy that transactions with related parties are conducted at arm's length or above board, with any transaction, whether or not a price is charged, in connection with any such transaction being on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The same has been institutionalized in the Bank's Policy on Related Party Transactions (the "Policy").

The Policy adopts an expanded definition of "related parties." Related parties include directors, officers, stockholders and related interests ("DOSRI") as defined under the General Banking Law, BSP Circular 895, and other related issuances, as well as members of the Advisory Board of the Bank, consultants of the Bank, entities within the conglomerate of which the Bank is a member, and subsidiaries of related parties. The Bank maintains a database of related parties which is regularly updated to capture organizational and structural changes within the YGC.

Transactions with related parties involving an amount of at least Pesos: Ten Million (Php10,000,000.00), or significant transactions with related parties requiring Board approval regardless of amount, are reportable to the RPT Board Committee as related party transactions ("RPTs"). Related party transactions involving amounts below the materiality threshold of Pesos: Ten Million (Php10,000,000.00) are reportable to the RPT Management Committee.

Related parties, through their respective account officers, are enjoined to notify the appropriate Related Party Transactions Committee of any potential RPT as soon as they become aware of it. The RPT Board Committee is composed of at least three members of the Board of Directors, entirely consisting of independent and non-executive directors, with independent directors comprising the majority. The Chairman is an independent director. The RPT Management Committee is composed of heads of the Controllership Group, Operations Group, Corporate Risk Management Services Group, Retail Banking Group, and Corporate Planning Group, or their selected designates.

If a transaction is determined to be an RPT, the said transaction and all its relevant details are required to be submitted to the appropriate RPT Committee for evaluation. Once determined to be on arm's length terms, RPTs evaluated by the RPT Board Committee are thereafter presented to the Board of Directors for approval while transactions reviewed and approved by the RPT

Management Committee are presented to the Board of Directors for confirmation. In the event that a member of the Board has an interest in the transaction under evaluation, the said member shall not participate in the discussion and shall abstain from voting on the approval of the RPT. Pursuant to BSP Circular No. 895, as amended, and the Bank's Corporate Governance Manual, the Bank's significant transactions with its DOSRI and related parties were confirmed by majority vote of the Bank's stockholders during the last annual stockholders' meeting on 27 June 2017.

The review of related party transactions is part of the compliance testing of the Compliance Office as well as audit work program of the Internal Audit Group.

The Group's significant transactions with its related parties as of end December 2017 include loans and receivables and deposit liabilities. The total amount of loans outstanding was at P10.647 billion while total deposit liabilities was at P6.188 billion by end of December 2017. (see Notes 28.1 and 28.2, in the Notes to Financial Statements)

The Bank complies with existing BSP regulations on loans, credit accommodations and guarantees to its DOSRI.

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain DOSRIs. Under existing policies of the Group, these loans are made substantially on the same terms as loans to other non-related individuals and business of comparable risks.

Under current BSP regulations, the amount of loans to each DOSRI, 70% of which must be secured, should not exceed the amount of his deposit and book value of his investment in the Bank. In the aggregate, loans to DOSRIs, generally, should not exceed the total capital funds or 15% of the total loan portfolio of the Bank and/or any of its lending and non-banking financial subsidiaries, whichever is lower. However, non-risk loans are excluded in both individual and aggregate ceiling computations. As of December 31, 2017 and 2016, the Group and the Parent Company are in compliance with these regulatory requirements.

The total amount of Parent Company DOSRI loans was at P553 million as of end December 2016 and was at P509 million by end of December 2017. (Note 28.1, Notes to Financial Statements) Certain of the Bank's major related-party transactions are described below.

- RCBC and certain subsidiaries engage in trade of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period. [Note 28.3, Notes to Financial Statements]

- RCBC's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by RCBC's and RSB's Trust Departments in accordance with the respective trust agreements covering the plan. The retirement fund neither provides guarantee or surety for any obligation of the Group nor its investment in its own shares of stock covered by any restriction and liens. [Note 28.4, Notes to Financial Statements]

- RCBC and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RRC). Rental expense incurred by the Group related to this lease arrangements is included as part of Occupancy and Equipment-related account in the statements of profit or loss. RCBC's lease contract with RRC is effective until December 31, 2020 after it was renewed in 2015 for another five years. The outstanding payable on the lease contract is presented as part of Accounts payable under Other Liabilities account in the 2017 and 2016 statements of financial position. The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand. [Note 28.5(a), par.1, Notes to Financial Statements]

- RCBC entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza. Rental income by RCBC related to the sublease arrangements is included as part of Rentals under the Miscellaneous income account in the statements of profit or loss. The outstanding receivable on the lease contracts is presented as part of Accounts receivable under Loans and Receivables account in the statements of financial position. The related outstanding receivable in unsecured, noninterest-bearing and payable in cash on demand. Management believes that the receivables on the sublease agreements are fully recoverable. [Note 28.5(a), par.2, Notes to Financial Statements]

- In October 2013, RCBC and RSB entered into a lease agreement covering certain office and parking spaces of RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties. 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. 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. [Note 28.5(b), Notes to Financial Statement]

- RCBC has a Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide RCBC with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of RCBC's credit card business. The total service processing fees incurred by RCBC is recognized as part of the Service and processing fees under the Miscellaneous Expenses account in the statements of profit or loss. 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. The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand. [Note 28.5(c), Notes to Financial Statement]

- On May 25, 2015, RCBC's BOD approved the equity infusion into Rizal Microbank of P250 million by purchasing additional 2,500,000 common shares of stock with par value of P100 each. The additional capital infusion into Rizal Microbank was approved by BSP on September 30, 2015. [Note 12.1, par. 1, Notes to Financial Statements]

  On February 23, 2015, RCBC's BOD approved the subscription to P500 million worth of share of stock of RCBC LFC. In 2016, RCBC LFC filed an application with the SEC for an increase in authorized capital stock after it has secured the certificate of authority to amend the articles of incorporation from the BSP. Accordingly, as of December 31, 2016, the subscription to P500 worth of shares of stock of RCBC LFC was reclassified to the related investment account. As of December 31, 2017, approval from SEC is still pending. [Note 12.1, par. 2, Notes to Financial Statements]

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

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

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

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

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Reports on SEC Form 17-C

Reports under SEC Form 17-C (Current Reports) that were filed during the last twelve months covered by this report:

01-26-2017 Other Events

Change in the number of issued and outstanding shares due to conversion of 1666 RCBC Preferred Shares to 383 Common Shares

Type of Security/Stock Symbol	Before	After
Common Shares	1,399,912,464	1,399,912,847

01-30-2017 Other Events

The Board of Directors, in its regular meeting held on January 30, 2017, approved the following:

1. Appointment of Atty. Richard David C. Funk II as Chief Compliance Officer. Atty. Funk has over twenty (20) years of professional experience in providing legal guidance on the statutory and regulatory framework impacting business operations particularly in the areas of banking insurance and related fields such as anti-money laundering, regulatory compliance, corporate governance, and corporate social responsibility. Among his work experience are the following: Compliance Officer and concurrent Head of the Legal & Recovery Office of PNB General Insurers Co., Inc.; and Deputy Director/Group Head of the Compliance and Investigation Group, Anti-Money Laundering Council Secretariat.

   Atty. Funk graduated from Lyceum of the Philippines in 1992 with the degree of Bachelor of Laws. He obtained a Bachelor of Arts degree, majoring in Political Science, in 1988 from the same school.

   Atty. Funk replaces Atty. Rafael Danilo Ranil M. Reynante who tendered his resignation from the Unibank given his appointment as Chief Legal Counsel to a Government Financial Institution. Atty. Reynante will also continue to teach at the UP College of Law and the Ateneo School of Management.

2. Appointment of Mr. Juan Gabriel R. Tomas IV as Customer Service Support Segment Head, Operations Group, with the rank of Senior Vice President.

   Mr. Tomas has over twenty (20) years of professional experience in loans, custody and treasury operations, IT application, development and support, capital markets, customer service, process standardization, automation and re-engineering in the banking industry, and consulting firm. His employment background includes being the Head of Capital Markets and Custody, Operations Group of Citibank, N.A. Prior to that; he was the Head of Citibank's Treasury Service Unit. He served as a consultant to Deutsche Bank AG Manila prior to joining Citibank.

Mr. Tomas graduated from the Ateneo de Manila University in 1993 with the degree of Bachelor of Science major in Management. He completed his Masters in Business Management major in Finance in 2001 from the Asian Institute of Management.

3. Appointment of Ms. Ma. Cecilia F. Natividad as Group Head, Marketing Group, with the rank of Senior Vice President.

   Ms. Natividad has over twenty one (21) years of professional experience in the areas of global and multi-corridor marketing, strategic planning, and classic and digital communication. Her employment background includes being the Head of Marketing, Philippines of The Western Union Company. Prior thereto, she was Marketing Manager for Nestle Philippines, Inc.

   Ms. Natividad graduated from the Ateneo de Manila University in 1995 with the degree of Bachelor of Science major in Legal Management.

4. Concurrent and interlocking appointment of Atty. George Gilbert G. dela Cuesta as Corporate Secretary of RCBC Savings Bank. Atty. dela Cuesta is currently the Bank's Corporate Secretary and Head of the Legal Affairs Group.

5. Confirmation of concurrent and interlocking appointment of Atty. Elsie S. Ramos as Corporate Secretary of Niyog Property Holdings, Inc. Atty. Ramos is currently the Head of the Bank's Legal Affairs Division.

02-27-2017 Other Events

The Board of Directors, in its regular meeting held on February 27, 2017, approved the following:

1. Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC—Trust and Investments Group as of year ended December 31, 2016, as audited by Punongbayan & Araullo, subject to the final approval of the stockholders.

03-10-2017 Other Events

Change in the number of issued and outstanding shares due to conversion of 13,328 RCBC Preferred Shares to 3,029 Common Shares

Type of Security/Stock Symbol	Before	After
Common Shares	1,399,912,847	1,399,915,876

04-11-2017 Legal Proceedings

Termination of Legal Proceedings before the Supreme Court - G.R. No. 198756 entitled BDO, et. al. v. Republic of the Philippines, et.al.

RCBC received a copy of the Entry of Judgment on 11 April 2017. The Entry of Judgment states that the case is final and executory, thereby terminating the legal proceedings.

This case is a petition for certiorari, prohibition and/or mandamus under Rule 65 filed before the Supreme Court on October 17, 2011 by several banks seeking, among others, the annulment of BIR Ruling Nos. 370-2011 and DA 378-2011, which imposed a final withholding tax on the Poverty Eradication and Alleviation Certificates or the PEACe Bonds. On October 28, 2011, RCBC and RCBC Capital Corporation intervened as petitioners and the Court granted the intervention on November 15, 2011. The Supreme Court nullified the BIR Rulings and ordered the Bureau of Treasury to immediately release and pay to the bondholders the final tax withheld plus legal interest until fully paid. With the issuance of the Entry of Judgment, the judgment has become final and executory and the legal proceedings are deemed terminated.

04-17-2017 Other Events

Our Bank is mourning the untimely demise of our Chairman Emeritus, AMBASSADOR ALFONSO T. YUCHENGCO, who passed away on April 15, 2017.

04-26-2017 Other Events

Declaration of Dividends on Common Shares given receipt on April 26, 2017 of the approval from the BSP regarding said dividend declaration. Board approval for the declaration was subject to BSP approval. Amount of cash dividend per share P0.552.

Record date is the 10th trading day from receipt of approval by the BSP, or 10 trading days from April 26, 2017. The payment date shall be within 10 trading days from record date.

04-26-2017 Other Events

Declaration of Dividends on Convertible Preferred Shares amounting to P0.08066 to holders of convertible preferred shares as of June 21, 2017. BSP approval was received on April 26, 2017.

06-27-2017 Other Events

Please be advised of the following items approved by our Stockholders at their Annual meeting and Board of Directors at their regular and organizational meetings respectively held on June 27, 2017.

Regular Meeting of the Board of Directors

1. Promotion/appointment of the Officers effective 01 July 2017, subject to the final approval/confirmation of the Monetary Board of Bangko Sentral ng Pilipinas:

   From Senior Vice President to First Senior Vice President
   Alberto N. Pedrosa
   Joseph Colin B. Rodriguez

From First Vice President to Senior Vice President
Lalaine I. Bilaos
Emmanuel Mari K. Valdes
Honorata V. Po

2. Concurrent and interlocking appointment of Atty. Jocelyn Grace N. Navato (RCBC, Assistant Corporate Secretary) as Corporate Secretary of RCBC Leasing and Finance Corporation/RCBC Rental Corporation and of Rizal Microbank.

3. Appointment of Ms. Ana Luisa S. Lim, Executive Vice President as Officer-In-Charge of the Regulatory Affairs Group, effective 01 July 2017 in view of the resignation of Atty. Richard David C. Funk III.

Annual Stockholders' Meeting

1. Election of the following Directors to hold office for a term of one year:

   As Regular Directors
   Ms. Helen Y. Dee
   Mr. Cesar E. A. Virata
   Mr. Gil A. Buenaventura
   Mr. Tze Ching Chan
   Mr. Richard G.A. Westlake
   Mr. John Law
   Mr. Yuh-Shing (Francis) Peng
   Atty. Florentino M. Herrera

   As Independent Directors
   Mr. Armando M. Medina
   Mr. Juan B. Santos
   Mr. Melito S. Salazar, Jr.
   Atty. Adelita A. Vergel De Dios
   Mr. Gabriel S. Claudio
   Mr. Vaughn F. Montes
   Ms. Lilia R. Bautista

2. Approval of the 2016 Annual Report and 2016 Audited Financial Statements; and

3. Appointment of Punongbayan & Araullo as the Bank's external auditor for the fiscal year 2017.

Organizational Board of Directors Meeting:

1. Appointment of Corporate Officers:
   Mr. Gil A. Buenaventura - President and Chief Executive Officer
   Mr. Chester Y. Luy – Treasurer
   Atty. George Gilbert G. dela Cuesta – Corporate Secretary
   Atty. Joyce Corine O. Lacson – Assistant Corporate Secretary
   Atty. Jocelyn Grace N. Navato - Assistant Corporate Secretary
   Various Officers (please see attached list)

2. Appointment the following as Members of the Advisory Board:
   Ms. Yvonne S. Yuchengco
   Mr. Francis C. Laurel

3. Appointment of Ms. Helen Y. Dee as Chairperson, and Mr. Cesar E. A. Virata as Corporate Vice-Chairperson.

4. Appointment of the following as Chairpersons and Members of the Various Committees:

Committee	*Names*	*Position*
Executive Committee	Helen Y. Dee Gil A. Buenaventura Cesar E.A. Virata Armando M. Medina Lilia R. Bautista	Chairperson Co- Chairperson Member Member Member
Audit, Compliance and AML Committee	Melito S. Salazar, Jr. Atty. Adelita Vergel de Dios Vaughn F. Montes, Ph.D.	Chairperson Member Member
Risk Oversight Committee	Vaughn F. Montes, Ph. D Melito S. Salazar, Jr. Cesar E.A. Virata Richard G.A. Westlake John Law Juan B. Santos Mr. Gil A. Buenaventura	Chairperson Vice- Chairperson Member Member Member Member Member - Observer
Trust Committee	Juan B. Santos Gil A. Buenaventura Cesar E.A. Virata Armando M. Medina Lourdes M. Ferrer	Chairperson Member Member Member Member
Corporate Governance Committee	Atty. Adelita A. Vergel de Dios Mr. Melito S. Salazar, Jr. Mr. Vaughn F. Montes, Ph.D. Mr. Gabriel S. Claudio Mr. Yuh-Shing (Francis) Peng	Chairperson Member Member Member Member
Technology Committee	Helen Y. Dee Gil A. Buenaventura Cesar E.A. Virata Armando M. Medina Vaugn F. Montes, Ph.D.	Chairperson Member Member Member Member
Personnel Evaluation and Review Committee	Helen Y. Dee Rowena F. Subido Atty. George Gilbert G. dela Cuesta Florentino M. Madonza Margarita B. Lopez Jonathan C. Diokno Regino V. Magno	Chairperson Member Member Member Member Member Member

Related Party Transactions Committee	Armando M. Medina Atty. Adelita A. Vergel De Dios Yuh-Shing (Francis) Peng Gabriel S. Claudio Juan B. Santos	Chairperson Member Member Member Member

07-10-2017 Other Events

Appointment of Lilia B. De Lima as Independent Member of the Advisory Board effective July 3, 2017.

07-20-2017 Other Events

Change in the number of issued and outstanding shares due to conversion of 416 RCBC Preferred Shares to 95 Common Shares

Type of Security/Stock Symbol	Before	After
Common Shares	1,399,915,876	1,399,915,971

07-31-2017 Other Events

The Board of Directors at the regular meeting held on July 31, 2017 approved the following:

1. Appointment of Ms. Ana Luisa S. Lim, Executive Vice President, as Chief Compliance Officer and Head of the Regulatory Affairs Group, subject to the approval/confirmation of the Bangko Sentral ng Pilipinas. Ms. Lim has over twenty nine (29) years of professional experience gained from various banks, the last seventeen (17) of which have been with the Unibank.

   Among others, Ms. Lim served as the Unibank's Group Head for Internal Audit. More recently, she was the Group Head for Operational Risk Management before she stepped in as the Officer-in-Charge of the Regulatory Affairs Group upon the resignation of Atty. Richard David C. Funk II effective July 1, 2017.

   Ms. Lim obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines in 1980. She is a Certified Public Accountant (1980), a Certified Information Systems Auditor (1991, USA), and a Certified Internal Auditor (2003, USA).

2. Appointment of Ms. Edel Mary D. Vegamora as Chief Audit Executive/Group Head internal Audit Group, with the rank of Executive Vice President. She is a Certified Public Accountant (1981) and Certified Internal Auditor (1999). She also has a Certification in Risk Management Assurance (2012) and is a Fellow in the Institute of Corporate Directors (2016).

Ms. Vegamora has over thirty seven (37) years of professional experience in the areas of risk management process, internal audit and control, banking financial reporting, governance process, banking taxation, banking products, and deals vetting. Her employment background includes being the Chief Financial Officer and Controller of Bank of Commerce. Prior to that, she was the Chief Internal Auditor of BDO Unibank, Inc.

Ms. Vegamora graduated from the University of the East, as Magna Cum Laude, with a degree in BS Business Administration, major in Accounting.

09-13-2017 Other Events

Resignation of Mr. Cesar E.A. Virata from his membership in the Risk Oversight Committee only effective September 4, 2017. The resignation is in preparation for the reorganization of the Risk Oversight Committee.

09-19-2017 Other Events

Declaration of cash dividends on convertible preferred shares amounting to P0.08401 (US$0.00166) per share to holders of convertible preferred shares as of September 21, 2017.

09-25-2017 Other Events

The Board of Directors at the regular meeting held on September 25, 2017 approved the following:

1. Appointment of Mr. Arlon B. Reyes as Segment Head, Local Corporates, National Corporate Banking Group, with the rank of Senior Vice President.

   Mr. Reyes has over twenty three (23) years of professional experience gained from financial institutions with extensive experience in banking coverage and initiation. He is proficient in global capital financing, financial crime management, mergers and acquisitions, loan syndication, structured finance, derivatives and treasury products, trade finance, credit and lending, and traditional commercial banking products. His employment background includes being a Relationship Manager for Global Banking & Markets, with the rank of Senior Vice President, in The Hongkong and Shanghai Banking Corporation Limited. Prior to that, he was the Head for China and Foreign Branches Business Development, and Relationship Manager and Team Leader for the Conglomerates Division of the Metropolitan Bank and Trust Co.

   Mr. Reyes graduated from the University of the Philippines, Diliman in 1994 with a degree in BS Economics. He secured his Master of Business Administration from the same university in April 2001.

10-3-201 Other Events

The Board of Directors at the regular meeting held on October 30, 2017 approved the following:

1. Appointment of Mr. Gabriel S. Claudio, in place of Mr. Gil A. Buenaventura, to the Anti-Money Laundering Committee of the Board.

Mr. Gabriel S. Claudio, an independent director of the Bank, is taking the place of Mr. Gil A. Buenaventura in the Board's Anti-Money Laundering Committee. This is to ensure that the majority of the members of the Board's Anti-Money Laundering Committee is comprised of independent directors.

11-24-2017 Other Events

Change in the number of issued and outstanding shares due to conversion of 1,732 RCBC Preferred Shares to 393 Common Shares

Type of Security/Stock Symbol	Before	After
Common Shares	1,399,915,971	1,399,916,364

11-27-2017 Other Events

The Board of Directors at the regular meeting held on November 27, 2017 approved the following:

1. Increase in Authorized Capital Stock, particularly the increase in the Authorized Common Shares to 2.6 Billion from 1.4 Billion with par value of P10.00 per share).

2. Amendment of Article Seventh of the Articles of Incorporation to reflect the increase of Authorized Common Shares to 2.6 Billion from 1.4 Billion with par value of P10.00 per share).

3. Holding of a Special Stockholder's Meeting on January 29, 2018 to submit for stockholders' approval the Increase in Authorized Capital Stock and the corresponding Amendment of the Articles of Incorporation.

4. Secondment of Mr. Joseph Colin B. Rodriguez to RCBC Forex Corporation as President & Chief Executive Officer.

   Mr. Rodriguez is a seasoned banker with more than 25 years of banking experience, particularly in Treasury and Investment banking. He has been with RCBC since 2007 where he held various roles such as Head of Institutional Relationship Management Division and Head of Foreign Exchange Risk Division in RCBC's Treasury Group. In 2011, he was seconded to RCBC Savings Bank and appointed as its Treasurer for more than 3 years. In March 2015, he was appointed President of RCBC Forex Corporation. Prior to RCBC, he held various treasury management roles in PNB, ING Bank and City Trust.

   He graduated from De La Salle University with a degree in Bachelor of Arts major in Political Science and Bachelor of Science in Commerce major in Marketing Management.

   Mr. Rodriguez currently acts as Treasurer of RCBC Savings Bank and will concurrently maintain this position while also acting as President & Chief Executive Officer of RCBC Forex Corporation.

12-12-2017 Other Events

Declaration of cash dividends on convertible preferred shares amounting to P0.08401 (US$0.00165) per share to holders of convertible preferred shares as of December 21, 2017.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, the City of Makati on April 13, 2018.

RIZAL COMMERCIAL BANKING CORPORATION
Issuer

By :

GIL A. BUENAVENTURA President & CEO	**CHESTER Y. LUY** SEVP, Head - Treasury Group
FLORENTINO M. MADONZA SVP, Head - Controllership Group	**MA. CHRISTINA P. ALVAREZ** SVP, Head - Corporate Planning Group
TRISTAN JOHN A. KABIGTING VP, Head - General Accounting Division	**ATTY. GEORGE GILBERT G. DELA CUESTA** FSVP, Corporate Secretary & Head - Legal & Regulatory Affairs

SUBSCRIBED AND SWORN to before me this APR 13, 2018 day of April, 2018 affiants exhibiting to me their Community Tax Certificates, as follows:

NAMES	ID/NUMBER/EXPIRY	DATE OF ISSUE	PLACE OF ISSUE
Gil A. Buenaventura	Driver's Lic N11-72-040958 Expiry 18 May 2018	9/8/2015	NCR Fourth District
Chester Y. Luy	Passport EC1750463 Expiry 27 July 2019	7/28/2014	Philippine Embassy Singapore
Florentino M. Madonza	PRC Lic 0088956 Expiry 19 July 2020	8/3/2017	Manila
Ma. Christina P. Alvarez	Passport EC0332288 Expiry 17 Feb 2019	2/18/2014	DFA NCR South
Tristan John A. Kabigting	PRC Lic 0112449 Expiry 21 June 2019	10/27/2004	Manila
Atty. George Gilbert G. Dela Cuesta	Passport PO727374A Expiry 23 Oct 2021	10/24/2016	DFA NCR East

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Book No. 400
Series of 2018

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20(2017-2018)
Until 31 December 2018
PTR NO. 6616390;01-04-18; Makati City
IBP NO. 020208;01-04-18; Makati City
ROLL NO. 40145
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Grant Thornton
An instinct for growth™

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Report of Independent Auditors

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2017 and 2016, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:</u>

(a) Impairment of Loans and Receivables

Description of the Matter

As of December 31, 2017, the Group's loans and receivables amounted to P354,243 million, net of allowance for impairment of P7,993 million, while the Parent Company's loans and receivables amounted to P265,791 million, net of allowance for impairment of P4,942 million, which details are disclosed in Note 11 to the financial statements. Loans and receivables are the most significant resources of the Group and the Parent Company which represented 64% and 60% of the total resources, respectively. Both the Group's and the Parent Company's management exercise significant judgment and use subjective estimates in determining when loans and receivables are impaired and how much impairment loss are required to be recognized in the financial statements. These judgment and estimates are set out in the Group's and the Parent Company's accounting policies in Note 2 to the financial statements, which describes the following impairment assessments:

- Loans and receivables are assessed for impairment on an individual basis if there is objective evidence of impairment that exists (or a loss event) as of the end of the reporting period. Management considers the following in determining that a loss event occurred, among others, a significant financial difficulty of the issuer or obligor; a breach of contract, such as a default or delinquency in interest or principal payments; and, it becoming probable that the borrower will enter bankruptcy or other financial reorganizations. Loss events are assessed by management and are assigned to individually impaired loan and receivable according to the following credit grades: substandard, doubtful and loss, depending on the level of credit risk.

- Collective assessments are made on a portfolio basis where loans and receivables are grouped on the basis of similar credit risk characteristics (i.e., on the basis of management's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). The methodology utilized by management in collective impairment assessment uses significant assumptions such as default rate and loss given default, which are applied to each portfolio belonging to a particular group and credit grade.

Because of the significance of the amounts involved and subjectivity of management's judgment and estimates used, we identified the inadequacy of the allowance for impairment on loans and receivables as a significant risk of material misstatement in the financial statements.

How the Matter was Addressed in the Audit

We established reliance on the Group's and the Parent Company's internal control by testing the design and operating effectiveness of key activities-level controls over the assessment and approval of customer credit; the capturing of information relevant to calculation of the amount of allowance for impairment (e.g., risk grades, default rates and loss given defaults); and, the calculation and recognition of impairment loss.

In addition, we performed substantive audit procedures, which included, among others:

- checking and evaluating the methodology used by management whether it was in accordance with the individual and collective impairment assessments prescribed by Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*;

- on selected loan accounts, checking whether the loans identified for individual impairment assessment were appropriately classified according to credit grades and recalculating the net present values of expected future cash inflows using the effective interest rates applicable to each loan, which were compared to the outstanding balances of the loans; and,

- evaluating management's judgment applied in determining the significant assumptions and inputs used in computing the impairment loss for collective assessment such as default rates and loss given defaults by reviewing payment history for selected loans per economic activity or industry classification and credit grade.

(b) Fair Value Measurement of Unquoted Security Classified at Fair Value Through Profit or Loss

Description of the Matter

The Group and the Parent Company has significant investment in an unquoted equity security classified at fair value through profit or loss (FVPL) amounting to P543 million as of December 31, 2017, on which management recognized P43 million fair value loss in profit or loss in 2017. The valuation of such financial instrument involves a complex valuation technique (i.e., price-to-book value method) and significant estimation which are highly dependent on underlying assumptions and inputs such as price-to-book ratios of comparable listed entities and application of a certain haircut rate. These inputs are considered Level 3 unobservable inputs in the fair value hierarchy under PFRS 13, *Fair Value Measurement*, as discussed in Notes 3 and 7 to the financial statements. Accordingly, the valuation of such security was considered significant to our audit.

How the Matter was Addressed in the Audit

Our work included evaluating the appropriateness of management's valuation methodology in accordance with PFRS 13. We used our own internal valuation expert to assess and challenge the valuation assumptions used, including the identification of comparable listed entities and the related financial information such as net book value per share and quoted prices of those listed entities. In testing the reasonableness of the haircut rate used, we reviewed available non-financial information relevant to the assessment of the potential marketability of the subject security, and the consistency of the application of the haircut rate used in prior period in light of the current industry and economic circumstances.

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

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

(d) *Recoverability of Deferred Tax Assets*

Description of the Matter

The Group's and the Parent Company's deferred tax assets amounted to P1,896 million and P942 million, respectively, as of December 31, 2017. The recognition of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent of the changes in probability that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilized. Determining the probabilities of sufficiency of future taxable profits involves significant management judgment and high estimation uncertainty as it requires preparation of financial forecast and profitability projections which may result in different outcome scenarios; hence, may significantly affect the estimates made by management. Accordingly, we identified the recoverability of deferred tax assets as significant area of focus in our audit.

How the Matter was Addressed in the Audit

Our work included, among others, obtaining management's income projections based on its Internal Capital Adequacy Assessment Process document. Relative to this, we reviewed the appropriateness of management's assumptions underlying the recoverability of the deferred tax assets by comparing the forecasts to our expectations developed based on historical performance. We also considered the fact that the Group and the Parent Company have been utilizing the benefits of deferred tax assets since prior periods.

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

<u>Key audit matter we identified in our audit of the consolidated financial statements of the Group:</u>

Assessment of Goodwill Impairment

Description of the Matter

As of December 31, 2017, the balance of goodwill amounted to P268 million, which is included as part of the Other Resources account in the Group's statement of financial position. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. This annual impairment test was significant to our audit because management's assessment process is complex and highly judgmental, and is based on significant assumptions, specifically on the identification of cash generating units (CGUs) where the goodwill is allocated and the future cash flows of that particular CGUs, which are affected by expected future market or economic conditions. Relative to this, the Group engaged a third party valuation specialist to assist them in assessing any impairment on the recognized goodwill. Management's significant assumptions include:

- RCBC Savings Bank, Inc. (RSB), the identified CGU on which the goodwill is allocated, will continue as a going concern;
- RSB will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,
- RSB's performance forecasts for the next five years.

The Group's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, evaluating the assumptions and methodologies used by management and its valuation specialist, particularly those relating to the forecasted revenue growth and profit margins of RSB by considering historical trends. In addition, our audit on the financial statements of RSB as of and for the year ended December 31, 2017 did not identify event or conditions that may cast significant doubt on RBS's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 26 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) 15-2010 and RR 19-2011 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 and RR 19-2011 require the supplementary information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Securities Regulation Code Rule 68, as amended, of the SEC.

ROMEO Z. M[illegible]NO

The engagement partner on the audits resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO

By: **Maria Isabel E. Comedia**
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 6616005, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-3 (until Dec. 22, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-21-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 26, 2018

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
RESOURCES					
CASH AND OTHER CASH ITEMS	9	P 14,693	P 15,176	P 10,415	P 11,000
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	58,801	66,520	47,186	50,871
DUE FROM OTHER BANKS	9	19,818	25,293	18,368	24,109
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENT	9	9,831	7,889	7,435	4,931
TRADING AND INVESTMENT SECURITIES - Net	10	72,932	75,622	58,133	65,652
LOANS AND RECEIVABLES - Net	11	354,243	306,167	265,791	228,432
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	417	383	19,018	17,178
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	8,946	8,876	5,197	5,192
INVESTMENT PROPERTIES - Net	14	3,399	3,229	2,785	2,816
DEFERRED TAX ASSETS	26	1,896	2,177	942	1,285
OTHER RESOURCES - Net	15	9,012	9,861	6,306	6,316
TOTAL RESOURCES		P 553,988	P 521,193	P 441,576	P 417,782

See Notes to Financial Statements.

	Notes	GROUP 2017		GROUP 2016		PARENT COMPANY 2017		PARENT COMPANY 2016	
LIABILITIES AND EQUITY									
DEPOSIT LIABILITIES	17	P	388,412	P	353,077	P	288,667	P	260,165
BILLS PAYABLE	18		43,967		37,643		36,600		31,712
BONDS PAYABLE	19		28,060		41,595		28,060		41,595
SUBORDINATED DEBT	20		9,968		9,952		9,968		9,952
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21		4,185		4,823		3,218		3,633
OTHER LIABILITIES	22		12,369		11,970		8,134		8,688
Total Liabilities			486,961		459,060		374,647		355,745
EQUITY	23								
Attributable to:									
Parent Company's Shareholders			66,999		62,107		66,929		62,037
Non-controlling Interests			28		26		-		-
			67,027		62,133		66,929		62,037
TOTAL LIABILITIES AND EQUITY		P	553,988	P	521,193	P	441,576	P	417,782

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	GROUP 2017	GROUP 2016	GROUP 2015	PARENT COMPANY 2017	PARENT COMPANY 2016	PARENT COMPANY 2015
INTEREST INCOME							
Loans and receivables	11	P 21,956	P 19,442	P 17,462	P 15,081	P 13,219	P 12,163
Trading and investment securities	10	2,784	3,269	3,880	2,309	2,927	3,455
Others	9, 24	378	426	178	277	383	145
		25,118	23,137	21,520	17,667	16,529	15,763
INTEREST EXPENSE							
Deposit liabilities	17	3,959	3,269	2,992	2,389	2,021	2,006
Bills payable and other borrowings	18, 19, 20, 24	3,138	4,161	2,951	2,883	3,945	2,832
		7,097	7,430	5,943	5,272	5,966	4,838
NET INTEREST INCOME		18,021	15,707	15,577	12,395	10,563	10,925
IMPAIRMENT LOSSES - Net	16	2,155	1,770	2,350	1,164	856	1,150
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		15,866	13,937	13,227	11,231	9,707	9,775
OTHER OPERATING INCOME							
Service fees and commissions	2	3,138	3,196	3,473	1,985	1,762	1,793
Trading and securities gains - net	2, 10	900	1,619	1,327	664	1,663	1,232
Foreign exchange gains - net	2, 19	798	276	260	773	244	212
Trust fees	27	279	294	286	226	243	232
Share in net earnings of subsidiaries and associates	12	92	131	93	2,110	1,500	1,535
Miscellaneous - net	25	1,893	1,598	1,216	1,129	1,084	839
		7,100	7,114	6,655	6,887	6,496	5,843
TOTAL OPERATING INCOME *(Forward)*		P 22,966	P 21,051	P 19,882	P 18,118	P 16,203	P 15,618

See Notes to Financial Statements.

	Notes	GROUP 2017	GROUP 2016	GROUP 2015	PARENT COMPANY 2017	PARENT COMPANY 2016	PARENT COMPANY 2015
TOTAL OPERATING INCOME		P 22,966	P 21,051	P 19,882	P 18,118	P 16,203	P 15,618
OTHER OPERATING EXPENSES							
Employee benefits	24	6,037	5,408	4,731	4,211	3,666	3,190
Occupancy and equipment-related	28, 29	3,165	2,871	2,607	2,473	2,180	1,917
Depreciation and amortization	13, 14, 15	1,914	1,766	1,611	1,085	985	1,030
Taxes and licenses	14	1,821	1,840	1,437	1,289	1,287	938
Miscellaneous	25	4,878	5,470	4,675	4,055	4,556	3,396
		17,815	17,355	15,061	13,113	12,674	10,471
PROFIT BEFORE TAX		5,151	3,696	4,821	5,005	3,529	5,147
TAX EXPENSE (INCOME)	26	841	(174)	(307)	697	(339)	18
NET PROFIT		P 4,310	P 3,870	P 5,128	P 4,308	P 3,868	P 5,129
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		P 4,308	P 3,868	P 5,129			
NON-CONTROLLING INTERESTS		2	2	(1)			
		P 4,310	P 3,870	P 5,128			
Earnings Per Share							
Basic and diluted	30	P 3.08	P 2.76	P 3.07			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2017	GROUP 2016	GROUP 2015	PARENT COMPANY 2017	PARENT COMPANY 2016	PARENT COMPANY 2015
NET PROFIT		P 4,310	P 3,870	P 5,128	P 4,308	P 3,868	P 5,120
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	1,510	(325)	(1,045)	1,491	(349)	(987)
Fair value gains (losses) on financial assets at fair value through other comprehensive income	10, 33	(186)	1,442	(140)	(269)	1,395	(220)
		1,384	1,117	(1,185)	1,222	1,046	(1,207)
Share in other comprehensive income of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12, 24	4	-	1	23	24	(57)
Fair value gains on financial assets at fair value through other comprehensive income	10, 12, 23	-	-	-	113	47	77
		4	-	1	136	71	20
		1,358	1,117	(1,184)	1,358	1,117	(1,187)
Items that will be reclassified subsequently to profit or loss							
Share in other comprehensive income (loss) of the subsidiaries - Translation adjustments on foreign operations	12, 23	(1)	25	(10)	(1)	25	(10)
Total Other Comprehensive Income (Loss)	23	1,357	1,142	(1,194)	1,357	1,142	(1,197)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P 5,667	P 5,012	P 3,934	P 5,665	P 5,010	P 3,932
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		P 5,665	P 5,010	P 3,932			
NON-CONTROLLING INTERESTS		2	2	2			
		P 5,667	P 5,012	P 3,934			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos)

		GROUP										
		ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS										
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2019		P 13,999	P 3	P 22,635	P -	P 621	P 415	(P 97)	P 24,531	P 62,107	P 26	P 62,133
Transaction with owners	32											
Cash dividends		-	-	-	-	-	-	-	(773)	(773)	-	(773)
Total comprehensive income for the year	33	-	-	-	-	1,357	-	-	4,308	5,665	2	5,667
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	11, 12	-	-	-	-	(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, 2019		P 13,999	P 3	P 22,635	P -	P 1,974	P 436	(P 97)	P 28,049	P 66,999	P 28	P 67,027
Balance at January 1, 2018		P 13,999	P 3	P 22,635	P -	(P 518)	P 388	(P 97)	P 21,695	P 58,105	P 24	P 58,129
Transaction with owners	32											
Cash dividends		-	-	-	-	-	-	-	(1,008)	(1,008)	-	(1,008)
Total comprehensive income for the year	33	-	-	-	-	1,142	-	-	3,868	5,010	2	5,012
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	11, 12	-	-	-	-	(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, 2018		P 13,999	P 3	P 22,635	P -	P 621	P 415	(P 97)	P 24,531	P 62,107	P 26	P 62,133
Balance at January 1, 2017		P 12,737	P 3	P 16,148	P 4,882	P 642	P 366	(P 97)	P 18,567	P 53,108	P 22	P 53,130
Transactions with owners	32											
Issuance of common shares during the year		1,262	-	6,487	-	-	-	-	-	7,749	-	7,749
Redemption of hybrid perpetual securities		-	-	-	(4,882)	-	-	-	(723)	(5,605)	-	(5,605)
Cash dividends		-	-	-	-	-	-	-	(1,059)	(1,059)	-	(1,059)
Total transactions with owners		1,262	-	6,487	(4,882)	-	-	-	(1,782)	1,085	-	1,085
Total comprehensive income (loss) for the year	33	-	-	-	-	(1,157)	-	-	5,129	3,912	2	3,914
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	11, 12	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	22	-	(22)	-	-	-
		1,262	-	6,487	(4,882)	(1,160)	22	-	3,128	4,995	2	4,997
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P -	(P 518)	P 388	(P 97)	P 21,695	P 58,105	P 24	P 58,129

See Notes to Financial Statements.

	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	SURPLUS	TOTAL EQUITY
		PARENT COMPANY							
Balance at January 1, 2017		P 13,999	P 3	P 22,635	P -	P 621	P 378	P 24,400	P 62,037
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-		
Total comprehensive income for the year	21	-	-	-	-	-	-	(775)	(775)
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	-	1,357	-	4,308	5,665
Transfer from surplus to reserve for trust business	27	-	-	-	-	(4)	-	4	-
							16	(16)	
		-	-	-	-	1,353	16	3,533	4,892
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P -	P 1,974	P 394	P 27,924	P 66,929
Balance at January 1, 2016		P 13,999	P 3	P 22,635	P -	(P 518)	P 356	P 21,560	P 58,035
Transaction with owners	23								
Cash dividends		-	-	-	-				
Total comprehensive income for the year	23	-	-	-	-	1,142	-	(1,008)	(1,008)
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	-		-	3,868	5,010
Transfer from surplus to reserve for trust business	27	-	-	-	-	(3)	-	3	-
							22	(22)	
		-	-	-	-	1,139	22	2,841	4,002
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P -	P 621	P 378	P 24,401	P 62,037
Balance at January 1, 2015		P 12,757	P 3	P 16,148	P 4,883	P 682	P 341	P 18,225	P 53,039
Transactions with owners	23								
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	(725)	(5,606)
Cash dividends		-	-	-	-	-	-	(1,059)	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	(1,782)	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,197)	-	5,129	3,932
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	-	(3)	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
		1,242	-	6,487	(4,883)	(1,200)	15	3,335	4,996
Balance at December 31, 2015		P 13,999	P 3	P 22,635	P -	(P 518)	P 356	P 21,560	P 58,035

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	2017	2016	2015	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 5,151	P 3,656	P 4,821	P 5,005	P 3,529	P 5,147
Adjustments for:							
Interest income		(25,118)	(23,137)	(21,520)	(17,667)	(16,539)	(15,763)
Interest received		24,809	23,570	21,149	17,536	16,962	15,593
Interest paid		(7,240)	(7,253)	(5,861)	(5,087)	(5,889)	(4,720)
Interest expense		7,097	7,430	5,943	5,272	5,966	4,838
Impairment losses - net	16	2,155	1,770	2,350	1,164	856	1,150
Depreciation and amortization	13, 14, 15	1,914	1,766	1,611	1,085	985	1,030
Dividend income	25	(234)	(449)	(237)	(196)	(307)	(87)
Share in net earnings of subsidiaries and associates	12	(92)	(131)	(93)	(3,112)	(1,500)	(1,535)
Gains on assets sold	14, 25	(441)	(120)	(281)	(378)	(139)	(162)
Operating profit before working capital changes		8,001	7,142	7,882	4,622	3,934	5,491
Decrease (increase) in financial assets at fair value through profit and loss		10,488	(12,967)	11,346	10,822	(13,082)	11,069
Decrease (increase) in financial assets at fair value through other comprehensive income		316	(3,471)	(493)	139	48	(339)
Decrease (increase) in loans and receivables		(50,272)	(6,748)	(39,323)	(38,690)	4,666	(27,179)
Decrease (increase) in investment properties		(615)	(313)	1,503	(12)	15	408
Decrease (increase) in other resources		1,693	(328)	(1,469)	285	354	(96)
Increase (decrease) in deposit liabilities		36,335	10,715	26,601	28,582	(3,905)	16,048
Increase (decrease) in accrued interest, taxes and other expenses		(593)	338	(89)	(292)	179	(15)
Increase (decrease) in other liabilities		1,911	(256)	232	950	(1,385)	(93)
Cash generated from (used in) operations		6,364	(3,987)	6,189	6,026	(9,176)	5,294
Cash paid for taxes		(605)	(574)	(602)	(477)	(501)	(540)
Net Cash From (Used in) Operating Activities		5,759	(4,561)	5,587	5,549	(9,677)	4,754
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from disposal and maturity of securities at amortized cost		25,296	61,288	42,563	24,251	57,087	42,772
Additional investments in securities at amortized cost		(33,570)	(11,271)	(63,991)	(27,849)	(10,473)	(63,972)
Acquisitions of bank premises, furniture, fixtures, and equipment	13	(1,521)	(2,782)	(1,961)	(899)	(1,129)	(1,411)
Acquisitions of intangible assets	15	(304)	(294)	(1,348)	(267)	(270)	(1,243)
Cash dividends received	12, 25	296	560	313	600	307	766
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	203	834	461	102	344	242
Additional investments in subsidiaries and associates	12	-	-	-	-	-	(750)
Net Cash From (Used in) Investing Activities		(9,600)	48,335	(23,963)	(3,762)	45,866	(23,596)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	18, 32	20,561	33,668	47,068	18,477	31,525	46,442
Payments of bills payable	18, 32	(14,472)	(45,429)	(37,463)	(10,788)	(45,429)	(37,463)
Redemption of bonds payable	19, 32	(13,687)	-	-	(13,687)	-	-
Dividends paid	23	(773)	(1,008)	(1,059)	(773)	(1,008)	(1,059)
Issuance of bonds payable	19, 32	-	-	15,878	-	-	15,878
Issuance of common stock		-	-	7,729	-	-	7,729
Redemption of hybrid perpetual securities		-	-	(5,173)	-	-	(5,173)
Net Cash From (Used in) Financing Activities		(8,371)	(12,769)	26,980	(9,771)	(15,112)	26,354
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Forward)*		(P 12,212)	P 31,005	P 8,604	(P 7,984)	P 21,077	P 7,512

See Notes to Financial Statements.

	Note	GROUP 2017	GROUP 2016	GROUP 2015	PARENT COMPANY 2017	PARENT COMPANY 2016	PARENT COMPANY 2015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(P 12,212)	P 31,005	P 8,604	(P 7,984)	P 21,077	P 7,512
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	15,176	14,070	13,085	11,000	10,127	9,539
Due from Bangko Sentral ng Pilipinas	9	66,520	50,617	46,099	50,871	42,026	37,763
Due from other banks	9	25,293	19,701	16,600	24,109	18,196	15,535
Loans arising from reverse repurchase agreement	9	7,889	-	-	4,931	-	-
Interbank loans receivable	11	515	-	-	515	-	-
		115,393	84,388	75,784	91,426	70,349	62,837
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	14,693	15,176	14,070	10,415	11,000	10,127
Due from Bangko Sentral ng Pilipinas	9	58,801	66,520	50,617	47,186	50,871	42,026
Due from other banks	9	19,818	25,293	19,701	18,368	24,109	18,196
Loans arising from reverse repurchase agreement	9	9,831	7,889	-	7,435	4,931	-
Interbank loans receivable	11	38	515	-	38	515	-
		P 103,181	P 115,393	P 84,388	P 83,442	P 91,426	P 70,349

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018
SCES
RECEIVED
ROMEO Z. MIRANO

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivatives products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

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

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

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

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

RCBC is 42.45% owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address located at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

The Parent Company's registered address, which is also its principal office, is located at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

1.2 Subsidiaries and Associates

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

Subsidiaries/Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2017	2016
Subsidiaries:				
RCBC Savings Bank, Inc. (RSB)	Consumer and retail banking		**100.00**	100.00
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	Remittance	(a)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(b)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.41**	99.39
Merchants Savings and Loan Association, Inc. (Rizal Microbank)	Thrift banking and microfinance		**98.03**	98.03
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**97.79**	97.79
RCBC Rental Corporation	Property leasing	(d)	**97.79**	97.79
Special Purpose Companies (SPCs):	Real estate buying and selling	(e)		
Best Value Property and Development Corporation (Best Value)			**100.00**	100.00
Cajel Realty Corporation (Cajel)			**100.00**	100.00
Crescent Park Property and Development Corporation (Crescent Park)			**100.00**	100.00
Crestview Properties Development Corporation (Crestview)			**100.00**	100.00
Eight Hills Property and Development Corporation (Eight Hills)			**100.00**	100.00
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)		(f)	**100.00**	100.00
Princeway Properties Development Corporation (Princeway)			**100.00**	100.00
Top Place Properties Development Corporation (Top Place)			**100.00**	100.00

Subsidiaries/Associates	Line of Business	Effective Percentage of Ownership 2017	2016
Associates:			
YGC Corporate Services, Inc. (YCS)	Support services for YGC	**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	**12.88**	12.88

Except for RCBC Telemoney (Italy), RCBC North America (USA), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines. RCBC Telemoney and RCBC North America were operational only until March 1, 2016 and March 31, 2014, respectively.

Explanatory Notes:

(a) The Parent Company has 83.97% direct ownership interest and 16.03% indirect ownership interest through RCBC IFL.
(b) A wholly-owned subsidiary of RCBC IFL.
(c) Wholly-owned subsidiaries of RCBC Capital.
(d) A wholly-owned subsidiary of RCBC LFC.
(e) Except for NPHI, the SPCs are wholly-owned subsidiaries of RSB; the SPCs, except for NPHI and Cajel, will be liquidated in pursuant to BSP recommendation and upon receipt of necessary regulatory clearance (see Note 15.1).
(f) The Parent Company has 48.11% direct ownership interest and 51.89% indirect ownership interest through RSB.

1.3 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the separate financial statements of RCBC as of and for the year ended December 31, 2017 (including the comparatives as of December 31, 2016 and for the years ended December 31, 2016 and 2015) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on February 26, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy.

These financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in two statements: a "statement of profit or loss" and a "statement of comprehensive income."

The Group presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

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

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.18). All amounts are in millions, except per share data or when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2017 that are Relevant to the Group

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

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

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

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative.* The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows and non-cash changes. They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities and to apply its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

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

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

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below its cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments has no impact on the Group's financial statements as the Group already assesses the sufficiency of future taxable profit in a way that is consistent with these amendments.

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

(b) Effective Subsequent to 2017 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

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

(ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions – herein referred to as PFRS 9). In addition to the principal classification categories for financial assets and financial liabilities, which were early adopted by the Group on January 1, 2014, PFRS 9 (2014) includes the following major provisions:

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

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

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

- Debt securities held for both collecting contractual cash flows solely for payment of principal and interest (SPPI) and selling are designated by the Group to be classified at as fair value through other comprehensive income (FVOCI). Financial asset at FVOCI are measured at fair value, with fair value changes and realized gain or loss on sale directly recognized in other comprehensive income. Upon derecognition of debt securities under FVOCI, the cumulative gains or losses previously recognized in other comprehensive income shall be reclassified from equity to profit or loss. The Group has initially assessed that the application of the standard would result in reclassification of certain financial assets at FVPL to financial assets at FVOCI; hence, will affect the balance of the reported retained earnings and other comprehensive income at transition date.

- In applying the ECL methodology of PFRS 9 (2014), the Group initially assessed to use the loan loss provision methodology as allowed by the standard and as prescribed by the BSP. On the other hand, ECL on government bonds and corporate bonds currently classified as financial asset at amortized cost shall be measured using the 12-month ECL as these financial assets are assessed to have low credit risk, considering their respective credit ratings. Management has assessed that the application of the ECL model will result in an increase in the required allowance for impairment of certain financial instruments as at the beginning of the next reporting period and in impairment losses in that period as compared with the amount that would have been recognized under the impairment provisions of PAS 39.

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

(iv) PFRS 15, *Revenue from Contracts with Customers*. This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in this standard is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Based on an assessment of the Group's revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenues pertain to its lending activities which generate interest income, service charges, and fees. Except for certain service charges and fees, substantial amount of the Bank's revenues are generated from financial instruments which are outside the scope of PFRS 15.

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

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

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

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

(ix) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similarly to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17, where lease payments are recognized as expense on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same with those applied in PAS 17. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, treatment of initial direct costs and lessor disclosures.

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

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

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

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

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

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

2.3 Basis of Consolidation and Accounting for Investments in Subsidiaries and Associates in the Separate Financial Statements

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.2, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Company, using consistent accounting policies.

The Parent Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and, it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method Under the equity method, all subsequent changes to the ownership interest in the equity of the subsidiaries are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the subsidiaries are credited or charged against the Share in Net Earnings of Subsidiaries and Associates account in the statement of profit or loss. These changes include subsequent depreciation, amortization, impairment and fair value adjustments of assets and liabilities. Dividends received are accounted for as reduction in the carrying value of the investment.

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

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

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

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

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

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. On the other hand, negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at the date of acquisition over acquisition cost and is recognized directly in profit or loss.

(ii) *Pooling of interest method* – is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in a separate reserve account under equity.

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in joint venture. In the consolidated financial statements, investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Under the equity method, the Group recognizes in profit or loss its share in the net earnings or losses of the associates. The cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the associates since the date of acquisition. Dividends received are accounted for as reduction in the carrying value of the investment.

Acquired investments in associates are subject to purchase method of accounting as described in Note 2.3(a)(i). However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates. All subsequent changes to the ownership of interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited against Share in Net Earnings of Subsidiaries and Associates account in the Group's statement of profit or loss. These changes include subsequent depreciation, amortization, impairment, and fair value adjustments of assets and liabilities.

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

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

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

(c) *Interest in Jointly Controlled Operations*

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

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

(d) *Transactions with Non-controlling Interests*

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

In the consolidated financial statements, the NCI component is shown as part of the consolidated statement of changes in equity.

In the Parent Company's financial statements, impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered (see Note 2.19).

2.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's operations are structured according to the nature of the services provided (primary segment) and different geographical markets served (secondary segment). Financial information on business segments is presented in Note 8.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

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

(i) Financial Assets at Amortized Cost

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

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

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

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans Arising from Reverse Repurchase Agreement, Investment securities at amortized cost under Trading and Investment Securities, Loans and Receivables and certain Other Resources accounts.

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

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2017 and 2016, the Group has not made such designation.

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

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

A financial asset is considered as held for trading if:

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

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

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

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

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

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

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

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

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

(b) *Impairment of Financial Assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or,

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Financial Assets Carried at Amortized Cost

For financial assets classified and measured at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

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

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

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

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

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

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

(ii) Financial Assets Carried at Fair Value Through Other Comprehensive Income

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

In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss. If, in a subsequent period, the fair value of such debt instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(c) Derecognition of Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, interest rate swaps, debt warrants, options and credit default swap. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are categorized as Financial Assets at FVPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

2.7 Offsetting Financial Instruments

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

2.8 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

Buildings	20-50 years
Furniture, fixtures and equipment	3-15 years

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

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

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

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

2.9 Investment Properties

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

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

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

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

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

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

2.10 Assets Held-for-Sale and Disposal Group

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

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell.

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

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

2.11 Intangible Assets

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

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

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

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

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

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

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

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

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

2.12 Other Resources

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

2.13 Financial Liabilities

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

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

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

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

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

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

2.14 Provisions and Contingencies

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

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

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

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

2.15 Equity

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

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

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

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI;

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

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

(d) Share in other comprehensive income or loss of subsidiaries and associates.

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

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

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

NCI represents the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statement of profit or loss and comprehensive income and within equity in the consolidated statement of financial position and changes in equity.

2.16 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably.

The following specific recognition criteria must also be met before a revenue or expense is recognized:

(a) *Interest Income and Expenses*

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

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

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

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

These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains as a result of the mark-to-market valuation of investment securities classified as FVPL.

(c) *Service Fees and Commissions*

These are recognized as follows:

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

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

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

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

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

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

(d) *Gains on Assets Sold*

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

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

2.17 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

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

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

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

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

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

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

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

2.18 Foreign Currency Transactions and Translations

(a) *Transactions and Balances*

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

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

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

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

(b) *Translation of Financial Statements of Foreign Subsidiaries*

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

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

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

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

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

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

2.19 Impairment of Non-financial Assets

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

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level.

Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading rights) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

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

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

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

2.20 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

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

(b) Post-employment Defined Contribution Plan

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

(c) Termination Benefits

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

(d) Bonus Plans

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

(e) Compensated Absences

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

2.21 Borrowing Costs

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

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

2.22 Income Taxes

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

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

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

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

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

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

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

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

2.23 Related Party Relationships and Transactions

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

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

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

2.24 Earnings and Dilutive Earning Per Share

Basic earnings per share (EPS) is determined by dividing the adjusted net profit for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the period, after giving retroactive effect to any stock dividends declared in the current period.

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

In cases of redemption of preference shares, the net income used in the computation of basic and diluted EPS is decreased by the excess of the fair value of consideration paid to holders of the instruments over the carrying amount of such repurchased the instruments.

2.25 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

2.26 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

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

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

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

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

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

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

(c) *Evaluation of Impairment of Financial Assets at FVOCI*

The determination when a financial asset at FVOCI is other-than-temporarily impaired requires the Group to make judgment. In making this judgment with respect to the Group's outstanding financial assets at FVOCI as of December 31, 2017 (see Note 10.2), the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow. For investments issued by counterparty under bankruptcy, the Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quotes prices for distressed securities) since current bid prices are no longer available.

(d) Distinction Between Investment Properties and Owner-occupied Properties

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

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

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

(e) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities. As of December 31, 2017 and 2016, most of the Group's lease arrangements qualify as operating leases except for the various lease agreements of RCBC LFC which are accounted for under finance lease.

(f) Classification and Determination of Fair Value of Acquired Properties

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

(g) Assessment of Significant Influence on HCPI in which the Group and Parent Company Holds Less than 20% Ownership

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

(h) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group's and the Parent Company's legal cases and are based upon the analysis of probable results. Although the Group does not believe that its on-going proceedings as disclosed in Note 29 will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

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

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

Moreover, the Group holds debt securities measured at amortized cost as of December 31, 2017 and 2016. The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

(b) *Determination of Fair Value Measurement for Financial Assets at FVPL and FVOCI*

The Group carries certain financial assets at fair value which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss and other comprehensive income.

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

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

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties, Computer Software, Branch Licenses and Trading Rights*

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's branch licenses and trading rights were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 15. Based on management's assessment as of December 31, 2017 and 2016, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2017 and 2016 are disclosed in Note 26.1.

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

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

(f) Determination of Fair Value of Investment Properties

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

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

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

(g) Valuation of Post-employment Defined Benefits

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

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

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

- The Executive Committee, which meets weekly, has the power to act and pass upon such matters as the Board may entrust to it for action in between Board meetings. It may also consider and approve loans and other credit related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

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

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

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

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

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

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

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

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

- The Anti-Money Laundering Management Committee (AMLCom) was created through an order of the Senior Management Committee on June 24, 2002, for the evaluation of the suspicious transaction reports (STR) reported by different units before submission to the Anti-Money Laundering Council (AMLC). The AMLCom assists the BOD in implementing the Group's MLPP in order to ensure compliance with BSP rules and regulations relating to the prevention of money laundering and terrorist financing.

  The AMLCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Operational Risk Management Group, Legal Affairs Division as members, and AML Division as the Rapporteur. The AML Division, through the Chief Compliance Officer, reports to the Audit and Compliance Committee and to the AML Board Committee its monthly activities including the AMLCom meetings.

The Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile. In 2016, CRISMS was divided into two sub-groups, the Business Risk Group (BRG) and the Operational Risk Management Group (ORMG), for a more focused and dedicated management of risks. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's ROC. It participates in the CRECOL and ALCO meetings.

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

4.1 Group's Strategy in Using Financial Instruments

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

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

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

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

4.2 Liquidity Risk

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

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

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

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

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

	Group 2016 One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 47,381	P -	P -	P -	P 68,012	P 115,393
Investments - net	18,729	4,683	9,699	37,347	5,547	76,005
Loans and receivables - net	26,063	52,035	83,224	88,427	55,903	305,652
Other resources - net	7,305	232	1,063	34	15,509	24,143
Total resources	99,478	56,950	93,986	125,808	144,971	521,193
Liabilities:						
Deposit liabilities	51,586	15,147	10,523	-	275,821	353,077
Bills payable	9,552	5,628	20,970	1,493	-	37,643
Bonds payable	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	8,260	24	-	-	8,509	16,793
Total liabilities	83,071	20,799	69,367	1,493	284,330	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	83,071	20,799	69,367	1,493	346,463	521,193
On-book gap	16,407	36,151	24,619	124,315	(201,492)	-
Cumulative on-book gap	16,407	52,558	77,177	201,492	-	-
Contingent resources	14,727	2,032	2,138	-	-	18,897
Contingent liabilities	21,275	2,032	2,138	-	-	25,445
Off-book gap	(6,548)	-	-	-	-	(6,548)
Cumulative off-book gap	(6,548)	(6,548)	(6,548)	(6,548)	(6,548)	-
Periodic gap	9,859	36,151	24,618	124,315	(201,492)	(6,548)
Cumulative total gap	P 9,859	P 46,010	P 70,629	P 194,944	(P 6,548)	P -

	Parent Company 2017					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 34,050	P 673	P 1,441	P 501	P 46,777	P 83,442
Investments - net	14,288	507	11,903	46,207	4,246	77,151
Loans and receivables - net	24,958	46,996	62,684	74,279	56,836	265,753
Other resources - net	5,340	346	32	12	9,500	15,230
Total resources	78,636	48,522	76,060	120,999	117,359	441,576
Liabilities:						
Deposit liabilities	49,147	4,402	10,041	2,505	222,572	288,667
Bills payable	16,009	13,906	5,185	1,500	-	36,600
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	9,968	-	-	9,968
Other liabilities	5,109	-	-	-	6,243	11,352
Total liabilities	70,265	18,308	53,254	4,005	228,815	374,647
Equity	-	-	-	-	66,929	66,929
Total liabilities and equity	70,265	18,308	53,254	4,005	295,744	441,576
On-book gap	8,371	30,214	22,806	116,994	(178,385)	-
Cumulative on-book gap	8,371	38,585	61,391	178,385	-	-
Contingent resources	9,824	-	-	-	-	9,824
Contingent liabilities	9,824	-	-	-	-	9,824
Off-book gap	-	-	-	-	-	-
Cumulative off-book gap	-	-	-	-	-	-
Periodic gap	**8,371**	**30,214**	**22,806**	**116,994**	**(178,385)**	**-**
Cumulative total gap	**P 8,371**	**P 38,585**	**P 61,391**	**P 178,385**	**P -**	**P -**

	Parent Company 2016					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 42,154	P -	P -	P -	P 49,272	P 91,426
Investments - net	16,044	3,378	8,099	33,477	21,832	82,830
Loans and receivables - net	14,756	38,062	47,400	77,804	49,895	227,917
Other resources - net	3,440	5	497	6	11,661	15,609
Total resources	76,394	41,445	55,996	111,287	132,660	417,782
Liabilities:						
Deposit liabilities	40,186	10,418	9,786	-	199,775	260,165
Bills payable	9,552	1,197	19,470	1,493	-	31,712
Bonds payable	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	4,698	-	-	-	7,623	12,321
Total liabilities	68,109	11,615	67,130	1,493	207,398	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	68,109	11,615	67,130	1,493	269,435	417,782
On-book gap	8,285	29,830	(11,134)	109,794	(136,775)	-
Cumulative on-book gap	8,285	38,115	26,981	136,775	-	-
Contingent resources	14,557	2,032	2,138	-	-	18,727
Contingent liabilities	20,911	2,032	2,138	-	-	25,081
Off-book gap	(6,354)	-	-	-	-	(6,354)
Cumulative off-book gap	(6,354)	(6,354)	(6,354)	(6,354)	(6,354)	-
Periodic gap	1,931	29,830	(11,135)	109,794	(136,775)	(6,354)
Cumulative total gap	P 1,931	P 31,761	P 20,627	P 130,421	(P 6,354)	P -

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

4.2.1 Foreign Currency Liquidity Management

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

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

4.2.2 Liquidity Risk Stress

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

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Group			
	At December 31	Average	Maximum	Minimum
2017:				
Foreign currency risk	P 7	P 11	P 32	P 2
Interest rate risk	363	287	501	154
Overall	**P 370**	**P 298**	**P 533**	**P 156**
2016:				
Foreign currency risk	P 15	P 10	P 28	P 3
Interest rate risk	201	232	425	166
Overall	P 216	P 242	P 453	P 169
2015:				
Foreign currency risk	P 15	P 7	P 17	P 2
Interest rate risk	279	245	360	167
Overall	P 294	P 252	P 377	P 169

	Parent Company			
	At December 31	Average	Maximum	Minimum
2017:				
Foreign currency risk	P 7	P 11	P 31	P 2
Interest rate risk	147	125	277	40
Overall	**P 154**	**P 136**	**P 308**	**P 42**
2016:				
Foreign currency risk	P 15	P 9	P 27	P 3
Interest rate risk	83	102	217	70
Overall	P 98	P 111	P 244	P 73
2015:				
Foreign currency risk	P 15	P 7	P 16	P 2
Interest rate risk	118	114	190	64
Overall	P 133	P 121	P 206	P 66

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	Foreign Currencies	**Philippine Pesos**	**Total**
2017:			
Resources:			
Cash and other cash items	P 1,029	P 13,664	P 14,693
Due from BSP	-	58,801	58,801
Due from other banks	17,922	1,896	19,818
Loans arising from reverse repurchase agreement	37	9,794	9,831
Financial assets at FVPL	1,144	6,447	7,591
Financial assets at FVOCI	51	5,312	5,363
Investment securities at amortized cost	50,044	9,934	59,978
Loans and receivables - net	54,940	299,303	354,243
Other resources	456	436	892
	P 125,623	**P 405,587**	**P 531,210**
Liabilities:			
Deposit liabilities	P 71,868	P 316,544	P 388,412
Bills payable	36,598	7,369	43,967
Bonds payable	28,060	-	28,060
Subordinated debt	-	9,968	9,968
Accrued interest and other expenses	838	3,091	3,929
Other liabilities	4,157	7,076	11,233
	P 141,521	**P 344,048**	**P 485,569**
2016:			
Resources:			
Cash and other cash items	P 5,242	P 9,934	P 15,176
Due from BSP	-	66,520	66,520
Due from other banks	23,775	1,518	25,293
Loans arising from reverse repurchase agreement	-	7,889	7,889
Financial assets at FVPL	15,679	2,400	18,079
Financial assets at FVOCI	1,744	3,935	5,679
Investment securities at amortized cost	40,542	11,322	51,864
Loans and receivables - net	55,148	251,019	306,167
Other resources	112	669	781
	P 142,242	P 355,206	P 497,448

	Group		
	Foreign Currencies	Philippine Pesos	Total
2016:			
Liabilities:			
Deposit liabilities	P 92,284	P 260,793	P 353,077
Bills payable	31,709	5,934	37,643
Bonds payable	41,595	-	41,595
Subordinated debt	-	9,952	9,952
Accrued interest and other expenses	1,103	3,481	4,584
Other liabilities	802	8,081	8,883
	P 167,493	P 288,241	P 455,734

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

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2016:			
Resources:			
Cash and other cash items	P 1,066	P 9,934	P 11,000
Due from BSP	-	50,871	50,871
Due from other banks	23,561	548	24,109
Loans and receivables arising from reverse repurchase agreement	-	4,931	4,931
Financial assets at FVPL	14,675	2,400	17,075
Financial assets at FVOCI	1,744	1,991	3,735
Investment securities at amortized cost	40,542	4,300	44,842
Loans and receivables - net	55,148	173,284	228,432
Other resources	89	377	466
	P 136,825	P 248,636	P 385,461
Liabilities:			
Deposit liabilities	P 65,959	P 194,206	P 260,165
Bills payable	31,709	3	31,712
Bonds payable	41,595	-	41,595
Subordinated debt	-	9,952	9,952
Accrued interest and other expenses	750	2,765	3,515
Other liabilities	802	5,292	6,094
	P 140,815	P 212,218	P 353,033

4.3.2 Interest Rate Risk

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

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

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

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

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

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

	Group 2017					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 31,016	P 261	P 484	P 80	P 71,340	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	61,502	4,004	235,781	486,961
Equity	-	-	-	-	67,027	67,027
Total liabilities and equity	170,219	15,455	61,502	4,004	302,808	553,988
On-book gap	36,521	27,977	41,328	61,286	(167,112)	-
Cumulative on-book gap	36,521	64,498	105,826	167,112	-	-
Contingent resources	9,969	-	-	-	-	9,969
Contingent liabilities	9,977	-	-	-	198	10,175
Off-book gap	(8)	-	-		(198)	(206)
Cumulative off-book gap	(8)	(8)	(8)	(8)	(206)	-
Periodic gap	**36,513**	**27,977**	**41,328**	**61,286**	**(167,310)**	**(206)**
Cumulative total gap	**P 36,513**	**P 64,490**	**P 105,818**	**P 167,104**	**(P 206)**	**P -**

	Group					
	2016					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 42,381	P -	P -	P -	P 73,012	P 115,393
Investments - net	3,359	4,512	9,196	37,347	21,591	76,005
Loans and receivables - net	142,139	32,138	74,189	33,388	23,798	305,652
Other resources - net	3,165	42	726	587	19,623	24,143
Total resources	191,044	36,692	84,111	71,322	138,024	521,193
Liabilities:						
Deposit liabilities	106,462	27,579	14,055	1	204,980	353,077
Bills payable	17,650	3,933	16,060	-	-	37,643
Bonds payable	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	625	24	-	-	16,144	16,793
Total liabilities	138,410	31,536	67,989	1	221,124	459,060
Equity	-	-	-	-	62,133	62,133
Total liabilities and equity	138,410	31,536	67,989	1	283,257	521,193
On-book gap	52,634	5,156	16,122	71,321	(145,233)	-
Cumulative on-book gap	52,634	57,790	73,912	145,233	-	-
Contingent resources	21,063	2,032	2,138	-	-	25,233
Contingent liabilities	21,093	2,032	2,138	-	182	25,445
Off-book gap	(30)	-	-	-	(182)	(212)
Cumulative off-book gap	(30)	(30)	(30)	(30)	(212)	-
Periodic gap	52,604	5,156	16,122	71,321	(145,415)	(212)
Cumulative total gap	P 52,604	P 57,760	P 73,882	P 145,203	(P 212)	P -

	Parent Company 2017					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 26,031	P -	P -	P -	P 57,411	P 83,442
Investments - net	9,021	506	11,903	46,207	9,514	77,151
Loans and receivables - net	157,341	27,556	29,093	29,122	22,641	265,753
Other resources - net	7	346	32	12	14,833	15,230
Total resources	192,400	28,408	41,028	75,341	104,399	441,576
Liabilities:						
Deposit liabilities	88,232	5,873	10,041	2,505	182,016	288,667
Bills payable	30,913	-	4,187	1,500	-	36,600
Bonds payable	-	-	28,060	-	-	28,060
Subordinated debt	-	-	9,968	-	-	9,968
Other liabilities	880	-	-	-	10,472	11,352
Total liabilities	120,025	5,873	52,256	4,005	192,488	374,647
Equity	-	-	-	-	66,929	66,929
Total liabilities and equity	120,025	5,873	52,256	4,005	259,417	441,576
On-book gap	72,375	22,535	(11,228)	71,336	(155,018)	-
Cumulative on-book gap	72,375	94,910	83,682	155,018	-	-
Contingent resources	9,824	-	-	-	-	9,824
Contingent liabilities	9,824	-	-	-	-	9,824
Off-book gap	-	-	-	-	-	-
Cumulative off-book gap	-	-	-	-	-	-
Periodic gap	**72,375**	**22,535**	**(11,228)**	**71,336**	**(155,018)**	**-**
Cumulative total gap	**P 72,375**	**P 94,910**	**P 83,682**	**P 155,018**	**P -**	**P -**

	Parent Company 2016					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 42,143	P -	P -	P -	P 49,283	P 91,426
Investments - net	674	3,207	7,596	33,477	37,876	82,830
Loans and receivables - net	131,872	21,221	22,475	30,813	21,536	227,917
Other resources - net	3	5	497	17	15,087	15,609
Total resources	174,692	24,433	30,568	64,307	123,782	417,782
Liabilities:						
Deposit liabilities	61,105	15,326	9,786	-	173,948	260,165
Bills payable	16,301	-	15,411	-	-	31,712
Bonds payable	13,673	-	27,922	-	-	41,595
Subordinated debt	-	-	9,952	-	-	9,952
Other liabilities	514	-	-	-	11,807	12,321
Total liabilities	91,593	15,326	63,071	-	185,755	355,745
Equity	-	-	-	-	62,037	62,037
Total liabilities and equity	91,593	15,326	63,071	-	247,792	417,782
On-book gap	83,099	9,107	((32,503))	64,307	(124,010)	-
Cumulative on-book gap	83,099	92,206	59,703	124,010	-	-
Contingent resources	14,557	2,032	2,138	-	-	18,727
Contingent liabilities	20,911	2,032	2,138	-	-	25,081
Off-book gap	(6,354)	-	-	-	-	(6,354)
Cumulative off-book gap	(6,354)	(6,354)	(6,354)	(6,354)	(6,354)	-
Periodic gap	76,745	9,107	(32,503)	64,307	(124,010)	(6,354)
Cumulative total gap	P 76,745	P 85,852	P 53,349	P 117,656	(P 6,354)	P -

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

	Changes in Interest Rates (in basis points)			
	- 100	**- 200**	**+ 100**	**+ 200**
December 31, 2017				
Group	**(P 586)**	**(P 1,172)**	**P 586**	**P 1,172**
Parent Company	**(831)**	**(1,661)**	**831**	**1,661**
December 31, 2016				
Group	(P 667)	(P 1,335)	P 667	P 1,335
Parent Company	(906)	(1,811)	906	1,811

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVPL or financial assets at FVOCI as of December 31, 2017 and 2016 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI, estimate the potential loss and determines the market and position risk requirement on equity securities at FVPL in the computation of the market and position risk requirement for all equity positions.

RCAP uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. RCAP uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Credit and Group Risk Division (CGRD) of CRISMS assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (CMG), on the other hand, is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits is effectively exercised collectively; (b) business center managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter.

Impairment provisions are recognized for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in particular industry segments that represent a concentration in the Group's financial instrument portfolio could result in losses that are different from those provided for at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts the Group's exposure to such credit risk, as necessary.

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Parent Company uses its internal credit risk rating system (ICRRS) to determine any evidence of impairment. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks, i.e., Especially Mentioned, Substandard, Doubtful or Loss.

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

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

Risk Rating	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.

Risk Rating	Rating Description/Criteria
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless

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

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

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

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

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

4.4.1 Exposure to Credit Risk

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

	Group			
	2017		2016	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
B to B-	P -	P -	P -	P -
CCC+ and below	-	-	-	-
Especially mentioned	1,308	-	4,055	-
Sub-standard	4,181	-	1,318	-
Doubtful	250	-	59	-
Loss	1,222	-	903	-
Gross amount	6,961	-	6,335	-
Unearned interest and discount	(46)	-	-	-
Allowance for impairment	(2,249)	-	(1,373)	-
Carrying amount	4,666	-	4,962	-
Collectively Assessed for Impairment				
Unrated	103,319	-	88,390	-
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	21,128	-	22,632	-
BB+ to BB	40,848	-	40,278	-
BB- to BB	76,321	-	62,455	-
B to B-	105,963	-	80,706	-
CCC+ and below	581	-	5,198	-
Especially mentioned	105	-	154	-
Sub-standard	678	-	794	-
Doubtful	726	-	668	-
Loss	125	-	122	-
Gross amount	349,794	-	301,397	-
Unearned interest and discount	(771)	-	(243)	-
Allowance for impairment	(4,451)	-	(4,932)	-
Carrying amount	344,572	-	296,222	-
Unquoted debt securities classified as loans	1,939	-	1,256	-
Other receivables	4,359	-	4,893	-
Allowance for impairment	(1,293)	-	(1,106)	-
Carrying amount	5,005	-	5,043	-
Neither Past Due Nor Impaired	-	68,879	-	68,378
Total Carrying Amount	P 354,243	P 68,879	P 306,167	P 68,378

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

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

4.4.2 Collateral Held as Security and Other Credit Enhancements

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

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2017 and 2016.

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

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

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

4.4.3 Concentrations of Credit Risk

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

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

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

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

4.4.4 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company adopts a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

4.5 Operational Risk

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

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

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

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

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

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

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

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

Operational Risk Management, as it relates to capital adequacy, is currently under Basic Indicator Approach (see Note 5.2).

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

4.5.1 Reputation Risk

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

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

4.5.2 Legal Risk and Regulatory Risk Management

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

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

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Together with the Terrorism Financing Prevention and Suppression Act (CFT) which was passed in June 2012 by virtue of RA No. 10168, these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations.

Under the AMLA, as amended, the Group is required to submit Covered Transaction Reports (CTRs). CTRs involve single transactions in cash or other equivalent monetary instruments in excess of P0.5 within one banking day. The Group is also required to submit STRs to the AMLC in the event that there are reasonable grounds to believe that any amounts processed are the proceeds of money laundering or terrorist financing activities.

The AMLA requires the Group to safe keep, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including official documents that establish and record their true and full identity. In addition, transactional documents are required to be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be retained for five years after their closure. Meanwhile, all records of accounts with court cases must be preserved until resolved with finality.

On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding prior rules and regulations on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile. In compliance with the risk-based approach mandated by the Circular, the Group profiles its clients based on their level of risk, specifically, Low, Normal, or High. These risk levels have their corresponding level of due diligence, specifically, Reduced, Average or Enhanced. BSP Circular No. 706 was later amended by BSP Circular No. 950.

The Group's MLPP is revised annually to ensure that its KYC policies and guidelines are updated. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records prior to account opening. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, a Group Head's approval is necessary.

The Group's Chief Compliance Officer, through the Anti-Money Laundering Division, monitors AML/CFT compliance by conducting regular compliance testing of the head office and business units. Results of its AML/CFT activities and compliance monitoring are regularly reported to the AMLCom, Senior Management Committee and the BOD to ensure that all AML/CFT matters are appropriately escalated.

In 2016, the Group instituted reforms aimed to reinforce its AML/CFT controls. The Group significantly lowered the thresholds for remittances, required more posting reviews during the day, and strengthened the process for escalation, fraud and unusual transactions. In addition, the Group has embarked on a re-engineering of its settlements and business center operations, and the consolidation and strengthening of its fraud management framework.

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

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

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

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

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

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

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

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

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

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P2,000, P400, P300 and P300, respectively.

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

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

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;
(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iii) deposit for subscription of Tier 2 capital;
(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB);
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

In the calculation of Risk-based Capital Adequacy Ratio, the total Qualifying Capital is expressed as a percentage of Total Risk Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by credit risk mitigation (CRM).

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular 538.

The Group's and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as of December 31, 2017 and 2016 follows:

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

	Group		Parent Company	
2016:				
Tier 1 Capital				
CET 1	P	49,842	P	37,659
AT1		3		3
		49,845		37,662
Tier 2 Capital		12,622		12,048
Total Qualifying Capital	P	62,467	P	49,710
Total Risk – Weighted Assets	P	386,663	P	306,268
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk weighted assets		16.16%		16.23%
Tier 1 Capital Ratio		12.89%		12.30%
Total CET 1 Ratio		12.89%		12.30%

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

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

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

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

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

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

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

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

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

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

(a) *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Group's credit exposures. Aside from using a simplified application of the HHI, concentration is estimated using the Comprehensive Concentration Index (CCI). The capital charge is estimated by calculating the change in the Economic Capital (EC) requirement of the credit portfolio as an effect of credit deterioration in the largest industry exposure.

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

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

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

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

(f) *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treats strategic business risk as a catch-all risk, and expresses its estimate as a cap on additional risk-weighted assets given other risks and the desired level of capital adequacy. The Group maintains that the assessment of strategic risk is embedded in the budget of the Group. Its capital impact therefore on a business-as-usual case is already expressed in the amount of risk projected to be taken on in the forecast years. However, the Group does recognize the need to set up processes that would enable to put a number to the risk incurred by going into specific strategies.

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

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

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

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

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

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

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

6.2 Offsetting Financial Assets and Financial Liabilities

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

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

	Notes	Parent Company Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position Financial instruments	Cash received	Net amount
December 31, 2017					
Loans and receivables – Receivable from customers	11	**P 264,631**	**(P 14,380)**	**P -**	**P 250,251**
Trading and investment securities – Investment securities at amortized cost	10	**58,133**	**(5,686)**	**-**	**52,447**
Other resources – Margin deposits	15	**23**	**-**	**(23)**	**-**
December 31, 2016					
Loans and receivables – Receivable from customers	11	P 227,724	(P 15,925)	P -	P 211,799
Trading and investment securities – Investment securities at amortized cost	10	65,133	(6,859)	-	58,274
Other resources – Margin deposits	15	20	-	(20)	-

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

	Notes	Group Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position Financial instruments	Cash received	Net amount
December 31, 2017					
Deposit liabilities	17	**P 388,412**	**(P 15,799)**	**P -**	**P 372,613**
Bills payable	18	**43,967**	**(5,686)**	**-**	**38,281**
Other liabilities – Derivative financial liabilities	22	**483**	**-**	**(23)**	**460**
December 31, 2016					
Deposit liabilities	17	P 353,077	(P 16,379)	P -	P 336,698
Bills payable	18	43,967	(6,859)	-	37,108
Other liabilities – Derivative financial liabilities	22	385	-	(20)	365

	Notes	Parent Company Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position Financial instruments	Cash received	Net amount
December 31, 2017					
Deposit liabilities	17	**P 288,667**	**(P 14,380)**	**P -**	**P 274,287**
Bills payable	18	**43,967**	**(5,686)**	**-**	**38,281**
Other liabilities – Derivative financial liabilities	22	**483**	**-**	**(23)**	**460**
December 31, 2016					
Deposit liabilities	17	P 260,165	(P 15,925)	P -	P 244,240
Bills payable	18	43,967	(6,859)	-	37,108
Other liabilities – Derivative financial liabilities	22	385	-	(20)	365

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

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

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2017 and 2016.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2017:				
Financial assets at FVPL:				
Government securities	P 4,386	P -	P -	P 4,386
Corporate debt securities	1,396	-	-	1,396
Equity securities	147	-	543	690
Derivative assets	29	1,090	-	1,119
	5,958	1,090	543	7,591
Financial assets at FVOCI – Equity securities	3,456	197	1,710	5,363
Total Resources at Fair Value	**P 9,414**	**P 1,287**	**P 2,253**	**P 12,954**
Derivative liabilities	**P -**	**P 483**	**P -**	**P 483**
2016:				
Financial assets at FVPL:				
Government securities	P 14,822	P -	P -	P 14,822
Corporate debt securities	514	-	-	514
Equity securities	979	-	586	1,565
Derivative assets	31	1,147	-	1,178
	16,346	1,147	586	18,079
Financial assets at FVOCI – Equity securities	3,743	192	1,744	5,679
Total Resources at Fair Value	P 20,089	P 1,339	P 2,330	P 23,758
Derivative liabilities	P -	P 385	P -	P 385

	Parent Company			
	Level 1	Level 2	Level 3	Total
2017:				
Financial assets at FVPL:				
Government securities	P 4,289	P -	P -	P 4,289
Corporate debt securities	455	-	-	455
Equity securities	147	-	543	690
Derivative assets	29	1,090	-	1,119
	4,920	1,090	543	6,553
Financial assets at FVOCI –				
Equity securities	1,761	197	1,481	3,439
Total Resources at Fair Value	**P 6,681**	**P 1,287**	**P 2,024**	**P 9,992**
Derivative liabilities	**P -**	**P 483**	**P -**	**P 483**
2016:				
Financial assets at FVPL:				
Government securities	P 14,790	P -	P -	P 14,790
Corporate debt securities	418	-	-	418
Equity securities	103	-	586	689
Derivative assets	31	1,147	-	1,178
	15,342	1,147	586	17,075
Financial assets at FVOCI –				
Equity securities	2,035	185	1,515	3,735
Total Resources at Fair Value	P 17,377	P 1,332	P 2,101	P 20,810
Derivative liabilities	P -	P 385	P -	P 385

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) *Government and Corporate Debt Securities*

The fair value of the Group's government securities and corporate papers categorized within Level 1 is determined directly based on published closing prices available from the electronic financial data service providers which had been based on price quoted or actually dealt in an active market at the end of each of the reporting period. On the other hand, government securities with fair value categorized within Level 2 is determined based on the prices of benchmark government securities which are also quoted in an active market or bond exchange (i.e., PDEx).

The fair value of the Group's government securities categorized under Level 2 of the hierarchy is estimated and determined based on pricing model developed by applying benchmark pricing curves which are derived using the yield of benchmark security with similar maturities (i.e., government bonds or notes). In applying this pricing methodology, the yield of the underlying securities is interpolated between the observable yields to consider any gaps in the maturities of the benchmark securities used to develop a benchmark curve.

(b) *Equity Securities*

The fair values of equity securities classified as financial assets at FVPL and FVOCI as of December 31, 2017 and 2016 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

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

For equity securities which are not traded in an active market and categorized within Level 3, their fair value is determined through the net asset value or a market-based approach valuation technique (price-to-book value method) using current market values of comparable listed entities. The price-to-book value method uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value of the Group's equity securities adjusted by a certain valuation discount. The price-to-book ratio used by the Group in the fair value measurement of its level 3 equity securities classified as financial assets at FVPL as of December 31, 2017 and 2016 ranges from 0.578:1 to 2.290:1 and from 0.746:1 to 2.797:1, respectively.

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

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

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

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

The transfer to level 1 in 2016 pertains to a certain equity investment in an entity which shares of stock were publicly listed in the PSE in November 2016. There were no transfers between the levels of the fair value hierarchy for the year ended December 31, 2017.

(c) Derivative Assets and Liabilities

The fair value of the Group's derivative assets categorized within Level 1 is determined directly based on published price quotation available for an identical instrument in an active market at the end of each of the reporting period.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

7.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's and Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Group			
	Level 1	Level 2	Level 3	Total
2017:				
Financial Assets:				
Cash and other cash items	P 14,693	P -	P -	P 14,693
Due from BSP	58,801	-	-	58,801
Due from other banks	19,818	-	-	19,818
Loans arising from reverse repurchase agreement	9,831	-	-	9,831
Investment securities at amortized cost	56,396	-	-	56,396
Loans and receivables - net	-	-	354,243	354,243
Other resources	-	-	1,138	1,138
	P 159,539	**P -**	**P 355,381**	**P 514,920**

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

	Group			
	Level 1	Level 2	Level 3	Total
2016:				
Financial Assets:				
Cash and other cash items	P 15,176	P -	P -	P 15,176
Due from BSP	66,520	-	-	66,520
Due from other banks	25,293	-	-	25,293
Loans arising from reverse repurchase agreement	7,889	-	-	7,889
Investment securities at amortized cost	49,698	-	-	49,698
Loans and receivables - net	-	-	306,167	306,167
Other resources	-	-	873	873
	P 164,576	P -	P 307,040	P 471,616

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

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

	Parent Company							
	Level 1		Level 2		Level 3		Total	
2016:								
Financial Assets:								
Cash and other cash items	P	11,000	P	-	P	-	P	11,000
Due from BSP		50,871		-		-		50,871
Due from other banks		24,109		-		-		24,109
Loans arising from reverse repurchase agreement		4,931		-		-		4,931
Investment securities at amortized cost		43,931		-		-		43,931
Loans and receivables - net		-		-		228,432		228,432
Other resources		-		-		466		466
	P	134,842	P	-	P	228,898	P	363,740
Financial Liabilities:								
Deposit liabilities	P	260,165	P	-	P	-	P	260,165
Bills payable		-		31,712		-		31,712
Bonds payable		-		44,175		-		44,175
Subordinated debt		-		20,570		-		20,570
Accrued interest and other expenses		-		-		3,515		3,515
Other liabilities		-		-		6,094		6,094
	P	260,165	P	96,457	P	9,609	P	366,231

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) *Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreement*

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreement pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Investment Securities at Amortized Cost*

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

(c) *Deposits Liabilities and Borrowings*

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

(d) *Other Resources and Other Liabilities*

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

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P4,940 and P4,700 in the Group's financial statements and P6,161 and P5,799 in the Parent Company's financial statements as of December 31, 2017 and 2016, respectively (see Note 14.3). The fair value hierarchy of these properties as of December 31, 2017 and 2016 is categorized as Level 3.

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

(a) *Fair Value Measurement for Land*

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

(b) *Fair Value Measurement for Buildings*

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

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

8. SEGMENT INFORMATION

8.1 Business Segments

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

(a) *Retail* – principally handles the business centers offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, credit cards, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products. This segment includes portfolios of RSB and Rizal Microbank.

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

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

(d) *Others* – consists of other subsidiaries except for RSB and Rizal Microbank which are presented as part of Retail.

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

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

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

There were no changes in the Group's operating segments in 2017 and 2016.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2017, 2016 and 2015 follow:

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

	Retail	Corporate	Treasury	Others	Total
2017:					
Total resources and liabilities					
Total resources	**P 136,619**	**P 257,406**	**P 83,728**	**P 14,941**	**P 492,694**
Total liabilities	**P 402,809**	**P 182,495**	**P 20,692**	**P 9,261**	**P 615,257**
2016:					
Revenues					
From external customers					
Interest income	P 17,075	P 13,064	P 3,946	P 386	P 34,471
Interest expense	(3,199)	(7,598)	(2,960)	(204)	(13,961)
Net interest income	13,876	5,466	986	182	20,510
Non-interest income	3,624	1,328	1,960	1,172	8,084
	17,500	6,794	2,946	1,354	28,594
Intersegment revenues					
Interest income	-	2,235	-	5	2,240
Non-interest income	-	-	-	460	460
	-	2,235	-	465	2,700
Total revenues	17,500	9,029	2,946	1,819	31,294
Expenses					
Operating expenses excluding depreciation and amortization	10,889	1,756	546	1,186	14,377
Depreciation and amortization	797	83	9	286	1,175
	11,686	1,839	555	1,473	15,552
Segment operating income	P 5,815	P 7,190	P 2,391	P 345	P 15,742
Total resources and liabilities					
Total resources	P 122,617	P 227,502	P 98,302	P 12,899	P 461,320
Total liabilities	P 363,468	P 155,872	P 28,297	P 7,264	P 554,901

	Retail	Corporate	Treasury	Others	Total
2015:					
Revenues					
From external customers					
Interest income	P 13,372	P 11,280	P 2,715	P 285	P 27,652
Interest expense	(2,716)	(4,078)	(2,740)	(130)	(9,664)
Net interest income (expense)	10,656	7,202	(25)	155	17,988
Non-interest income	3,940	1,559	1,606	1,253	8,355
	14,596	8,761	1,581	1,408	26,342
Intersegment revenues					
Interest income	-	2,169	-	6	2,175
Non-interest income	-	3	-	410	413
	-	2,172	-	416	2,588
Total revenues	14,596	10,930	1,581	1,824	28,930
Expenses					
Operating expenses, excluding depreciation and amortization	11,066	2,071	433	1,520	15,090
Depreciation and amortization	671	95	9	133	908
	11,737	2,166	442	1,654	15,998
Segment operating Income	P 2,859	P 8,764	P 1,139	P 170	P 12,932
Total resources and liabilities					
Total resources	P 366,155	P 283,356	P 93,941	P 10,582	P 754,034
Total liabilities	P 366,155	P 283,356	P 93,941	P 10,582	P 754,034

8.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

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

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

8.4 Analysis of Secondary Segment Information

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

	Philippines	**United States**	**Asia and Europe**	**Total**
2017:				
Statement of profit or loss				
Total income	P 32,212	P -	P 6	P 32,218
Total expenses	27,877	-	31	27,908
Net profit (loss)	**P 4,335**	**P -**	**(P 25)**	**P 4,310**
2017:				
Statement of financial position				
Total resources	**P 553,844**	**P 1**	**P 143**	**P 553,988**
Total liabilities	**P 486,889**	**P 1**	**P 71**	**P 486,961**
Other segment Information – Depreciation and amortization	**P 1,914**	**P -**	**P -**	**P 1,914**
2016:				
Statement of profit or loss				
Total income	P 30,225	P -	P 28	P 30,253
Total expenses	26,306	2	75	26,383
Net profit (loss)	P 3,919	(P 2)	(P 47)	P 3,870
2016:				
Statement of financial position				
Total resources	P 521,018	P 1	P 174	P 521,193
Total liabilities	P 458,967	P -	P 93	P 459,060
Other segment Information – Depreciation and amortization	P 1,766	P -	P -	P 1,766

	Philippines		United States		Asia and Europe		Total	
2015:								
Statement of profit or loss								
Total income	P	28,299	P	-	P	183	P	28,482
Total expenses		23,176		4		174		23,354
Net profit (loss)	P	5,123	(P	4)	P	9	P	5,128
Statement of financial position								
Total resources	P	515,602	P	3	P	456	P	516,061
Total liabilities	P	457,599	P	-	P	333	P	457,932
Other segment information – Depreciation and amortization	P	1,609	P	-	P	2	P	1,611

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

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

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

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Notes 17 and 27), to serve as clearing account for interbank claims and to comply with existing trust regulations. Due from BSP also includes Overnight Deposit and Term Deposit Accounts. The balance of Overnight Deposit amounted to P2,017 and P7,005 for the Group and, nil and P3,800 for the Parent Company, in 2017 and 2016, respectively, while Term Deposit Account amounted to P200 and P13,500 for the Group, and P200 and P9,000 for the Parent Company as of December 31, 2017 and 2016, respectively. Overnight deposit bears interest of 2.5% years in 2017, 2016 and 2015, while term deposit account earns interest of 3.4%, 3.3%, and 2.5% in 2017, 2016 and 2015, respectively.

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

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

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

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

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

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

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

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

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVPL is composed of the following:

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

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

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

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

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

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

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

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

	Notional Amount	Fair Values	
		Assets	Liabilities
2017:			
Currency swaps and forwards	P 51,060	P 911	P 402
Interest rate swaps and futures	26,999	174	80
Debt warrants	6,250	29	-
Options	3,718	5	1
Credit default swap	25	-	-
	P 88,052	**P 1,119**	**P 483**
2016:			
Currency swaps and forwards	P 27,155	P 1,023	P 288
Interest rate swaps and futures	22,346	106	92
Debt warrants	6,224	31	-
Options	3,604	15	5
Credit default swap	99	3	-
	P 59,428	P 1,178	P 385

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

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

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31, 2017 and 2016 consist of:

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

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

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2017 and 2016 are unquoted equity securities with fair value of P1,710 and P1,744, respectively, determined using the net asset value or a market-based approach (price-to-book value method), hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

The fair value changes in FVOCI are recognized as an adjustment in other comprehensive income and presented in the statements of comprehensive income under items that will not be reclassified subsequently to profit or loss (see Note 10.5). In addition, as a result of the Group's disposal of certain financial assets at FVOCI, the related fair value gain of P4 in 2017, and P3 in both 2016 and 2015 recognized in other comprehensive income prior to the year of disposal was transferred from Revaluation Reserves to Surplus account during those years.

In 2017, 2016 and 2015, dividends on these equity securities were recognized amounting to P234, P449 and P237 by the Group and, P196, P307 and P87 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 25.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31, 2017 and 2016 consist of:

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

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

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

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

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

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

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

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

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

10.4 Interest Income from Trading and Investment Securities

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

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

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

10.5 Trading and Securities Gains (Losses)

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

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

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

11. LOANS AND RECEIVABLES

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

	Group		Parent Company	
	2017	2016	**2017**	2016
Receivables from customers:				
Loans and discounts	**P 319,099**	P 281,025	**P 233,549**	P 205,390
Credit card receivables	**16,405**	12,760	**16,405**	12,760
Customers' liabilities on acceptances, import bills and trust receipts	**12,404**	7,675	**12,404**	7,675
Lease contract receivables	**2,893**	2,085	**-**	-
Bills purchased	**2,612**	2,128	**2,605**	2,125
Receivables financed	**249**	229	**-**	-
	353,662	305,902	**264,963**	227,950
Unearned discount	**(817)**	(243)	**(332)**	(226)
	352,845	305,659	**264,631**	227,724
Other receivables:				
Accrued interest receivables	**3,094**	2,784	**2,232**	2,075
Accounts receivables [see Notes 15.1 and 28.5 (a) and (b)]	**2,641**	1,594	**2,206**	1,150
Unquoted debt securities classified as loans	**1,939**	1,256	**1,177**	1,196
Sales contract receivables	**1,679**	1,770	**449**	564
Interbank loans receivables (see Note 9)	**38**	515	**38**	515
	9,391	7,919	**6,102**	5,500
	362,236	313,578	**270,733**	233,224
Allowance for impairment (see Note 16)	**(7,993)**	(7,411)	**(4,942)**	(4,792)
	P 354,243	P 306,167	**P 265,791**	P 228,432

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

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

Included in unquoted debt securities classified as loans and receivable as of December 31, 2017 and 2016 is a 10-year note from Philippine Asset Growth One, Inc. (PAGO) with a face amount of P731, which is part of the consideration received in relation to the Parent Company's disposal in February 2013 of its non-performing assets (NPAs), consisting of non-performing loans (NPLs) with a carrying amount of P507 and non-performing investment properties with a carrying amount of P1,236 (see Note 14.1). This note receivable carries a variable interest rate of 1.0% per annum during the first five years, 7.0% per annum in the sixth to seventh year, and 7.5% per annum in the last three years. This note receivable was initially recognized in 2013 at fair value resulting in the recognition of day-one loss of P181 which is included as part of allowance for impairment. Also included in the unquoted debt securities is RSB's 10-year note, which bears 6.44% interest per annum with present value of P742. In June 2017, RSB entered into an agreement with a third party for the sale of various foreclosed real properties with book value of P1,127, for a total consideration of P1,385; of which P396 and P989 (face amount) were in the form of cash and note receivable, respectively. Accordingly, the Group recognized a gain on sale amounting to P11 and is presented as part of Gains on assets sold under Miscellaneous income in the 2017 statement of profit or loss (see Notes 15.1 and 25.1).

Accounts receivables include claim from the Bureau of Internal Revenue (BIR) relating to the 20% final withholding tax on Poverty Eradication and Alleviation Certificates (PEACe) bonds amounting to P199. On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. Subsequently, on March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration (the Motion) and reiterated its arguments with the Supreme Court. On October 5, 2016, the Supreme Court partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCBC Capital which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. In November 2016, the Supreme Court denied the Motion filed by the OSG (see Note 29.2). Accordingly, in 2016, the Parent Company reversed the related allowance for impairment and in 2017, substantial amount of receivables from the BIR was recovered including the legal interest of P43 which is presented as part of Other Interest Income account in the 2017 statement of profit or loss (see Note 29.2).

Also included in Parent Company's accounts receivables is the amount due from RCBC JPL which was acquired from Rizal Microbank in 2015 amounting to P222. As of December 31, 2017 and 2016, the outstanding balance amounted to P192. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 28).

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

11.1 Credit Concentration, Security and Maturity Profile of Receivables from Customers

The concentration of credit of receivables from customers as to industry follows:

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

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable. The Group and the Parent Company are in compliance with this loan concentration limit of the BSP as of the end of each reporting period.

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

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

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

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

11.2 Non-performing Loans and Impairment

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

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

Based on BSP regulations, NPLs shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan receivable shall be considered as non-performing when the total amount of arrearages reaches 10% of the total loan receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals. If a loan become non-performing, no accrual of interest income is recognized. Interest is recognized as income only when actual collection thereon is received.

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

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

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

	Note	Group 2017	Group 2016
Acquisition costs of associates:			
HCPI		**P 91**	P 91
LIPC		**57**	57
YCS		**4**	4
		152	152
Accumulated equity in net earnings:			
Balance at beginning of year		**231**	211
Share in net earnings for the year		**92**	131
Share in actuarial gains on defined benefit plan	23.6	**4**	-
Cash dividends		**(62)**	(111)
Balance at end of year		**265**	231
Carrying amount		**P 417**	P 383

	Note	Parent Company 2017	Parent Company 2016
Acquisition costs of subsidiaries:			
RSB		**P 3,190**	P 3,190
RCBC Capital		**2,231**	2,231
Rizal Microbank		**1,242**	1,242
RCBC LFC		**1,187**	1,187
RCBC JPL		**375**	375
RCBC Forex		**150**	150
RCBC North America		**134**	134
RCBC Telemoney		**72**	72
RCBC IFL		**58**	58
		8,639	8,639
Accumulated equity in net earnings:			
Balance at beginning of year		**7,817**	6,482
Share in net earnings for the year		**1,960**	1,364
Share in actuarial gains on defined benefit plan	23.6	**19**	24
Share in fair value gains on financial assets at FVOCI	23.6	**113**	47
Share in translation adjustments on foreign operations	23.6	**(1)**	25
Cash dividends		**(315)**	(165)
Others		**(31)**	40
Balance at end of year		**9,562**	7,817
Carrying amount *(carried forward)*		**P 18,201**	P 16,456

	Note	Parent Company 2017	2016
Carrying amount *(brought forward)*		**P 18,201**	P 16,456
Acquisition costs of associates:			
NPHI		**388**	388
HCPI		**91**	91
LIPC		**57**	57
YCS		**4**	4
		540	540
Accumulated equity in net earnings:			
Balance at beginning of year		**182**	223
Share in net earnings for the year		**150**	136
Share in actuarial gains on defined benefit plan	23.6	**4**	-
Cash dividends		**(59)**	(177)
Balance at end of year		**277**	182
		817	722
Carrying amount		**P 19,018**	P 17,178

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

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

The Parent Company received dividends from its subsidiaries and associates amounting to P315 and P59, respectively, in 2017, P191 and P111, respectively, in 2016, and P602 and P76, respectively, in 2015.

12.1 Changes in Investments in Subsidiaries

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

On February 23, 2015, the Parent Company's BOD approved the subscription to P500 worth of shares of stock of RCBC LFC. In 2016, RCBC LFC filed application with the SEC for increase in authorized capital stock after it has secured the certificate of authority to amend the articles of incorporation from the BSP. Accordingly, as of December 31, 2016, the subscription to P500 worth of shares of stock of RCBC LFC was reclassified to the related investment account. As of December 31, 2017, approval from SEC is still pending.

12.2 Information About Investments in Associates

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

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

	Resources	Liabilities	Revenues	Net Profit
2017:				
HCPI	**P 6,110**	**P 2,965**	**P 25,215**	**P 589**
2016:				
HCPI	P 5,921	P 3,090	P 16,231	P 718

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2017 and 2016 are shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2017					
Cost	P 1,283	P 3,368	P 9,684	P 1,167	P 15,502
Accumulated depreciation and amortization	-	(1,318)	(5,238)	-	(6,556)
Net carrying amount	**P 1,283**	**P 2,050**	**P 4,446**	**P 1,167**	**P 8,946**
December 31, 2016					
Cost	P 1,289	P 3,315	P 9,858	P 1,125	P 15,587
Accumulated depreciation and amortization	-	(1,226)	(5,460)	(25)	(6,711)
Net carrying amount	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876
January 1, 2016					
Cost	P 1,297	P 3,239	P 7,946	P 1,015	P 13,497
Accumulated depreciation and amortization	-	(1,131)	(4,764)	-	(5,895)
Net carrying amount	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2017					
Cost	P 771	P 2,419	P 6,196	P 890	P 10,276
Accumulated depreciation and amortization	-	(1,000)	(4,079)	-	(5,079)
Net carrying amount	**P 771**	**P 1,419**	**P 2,117**	**P 890**	**P 5,197**
December 31, 2016					
Cost	P 777	P 2,381	P 5,882	P 816	P 9,855
Accumulated depreciation and amortization	-	(933)	(3,731)	-	(4,664)
Net carrying amount	P 777	P 1,449	P 2,151	P 816	P 5,192
January 1, 2016					
Cost	P 786	P 2,308	P 5,378	P 748	P 9,220
Accumulated depreciation and amortization	-	(865)	(3,380)	-	(4,245)
Net carrying amount	P 786	P 1,443	P 1,998	P 748	P 4,975

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2017 and 2016 is shown below.

	Group				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876
Additions	-	47	779	695	1,521
Disposals	(6)	(8)	(81)	(24)	(119)
Depreciation and amortization charges for the year	-	(78)	(650)	(604)	(1,332)
Balance at December 31, 2017, net of accumulated depreciation and amortization	**P 1,283**	**P 2,050**	**P 4,446**	**P 1,167**	**P 8,946**
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 1,297	P 2,108	P 3,182	P 1,015	P 7,602
Additions	-	84	2,302	396	2,782
Reclassification from Investment properties (see Note 14)	10	36	-	-	46
Disposals	(18)	(44)	(192)	(39)	(293)
Depreciation and amortization charges for the year	-	(95)	(894)	(272)	(1,261)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 1,289	P 2,089	P 4,398	P 1,100	P 8,876

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 777	P 1,449	P 2,151	P 815	P 5,192
Additions	-	40	576	283	899
Disposals	(6)	(2)	(75)	(18)	(101)
Depreciation and amortization charges for the year	-	(68)	(535)	(190)	(793)
Balance at December 31, 2017, net of accumulated depreciation and amortization	**P 771**	**P 1,419**	**P 2,117**	**P 890**	**P 5,197**
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 786	P 1,443	P 1,998	P 748	P 4,974
Additions	-	75	780	274	1,129
Disposals	(9)	(2)	(146)	(36)	(193)
Depreciation and amortization charges for the year	-	(68)	(481)	(170)	(719)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 777	P 1,449	P 2,151	P 816	P 5,192

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2017 and 2016, the Parent Company and its bank subsidiaries have satisfactorily complied with this BSP requirement.

The cost of the Group's and the Parent Company's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P3,789 and P3,638, respectively, as of December 31, 2017 and P4,174 and P3,637, respectively, as of December 31, 2016.

14. INVESTMENT PROPERTIES

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

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2017 and 2016 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2017						
Cost	P 2,472	P 1,534	P 4,006	P 995	P 2,005	P 3,000
Accumulated depreciation	-	(549)	(549)	-	(215)	(215)
Accumulated impairment (see Note 16)	(58)	-	(58)	-	-	-
Net carrying amount	**P 2,414**	**P 985**	**P 3,399**	**P 995**	**P 1,790**	**P 2,785**
December 31, 2016						
Cost	P 1,389	P 2,492	P 3,881	P 1,000	P 2,019	P 3,019
Accumulated depreciation	-	(618)	(618)	-	(203)	(203)
Accumulated impairment (see Note 16)	(34)	-	(34)	-	-	-
Net carrying amount	P 1,355	P 1,874	P 3,229	P 1,000	P 1,816	P 2,816
January 1, 2016						
Cost	P 1,853	P 1,901	P 3,754	P 1,006	P 2,008	P 3,014
Accumulated depreciation	-	(314)	(314)	-	(131)	(131)
Accumulated impairment (see Note 16)	(70)	-	(70)	-	-	-
Net carrying amount	P 1,783	P 1,587	P 3,370	P 1,006	P 1,877	P 2,883

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2017 and 2016 follow:

	Group		Parent Company	
	2017	2016	**2017**	2016
Balance at January 1, net of accumulated depreciation and impairment	**P 3,229**	P 3,370	**P 2,816**	P 2,883
Additions	**2,360**	559	**19**	46
Disposals	**(1,822)**	(430)	**(7)**	(71)
Impairment losses	**(79)**	(34)	**-**	-
Depreciation charges for the year	**(289)**	(236)	**(43)**	(42)
Balance at December 31, net of accumulated depreciation and impairment	**P 3,399**	P 3,229	**P 2,785**	P 2,816

As of December 31, 2017 and 2016, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totaling P2,360 and P19, respectively, in 2017, P559 and P46, respectively, in 2016 in settlement of certain loan accounts.

In September 2014, the Parent Company sold to a third party buyer a certain non-performing investment properties consisting of land and building with a total carrying amount of P774 for a total consideration of P740, consisting of P35 cash as down payment, P40 accounts receivable and P665 sales contract receivable with no interest and payable in staggered amount for a period of four years (see Note 11). The sales contract receivable was initially recognized at its fair value resulting in the recognition of a day-one loss amounting to P5 which is included as part of allowance for impairment.

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P441 and P378, respectively, in 2017, P120 and P139, respectively, in 2016, and P281 and P162, respectively, in 2015, which is presented as part of Gains on assets sold under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 Income and Expenses from Investment Properties Held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P416 and P400, respectively, in 2017, P414 and P399, respectively, in 2016, and P310 and P330, respectively, in 2015 and are presented as part of Rentals under Miscellaneous Income account in the statement of profit or loss [see Notes 25.1 and 28.5(a)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P25 and P18, respectively, both in 2017 and 2016, P17 and P15, respectively, in 2015.

14.3 Valuation and Measurement of Investment Properties

In 2015, certain investment properties of the Group were written down to their carrying amount of P362 based on management's latest evaluation of recoverable amount computed based on fair value less costs of disposal. The recoverable amount of these properties were computed based on the latest available appraisal reports adjusted for the costs of disposal of 4% of the appraised amounts and/or estimated selling price.

The fair value of investment properties as of December 31, 2017 and 2016, based on the available appraisal reports, amounted to P4,940 and P4,700, respectively, for the Group; and, P6,161 and P5,799, respectively, for the Parent Company (see Note 7.4).

15. OTHER RESOURCES

Other resources consist of the following:

	Notes	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Creditable withholding taxes		**P 2,110**	P 1,569	**P 1,976**	P 1,532
Assets held-for-sale and disposal group	15.1	**1,594**	3,888	**862**	1,515
Branch licenses	15.5	**1,000**	1,005	**1,000**	1,005
Software – net	15.2	**977**	960	**874**	850
Prepaid expenses		**538**	457	**274**	295
Goodwill	15.3	**426**	426	**-**	-
Refundable deposits		**334**	304	**235**	198
Unused stationery and supplies		**288**	202	**229**	154
Due from clearing house		**246**	92	**-**	-
Foreign currency notes		**98**	52	**87**	45
Returned checks and other cash items		**87**	220	**69**	203
Inter-office float items		**81**	112	**107**	123
Sundry debits		**29**	6	**2**	-
Margin deposits	15.4	**23**	20	**23**	20
Miscellaneous		**1,372**	836	**570**	377
		9,203	10,149	**6,308**	6,317
Allowance for impairment	15.3, 16	**(191)**	(288)	**(2)**	(1)
		P 9,012	P 9,861	**P 6,306**	P 6,316

Prepaid expenses include prepayments for insurance, taxes and licenses, and software maintenance. Miscellaneous account includes various deposits, advance rentals, service provider fund and other assets.

15.1 Assets Held-for-Sale and Disposal Group

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

In 2015, RSB classified a portion of investment properties amounting to P1,351 as assets held-for-sale (see Note 14) since the carrying amount of those properties will be recovered principally through a sale transaction. The properties were readily available for immediate sale in its present condition and that management believes that the sale was highly probable at the time of reclassification. In June 2017, the properties were sold to a third party with total consideration of P1,385; of which P396 and P989 (present value is P742) were in the form of cash and note receivable, respectively (see Note 11).

In 2013, the Parent Company entered into a joint venture agreement with a third party developer to develop certain investment properties (see Note 14) for the purpose of recovering the cost through eventual sale which led to the reclassification of the properties amounting to P337 as assets held-for-sale. This joint arrangement is accounted for as a jointly controlled operation as there was no separate entity created under this joint venture agreement. The joint venture agreement stipulates that the Parent Company shall contribute parcels of land and the co-venturer shall be responsible for the planning, conceptualization, design, construction, financing and marketing of units to be constructed on the properties. In 2017, the joint venture agreement was terminated and both parties entered into a contract of sale, with the joint venturer property developer purchasing the properties contributed by the Parent Company at a consideration of P551 resulting in a gain from sale of P198, which is recognized as part of Gains on assets sold under Miscellaneous Income account in the 2017 statement of profit or loss (see Note 25.1). The outstanding receivables related to this transaction as of December 31, 2017 amounted to P463 and is presented as part of Accounts receivables under Loans and Receivables account in the 2017 statement of financial position (see Note 11).

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

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

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

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

In relation to the SPCs disposal plan and to fully comply with the requirements of the BSP, the BOD of RSB has approved in its meeting held on May 30, 2014 the shortening of the corporate life of these SPCs until December 31, 2015 which was approved by the SEC in various dates during the last quarter of 2014. As the Group is in the process of liquidating the operations of those SPCs, which is expected to be completed within 2018, the carrying amounts of the real properties of those SPCs subject for liquidation are accounted for under PFRS 5, hence, classified as assets held-for-sale.

15.2 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2017 and 2016 is shown below.

	Group		Parent Company	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 960**	P 936	**P 850**	P 786
Additions	**304**	294	**267**	270
Amortization	**(287)**	(269)	**(243)**	(206)
Balance at end of year	**P 977**	P 960	**P 874**	P 850

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Goodwill

The goodwill recognized by the Group as of December 31, 2017 and 2016 pertains to the following:

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

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

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2017 and 2016, RSB engaged a third party consultant to perform an independent impairment testing of goodwill. On the basis of the report of the third party consultant dated January 28, 2018 and January 30, 2017 with valuation date as of the end of 2017 and 2016, respectively, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

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

15.4 Margin Deposits

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

15.5 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country. This account also includes the excess of the total cost of investment over the allocated net assets acquired by the Parent Company from RCBC JPL.

16. ALLOWANCE FOR IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized as follows:

		Group		Parent Company	
	Notes	**2017**	2016	**2017**	2016
Balance at beginning of year					
Loans and receivables	11	**P 7,411**	P 7,040	**P 4,792**	P 4,825
Investment properties	14	**34**	70	**-**	-
Other resources	15	**288**	240	**1**	8
		7,733	7,350	**4,793**	4,833
Impairment losses:					
Loans and receivables	11	**2,076**	1,856	**1,086**	1,040
Other resources	15	**79**	(86)	**78**	(184)
		2,155	1,770	**1,164**	856
Charge-offs and other adjustments during the year		**(1,646)**	(1,387)	**(1,013)**	(1,327)
		P 509	P 383	**P 151**	(P 471)
Balance at end of year					
Loans and receivables	11	**P 7,993**	P 7,411	**P 4,942**	P 4,792
Investment properties	14	**58**	34	**-**	-
Other resources	15	**191**	288	**2**	1
		P 8,242	P 7,733	**P 4,944**	P 4,793

17. DEPOSIT LIABILITIES

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

	Group		Parent Company	
	2017	2016	**2017**	2016
Demand	**P 51,996**	P 42,053	**P 40,857**	P 33,027
Savings	**165,187**	162,926	**141,160**	140,921
Time	**161,727**	136,217	**97,148**	74,336
Long-term Negotiable Certificate of Deposits (LTNCD)	**9,502**	11,881	**9,502**	11,881
	P 388,412	P 353,077	**P 288,667**	P 260,165

The Parent Company's LTNCDs as of December 31, 2017 and 2016 are as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2017	Outstanding Balance 2016
August 11, 2017	February 11, 2023	3.75%	**P 2,502**	P -
December 19, 2014	June 19, 2020	4.13%	**2,100**	2,100
November 14, 2013	May 14, 2019	3.25%	**2,860**	2,860
November 14, 2013	May 14, 2019	0.00%	**2,040**	1,970
May 7, 2012	November 7, 2017	5.25%	**-**	1,150
December 29, 2011	June 29, 2017	5.25%	**-**	2,033
December 29, 2011	June 29, 2017	0.00%	**-**	1,768
			P 9,502	P 11,881

The Parent Company's LTNCDs were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes. As of December 31, 2017 and 2016, unamortized debt issue cost amounted to P20 and P8, respectively. Amortization of debt issue cost of P3 in 2017 and P2 both in 2016 and 2015, respectively, is recorded as part of Interest expenses in the statements of profit or loss.

The maturity profile of the deposit on bills payable liabilities follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Within one year	**P 71,895**	P 66,733	**P 53,549**	P 50,604
One year to more than five years	**13,739**	10,523	**12,546**	9,786
Non-maturing	**302,778**	275,821	**222,572**	199,775
	P 388,412	P 353,077	**P 288,667**	P 260,165

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.24% to 1.77% in 2017, 0.13% to 1.38% in 2016, and 0.15% to 1.00% in 2015. Deposit liabilities are stated at amounts they are to be paid which approximate the market value.

Under existing BSP regulations, non-FCDU deposit liabilities, including tax exempt long-term Negotiable Certificate of Time Deposits, of the Parent Company is subject to reserve requirement equivalent to 20% in 2017 and 2016, while RSB and Rizal Microbank are subject to reserve requirement equivalent to 8% in 2017 and 2016. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 6% in 2017 and 2016.

As of December 31, 2017 and 2016, the Group is in compliance with such regulatory reserve requirements.

Under BSP Circular No. 753, cash in vault and regular reserve deposit accounts with BSP are excluded as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P55,386 and P54,069 for the Group and P46,986 and P38,071 for the Parent Company as of December 31, 2017 and 2016, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2017	2016	**2017**	2016
Foreign banks	**P 33,102**	P 26,985	**P 33,102**	P 26,985
Local banks	**10,862**	10,548	**3,495**	4,723
Others	**3**	110	**3**	4
	P 43,967	P 37,643	**P 36,600**	P 31,712

The maturity profile of bills payable follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Within one year	**P 33,841**	P 15,180	**P 29,915**	P 10,749
Beyond one year but within five years	**6,379**	20,970	**5,185**	19,470
More than five years	**3,747**	1,493	**1,500**	1,493
	P 43,967	P 37,643	**P 36,600**	P 31,712

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	2017	2016	2015
Group			
Peso denominated	**1.06% - 4.50%**	0.88% - 2.98%	0.02% - 2.00%
Foreign currency denominated	**1.06% - 3.46%**	0.10% - 2.86%	0.02% - 2.67%
Parent Company			
Foreign currency denominated	**1.06% - 3.46%**	0.10% - 2.86%	0.02% - 2.67%

The total interest expense incurred by the Group on the bills payable amounted to P891 in 2017, P931 in 2016, and P302 in 2015.

As of December 31, 2017 and 2016, certain bills payable availed under repurchase agreements are secured by the Group's and Parent Company's investment securities (see Note 10.3).

19. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)	Outstanding Balance 2017	Outstanding Balance 2016
November 2, 2015	February 2, 2021	3.45%	$ 320	**P 15,977**	P 15,869
January 21, 2015	January 22, 2020	4.25%	243	**12,083**	12,053
January 30, 2012	January 31, 2017	5.25%	275	**-**	13,673
			$ 838	**P 28,060**	P 41,595

In November 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$320 bearing an interest of 3.45% per annum, payable semi-annually in arrears every May 2 and November 2 of each year. The Senior Notes, unless redeemed, will mature on February 2, 2021. As of December 31, 2017 and 2016, the peso equivalent of this outstanding bond issue amounted to P15,977 and P15,869, respectively.

In January 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$243 bearing an interest of 4.25% per annum, payable semi-annually in arrears every January 21 and July 21 of each year, which commenced on July 21, 2015. The Senior Notes, unless redeemed, will mature on January 22, 2020. As of December 31, 2017 and 2016, the peso equivalent of this outstanding bond issue amounted to P12,083 and P12,053, respectively.

In January 2012, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$275 bearing an interest of 5.25% per annum, payable semi-annually in arrears every January 18 and July 18 of each year, which commenced on July 18, 2012. As of December 31, 2016, the peso equivalent of this outstanding bond issue amounted to P13,673. The Senior Notes matured on January 31, 2017.

The interest expense incurred on these bonds payable amounted to P1,155 in 2017, P1,715 in 2016, and P1,262 in 2015. The Group and Parent Company recognized foreign currency exchange losses related to these bonds payable amounting to P118 in 2017, P516 in 2016, and P24 in 2015, which are netted against Foreign exchange gains presented under Other Operating Income account in the statements of profit or loss.

20. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7,000 Tier 2 Notes. The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10,000, are as follows:

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

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

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

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

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

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

The total interest expense incurred by the Group and Parent Company on the notes amounted to P554 in 2017, P553 in 2016, and P552 in 2015.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group				Parent Company			
	2017		2016		**2017**		2016	
Accrued expenses	**P**	**2,809**	P	3,321	**P**	**2,171**	P	2,492
Accrued interest		**1,120**		1,263		**838**		1,023
Taxes payable		**256**		239		**209**		118
	P	**4,185**	P	4,823	**P**	**3,218**	P	3,633

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

22. OTHER LIABILITIES

Other liabilities consist of the following:

		Group				Parent Company			
	Notes	**2017**		2016		**2017**		2016	
Accounts payable	28.5(a), 28.5(c)	**P**	**6,451**	P	5,210	P	**3,735**	P	3,089
Manager's checks			**1,575**		1,108		**835**		586
Bills purchased – contra			**1,079**		721		**1,074**		718
Derivative financial liabilities	10.1		**483**		385		**483**		385
Outstanding acceptances payable			**405**		822		**405**		822
Other credits			**370**		342		**232**		232
Deposit on lease contracts			**342**		167		**-**		-
Withholding taxes payable			**243**		205		**143**		142
Payment orders payable			**193**		167		**181**		144
Sundry credits			**121**		82		**96**		80
Post-employment defined benefit obligation	24.2		**111**		1,735		**33**		1,557
Guaranty deposits			**62**		58		**62**		58
Due to BSP			**39**		33		**39**		30
Miscellaneous			**895**		935		**816**		845
		P	**12,369**	P	11,970	**P**	**8,134**	P	8,688

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

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

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock of the Parent Company are as follows:

	Number of Shares		
	2017	2016	2015
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Balance at beginning of year	**293,987**	310,145	338,291
Conversion of shares during the year	**(17,142)**	(16,158)	(28,146)
Balance at end of year	**276,845**	293,987	310,145
Common stock – P10 par value			
Authorized – 1,400,000,000 shares			
Balance at beginning of year	**1,399,912,464**	1,399,908,746	1,275,659,728
Conversion of shares during the year	**3,900**	3,718	6,746
Issuances during the year	**-**	-	124,242,272
Balance at end of year	**1,399,916,364**	1,399,912,464	1,399,908,746

On November 27, 2017, the BOD of the Parent Company approved the increase in the Parent Company's authorized capital through the increase in the authorized common shares from 1,400,000,000 shares to 2,600,000,000 shares at P10 par value per share or for a total of capital stock of P14,000 to P26,000. The BOD also approved the amendment of the Parent Company's Articles of Incorporation for the principal purpose of reflecting the said increase in authorized capital. These resolutions were approved by the Parent Company's stockholders representing at least two-thirds of its outstanding capital stock in a special meeting held on January 29, 2018. In the same meeting, the Parent Company's BOD approved the stock rights offering (Rights Offer) which will be subscribed out of the increase in the authorized capital. Subject to the relevant regulatory approvals and market condition, the Rights Offer aims to raise up to P15,000 fresh Common Equity Tier 1 capital for the Parent Company.

As of December 31, 2017 and 2016, there are 758 and 779 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% of the Parent Company's total issued and outstanding shares. Such listed shares closed at P55.35 per share and P33.55 per share as of December 31, 2017 and 2016, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505
Private placement	Cathay Life Insurance Corp.	April 2015	124,242,272

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE. Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month London Interbank Offered Rate (LIBOR) plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

Common shares may be transferred to local and foreign nationals and shall, at all times, not be less than 60% and not more than 40% of the voting stock, be beneficially owned by local nationals and by foreign nationals, respectively.

23.2 Purchase and Reissuance of Treasury Shares and Issuance of Common Shares

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

Also, on September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

In 2015, the Parent Company issued common shares to Cathay Life Insurance Corporation at P64 per share for a total issue price of P7,951. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709 reduced by the total issuance cost of P222. The acquisition involves Cathay: (i) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares at P64 per share, pursuant to a Sale and Purchase Agreement; (ii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund also at P64 per share, pursuant to a Sale and Purchase Agreement; and, (iv) entering into a shareholders agreement with PMMIC and the Parent Company.

23.3 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date Declared	Dividend Per Share	Dividend Total Amount	Record Date	Date Approved by BOD	Date Approved by BSP	Date Paid/Payable
October 27, 2014	0.0564	0.02	December 21, 2014	October 27, 2014	December 19, 2014	January 28, 2015
October 27, 2014	*	221.57	*	October 27, 2014	March 20, 2015	April 27, 2015
January 26, 2015	0.0564	0.02	March 21, 2015	January 26, 2015	March 20, 2015	March 27, 2015
March 30, 2015	0.6000	839.95	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
March 30, 2015	0.6000	0.19	May 13, 2015	March 30, 2015	May 13, 2015	June 8, 2015
April 27, 2015	0.0567	0.02	June 21, 2015	April 27, 2015	September 11, 2015	September 22, 2015
July 27, 2015	0.0583	0.02	September 21, 2015	July 27, 2015	September 11, 2015	September 24, 2015
November 4, 2015	0.0593	0.02	December 21, 2015	November 4, 2015	**	December 22, 2015
January 25, 2016	0.6495	0.02	March 21, 2016	January 25, 2016	**	March 23, 2016
April 25, 2016	0.0660	0.02	June 21, 2016	April 25, 2016	June 16, 2016	June 21, 2016
April 25, 2016	0.7200	1,007.94	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
April 25, 2016	0.7200	0.21	June 30, 2016	April 25, 2016	June 16, 2016	July 18, 2016
July 25, 2016	0.0676	0.02	September 21, 2016	July 25, 2016	September 16, 2016	October 11, 2016
November 2, 2016	0.0724	0.02	December 21, 2016	November 2, 2016	January 13, 2017	January 17, 2017
January 30, 2017	0.0749	0.02	March 21, 2017	January 30, 2017	March 22, 2017	March 24, 2017
April 24, 2017	0.0807	0.02	June 21, 2017	April 24, 2017	April 26, 2017	June 23, 2017
April 24, 2017	0.5520	772.75	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
April 24, 2017	0.5520	0.15	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
July 31, 2017	0.0840	0.02	September 21, 2017	July 31, 2017	September 5, 2017	September 22, 2017
October 30, 2017	0.0840	0.02	December 21, 2017	October 30, 2017	December 12, 2017	December 22, 2017

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

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

A portion of the Parent Company's surplus corresponding to the equity in net earnings of certain subsidiaries and associates totalling P9,839 and P8,539 as of December 31, 2017 and 2016, respectively, is not currently available for distribution as dividends.

23.4 Other Reserves

On December 23, 2013, the SPCs' BOD approved the redemption of the SPCs' respective preferred shares for a total consideration of P1,555. As a result thereof, the Group incurred a redemption loss amounting to P185 and is presented as part of Other Reserves account in the 2013 statement of financial position. On May 30, 2014 and on October 16, 2014, the BOD and SEC approved the execution of the retirement of the preferred shares resulting from the SPC's redemption on December 31, 2014. Consequently, the amount of the redemption loss of P185 previously recognized in the 2013 consolidated statement of changes in equity of the Group, as part Other Reserves account, was transferred directly to Surplus (see Note 15.1).

As of December 31, 2017 and 2016, this account consists of reserves arising from the acquisition of RCBC LFC and Rizal Microbank for a total of P97 and P86, respectively.

23.5 Hybrid Perpetual Securities

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

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

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

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

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

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

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

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

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

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

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

23.6 Revaluation Reserves

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

	Group			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustments on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2017	P 2,128	P 86	(P 1,593)	P 621
Actuarial gains on defined benefit plan	-	-	1,514	1,514
Fair value gain on financial assets at FVOCI	(156)	-	-	(156)
Translation adjustments on foreign operation	-	(1)	-	(1)
Other comprehensive income (loss)	(156)	(1)	1,514	1,357
Transfer from fair value gains on financial asset at FVOCI to Surplus	(4)	-	-	(4)
Balance as of December 31, 2017	**P 1,968**	**P 85**	**(P 79)**	**P 1,974**

	Group			
	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance as of January 1, 2016	P 689	P 61	(P 1,268)	(P 518)
Fair value gains on financial assets at FVOCI	1,442	-	-	1,442
Actuarial losses on defined benefit plan	-	-	(325)	(325)
Translation adjustments on foreign operation	-	25	-	25
Other comprehensive income (loss)	1,442	25	(325)	1,142
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2016	P 2,128	P 86	(P 1,593)	P 621
Balance at January 1, 2015	P 835	P 71	(P 224)	P 682
Actuarial losses on defined benefit plan	-	-	(1,044)	(1,044)
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
Translation adjustments on foreign operation	-	(10)	-	(10)
Other comprehensive loss	(143)	(10)	(1,044)	(1,197)
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2015	P 689	P 61	(P 1,268)	(P 518)

	Parent Company			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustments on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2017	P 2,020	P 86	(P 1,485)	P 621
Actuarial gains on defined benefit plan	-	-	1,514	1,514
Fair value gains on financial assets at FVOCI	(156)	-	-	(156)
Translation adjustments on foreign operation	-	(1)	-	(1)
Other comprehensive income (loss)	(156)	(1)	1,514	1,357
Transfer from fair value gains on financial asset at FVOCI to Surplus	(4)	-	-	(4)
Balance as of December 31, 2017	**P 1,860**	**P 85**	**P 29**	**P 1,974**
Balance as of January 1, 2016	P 581	P 61	(P 1,160)	(P 518)
Fair value gains on financial assets at FVOCI	1,442	-	-	1,442
Actuarial losses on defined benefit plan	-	-	(325)	(325)
Translation adjustments on foreign operation	-	25	-	25
Other comprehensive income (loss)	1,442	25	(325)	1,142
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2016	P 2,020	P 86	(P 1,485)	P 621

	Parent Company			
	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2015	P 727	P 71	(P 116)	P 682
Actuarial losses on defined benefit plan	-	-	(1,044)	(1,044)
Fair value losses on financial assets at FVOCI	(143)	-	-	(143)
Translation adjustments on foreign operation	-	(10)	-	(10)
Other comprehensive loss	(143)	(10)	(1,044)	(1,197)
Transfer from fair value gains on financial asset at FVOCI to Surplus	(3)	-	-	(3)
Balance as of December 31, 2015	P 581	P 61	(P 1,160)	(P 518)

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

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

	Group		
	2017	2016	2015
Short-term employee benefits	**P 5,663**	P 5,039	P 4,370
Post-employment defined benefits	**374**	369	361
	P 6,037	P 5,408	P 4,731

	Parent Company		
	2017	2016	2015
Short-term employee benefits	**P 3,904**	P 3,386	P 2,924
Post-employment defined benefits	**307**	280	266
	P 4,211	P 3,666	P 3,190

24.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by the Parent Company's and RSB's Trust Departments, covering all regular full-time employees. The Parent Company's and RSB's Trust Departments manage the fund in coordination with the Parent Company's Retirement Committee, Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to 1.25 to 2 months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2017 and 2016.

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

	Group		Parent Company	
	2017	2016	**2017**	2016
Present value of the obligation	**P 4,995**	P 4,953	**P 4,126**	P 4,156
Fair value of plan assets	**(4,891)**	(3,218)	**(4,100)**	(2,599)
Effect of asset ceiling test	**7**	-	**7**	-
Deficiency of plan assets	**P 111**	P 1,735	**P 33**	P 1,557

The Group's and Parent Company's post-employment defined benefit obligation as of December 31, 2017 and 2016 are included as part of Other Liabilities account in the statements of financial position (see Note 22).

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

	Group		Parent Company	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 4,953**	P 4,859	**P 4,156**	P 4,037
Current service cost	**374**	369	**307**	280
Interest expense	**274**	241	**230**	208
Remeasurements – actuarial losses (gains) arising from changes in:				
– financial assumptions	**(230)**	(73)	**(206)**	(63)
– experience adjustments	**(113)**	2	**(125)**	18
– demographic assumptions	**-**	(6)	**-**	-
Benefits paid by the plan	**(263)**	(439)	**(236)**	(324)
Balance at end of year	**P 4,995**	P 4,953	**P 4,126**	P 4,156

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

	Group		Parent Company	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 3,218**	P 3,585	**P 2,599**	P 2,898
Interest income	**186**	179	**149**	148
Return on plan assets (excluding amounts included in net interest)	**1,174**	(402)	**1,167**	(394)
Contributions paid into the plan	**576**	295	**421**	271
Benefits paid by the plan	**(263)**	(439)	**(236)**	(324)
Balance at end of year	**P 4,891**	P 3,218	**P 4,100**	P 2,599

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	Group		Parent Company	
	2017	2016	**2017**	2016
Cash and cash equivalents	**P 402**	P 226	**P 311**	P 72
Debt securities:				
Corporate debt securities	**299**	291	**-**	51
Government bonds	**127**	114	**4**	4
Equity securities:				
Quoted equity securities				
Financial intermediaries	**3,354**	1,900	**3,124**	1,900
Transportation and communication	**208**	194	**208**	192
Electricity, gas and water	**170**	119	**169**	115
Diversified holding companies	**26**	31	**22**	16
Others	**22**	58	**1**	1
Unquoted long-term equity investments	**169**	171	**169**	168
UITF	**107**	94	**85**	76
Investment properties	**6**	4	**6**	4
Loans and receivables	**1**	15	**1**	-
Other investments	**-**	1	**-**	-
	P 4,891	P 3,218	**P 4,100**	P 2,599

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

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

The returns on plan assets are as follows:

	Group		Parent Company	
	2017	2016	**2017**	2016
Fair value gains (losses)	**P 1,157**	(P 402)	**P 1,167**	(**P** 394)
Interest income	**186**	179	**149**	148
Actual returns	**P 1,343**	(P 223)	**P 1,316**	(P 246)

The amounts of post-employment benefit expense recognized in the statements of profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined as follows:

	Group		
	2017	2016	2015
Reported in profit or loss:			
Current service cost	**P 374**	P 369	P 361
Net interest expense (income)	**88**	62	(51)
	P 462	P 431	P 310

	Group		
	2017	2016	2015
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 230**	P 73	P 73
Experience adjustments	**113**	(2)	(127)
Demographic assumptions	**-**	6	22
Effect of asset ceiling test	**(7)**	-	-
Return on plan assets (excluding amounts included in net interest)	**1,174**	(402)	(1,013)
	P 1,510	(P 325)	(P 1,045)

	Parent Company		
	2017	2016	2015
Reported in profit or loss:			
Current service costs	**P 307**	P 280	P 266
Net interest expense	**81**	60	5
	P 388	P 340	P 271
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 206**	P 63	P 68
Experience adjustments	**125**	(18)	(57)
Effect of asset ceiling	**(7)**	-	-
Return on plan assets (excluding amounts included in net interest)	**1,167**	(394)	(998)
	P 1,491	(P 349)	(P 987)

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

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

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

	2017	2016	2015
Group			
Discount rates	**5.48% - 6.00%**	5.00% - 5.60%	5.05% - 5.15%
Expected rate of salary increases	**4.00% - 8.00%**	3.00% - 11.00%	5.00% - 10.00%
Parent Company			
Discount rates	**6.00%**	5.53%	5.15%
Expected rate of salary increases	**5.00%**	5.00%	5.00%

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

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Rate Risks

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

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2017 and 2016:

	Group		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2017:			
Discount rate	**+/-1 %**	**(P 323)**	**P 403**
Salary growth rate	**+/-1 %**	**480**	**(388)**
2016:			
Discount rate	+/- 1%	(P 166)	P 92
Salary growth rate	+/- 1%	186	(71)

	Parent Company		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2017:			
Discount rate	**+/- 1%**	**(P 391)**	**P 456**
Salary growth rate	**+/- 1%**	**413**	**(363)**
2016:			
Discount rate	+/- 1%	(P 153)	P 172
Salary growth rate	+/- 1%	147	(133)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation at the end of each reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Retirement Plan Committee in coordination with the Group's Trust Departments, ensures that the investment positions are managed considering the computed retirement obligations under the retirement plan. This strategy aims to match the plan assets to the retirement obligations due by investing in assets that are easy to liquidate (i.e., government securities, corporate bonds, equities with high value turnover). As the Group's retirement obligations are in Philippine peso, all assets are invested in the same currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, various investments are made in a portfolio that may be liquidated within a reasonable period of time.

A large portion of the plan assets as of December 31, 2017 and 2016 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P111 and P33 for the Group and Parent Company, respectively, based on the latest funding actuarial valuations in 2017.

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

	Group		**Parent Company**	
	2017	2016	**2017**	2016
Less than one year	**P 226**	P 139	**P 44**	P 75
More than one year to five years	**1,319**	1,068	**1,094**	888
More than five years to ten years	**2,425**	1,970	**1,984**	1,752
	P 3,970	P 3,177	**P 3,122**	P 2,715

The Group and Parent Company expects to contribute P418 and P318, respectively, to the plan in 2018.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group 2017	2016	2015
Rentals	14.2	P **741**	P 614	P 355
Gains on assets sold	11, 14.1, 15.1	**441**	120	281
Dividend income	10.2	**234**	449	237
Recoveries from written off assets		**187**	161	169
Others		**290**	254	174
		P **1,893**	P 1,598	P 1,216

	Notes	Parent Company 2017	2016	2015
Rentals	14.2, 28.5(a)	P **419**	P 407	P 375
Gains on assets sold	14.1	**378**	139	162
Dividend income	10.2	**196**	307	87
Others		**136**	231	215
		P **1,129**	P 1,084	P 839

Miscellaneous income classified as Others includes rebates, penalty charges and other income that cannot be appropriately classified under any of the foregoing income accounts.

25.2 Miscellaneous Expenses

	Note	Group 2017	2016	2015
Credit card-related expenses		P **884**	P 663	P 584
Insurance		**759**	738	656
Communication and information services		**447**	450	443
Management and other professional fees		**368**	408	529
Advertising and publicity		**323**	276	289
Transportation and travel		**214**	206	295
Banking fees		**193**	194	190
Stationery and office supplies		**149**	132	129
Other outside services		**130**	126	112
Donation and charitable contribution		**51**	38	61
Representation and entertainment		**22**	45	94
Litigation/assets acquired expenses		**166**	385	247
Membership fees		**19**	21	19
Others	29.6	**1,153**	1,788	1,027
		P **4,878**	P 5,470	P 4,675

	Notes	Parent Company 2017	2016	2015
Credit card-related expenses		**P 884**	P 663	P 584
Insurance	28.5(c)	**564**	594	527
Service and processing fees		**697**	501	511
Communication and information services		**328**	281	258
Advertising and publicity		**244**	206	191
Management and other professional fees		**188**	217	175
Banking fees		**148**	144	141
Other outside services		**115**	113	100
Transportation and travel		**110**	93	159
Stationery and office supplies		**92**	86	81
Donations and charitable contributions		**51**	35	56
Litigation/assets acquired expense		**50**	181	81
Representation and entertainment		**22**	13	41
Membership fees		**19**	18	15
Others	29.6	**543**	1,411	476
		P 4,055	P 4,556	P 3,396

The Group's other expenses are composed of freight, employee activities expenses, fines and penalties, and seasonal giveaways. The Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P36, P55 and P53 in 2017, 2016 and 2015 respectively (see Note 28.5).

26. INCOME AND OTHER TAXES

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST).

RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

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

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

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

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

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

In 2017, 2016 and 2015, the Group opted to continue claiming itemized deductions for income tax purposes.

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

26.1 Current and Deferred Taxes

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

	Group		
	2017	2016	2015
Current tax expense:			
RCIT	**P 711**	P 414	P 459
Final tax	**203**	177	326
Excess MCIT over RCIT	**2**	190	46
	916	781	831
Application of MCIT	**(356)**	-	-
	560	781	831
Deferred tax expense (income) relating to origination and reversal of temporary differences	**281**	(955)	(1,138)
	P 841	(P 174)	(P 307)

	Parent Company		
	2017	2016	2015
Current tax expense:			
RCIT	**P 563**	P 140	P 161
Final tax	**147**	173	254
Excess MCIT over RCIT	**-**	190	46
	710	503	461
Application of MCIT	**(356)**	-	-
	354	503	461
Deferred tax expense (income) relating to origination and reversal of temporary differences	**343**	(842)	(443)
	P 697	(P 339)	P 18

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense (income) reported in profit or loss is as follows:

	Group		
	2017	2016	2015
Tax on pretax profit at 30%	**P 1,545**	P 1,109	P 1,446
Adjustments for income subjected to lower income tax rates	**(434)**	(180)	(142)
Tax effects of:			
Non-taxable income	**(786)**	(845)	(539)
Non-deductible expenses	**595**	520	356
Recognition of previously unrecognized deferred tax asset	**-**	(865)	(992)
Utilization of MCIT	**356**	-	-
FCDU income	**(306)**	(388)	(125)
Unrecognized temporary differences	**(130)**	97	129
Utilization of NOLCO	**1**	374	(443)
Others	**-**	4	3
	P 841	(P 174)	(P 307)

	Parent Company		
	2017	2016	2015
Tax on pretax profit at 30%	**P 1,502**	P 1,059	P 1,544
Adjustments for income subjected to lower income tax rates	**(384)**	(118)	(108)
Tax effects of:			
Non-taxable income	**(899)**	(889)	(548)
Non-deductible expenses	**531**	420	423
Recognition of previously unrecognized deferred tax asset	**-**	(797)	(992)
Utilization of MCIT	**356**	-	-
FCDU income	**(275)**	(388)	(125)
Unrecognized temporary differences	**(134)**	-	(282)
Utilization of NOLCO	**-**	374	(443)
	P 697	(P 339)	P 18

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2017 and 2016 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2017	2016	**2017**	2016	2015
Allowance for impairment	**P 1,610**	P 1,619	**(P 9)**	P 867	P 695
Provision for credit card reward payments	**127**	105	**22**	105	-
Excess MCIT	**60**	356	**(296)**	356	-
Post-employment benefit obligation	**52**	60	**(8)**	39	-
Deferred rent – PAS 17	**30**	17	**13**	16	-
NOLCO	**-**	-	**-**	(443)	443
Others	**17**	20	**(3)**	15	-
Deferred tax assets	**P 1,896**	P 2,177			
Deferred tax income (expense) – net			**(P 281)**	P 955	P 1,138

In 2015, the Parent Company recognized deferred tax asset amounting to P443 on a portion of its unutilized NOLCO amounting to P1,476. The total unutilized NOLCO amounted to P1,823 as of December 31, 2015. In 2016, the Parent Company utilized a portion of the remaining NOLCO amounting to P1,246, while the balance of P577 expired.

The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2017 and 2016 is shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2017	2016	**2017**	2016	2015
Allowance for impairment	**P 720**	P 780	**(P 60)**	P 780	P -
Provision for credit card reward payments	**127**	105	**22**	105	-
Post-employment benefit obligation	**52**	18	**34**	18	-
Deferred rent – PAS 17	**30**	17	**13**	17	-
Excess MCIT	**-**	356	**(356)**	356	-
NOLCO	**-**	-	**-**	(443)	443
Others	**13**	9	**4**	9	-
Deferred tax assets	**P 942**	P 1,285			
Deferred tax income (expense) – net			**(P 343)**	P 842	P 443

The Parent Company and certain subsidiaries have not recognized deferred tax assets on certain temporary differences since management believes that the Parent Company and certain subsidiaries may not be able to generate sufficient taxable profit in the future against which the tax benefits arising from those deductible temporary differences, NOLCO and other tax credits can be utilized.

The unrecognized deferred tax assets relate to the following:

	Group		Parent Company	
	2017	2016	**2017**	2016
Allowance for impairment	**P 925**	P 2,169	**P 763**	P 629
Excess MCIT	**60**	6	**-**	-
NOLCO	**51**	77	**-**	-
Post-employment benefit obligation	**24**	478	**-**	446
Advance rental	**1**	2	**-**	-
	P 1,061	P 2,732	**P 763**	P 1,075

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

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

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2016	P 190	P 20	P -	P 170	2019
2014	67	-	67	-	
	P 257	**P 20**	**P 67**	**P 170**	

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2017	P 56	P -	P -	P 56	2020
2016	194	190	-	4	2019
2015	46	46	-	-	
2014	122	120	2	-	
	P 418	**P 356**	**P 2**	**P 60**	

The P356 available MCIT applied by the Group in 2017 solely pertains to the MCIT of the Parent Company as it has generated net taxable income and is liable for RCIT for the year ended December 31, 2017.

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

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

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

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company and RSB in fiduciary or agency capacities for their respective customers are not included in the financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P91,585 and P84,804 as of December 31, 2017 and 2016, respectively. The Parent Company's total trust resources amounted to P64,395 and P61,260 as of December 31, 2017 and 2016, respectively (see Note 29.1).

In connection with the trust operations of the Parent Company and RSB, time deposit placements and government securities with a total face value of P953 for the Group and P704 for the Parent Company were deposited with the BSP in 2016. On October 27, 2016, the BSP issued a memorandum notifying the approval of Monetary Board on the discontinuance of access of trust entities to the BSP deposit facilities effective on July 1, 2017. The BSP mandates that the BSP deposit facilities should serve as a monetary policy instrument for managing domestic liquidity in the financial system and these are not intended to become an investment outlet of banks and trust entities. Consequently, the Group has withdrawn all its outstanding deposits and placements with BSP in 2017.

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

The Group and the Parent Company transferred from Surplus to Reserve for Trust Business P21 and P16, respectively, in 2017; P27 and P22, respectively, in 2016; and, P22 and P15, respectively, in 2015.

28. RELATED PARTY TRANSACTIONS

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

A summary of the Group's and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2017, 2016 and 2015 is presented below.

		Group					
		2017		2016		2015	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	**(P 55)**	**P 316**	(P 55)	P 371	(P 537)	P 426
Deposit liabilities	28.2	**(751)**	**480**	(1,785)	1,231	1,545	3,018
Interest expense on deposits	28.2	**5**	**-**	6	-	5	-
Issuance of shares of stock	23.2	**-**	**-**	-	-	7,729	-
Interest income from loans and receivables	28.2	**16**	**-**	21	-	29	-
Associates							
Deposit liabilities	28.2	**266**	**277**	(53)	11	(60)	65
Interest expense on deposits	28.2	**3**	**-**	5	-	3	-
Dividend	12	**59**	**-**	124	-	76	-
Related Parties Under Common Ownership							
Loans and receivables	28.2	**14**	**14**	(541)	-	(1,966)	541
Deposit liabilities	28.2	**2,695**	**2,851**	(2,124)	156	(596)	2,282
Interest expense on deposits	28.2	**9**	**-**	16	-	10	-
Occupancy and equipment related expenses	28.5(a)	**715**	**-**	926	-	829	9
Miscellaneous expenses – others	25.2	**67**	**-**	52	-	54	-
Interest income from loans and receivables	28.1	**-**	**-**	19	-	35	-

		Group					
		2017		2016		2015	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key Management Personnel							
Loans and receivables	28.1	**P 210**	**P 211**	(P 1)	P 1	(P 3)	P 4
Deposit liabilities	28.2	**43**	**286**	(67)	243	(287)	176
Interest income from loans and receivables	28.1	**2**	**-**	-	-	-	-
Interest expense on deposits	28.1	**3**	**-**	1	-	3	-
Salaries and employee benefits	28.5(d)	**458**	**-**	376	-	356	-
Other Related Interests							
Loans and receivables	28.1	**5,565**	**10,106**	(2,855)	4,541	(249)	1,686
Deposit liabilities	28.2	**2,179**	**2,294**	(361)	115	78	601
Interest income from loans and receivables	28.1	**560**	**-**	567	-	103	-
Interest expense on deposits	28.2	**16**	**-**	3	-	2	-

		Parent Company					
		2017		2016		2015	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.2	**(P 55)**	**P 316**	(P 55)	P 371	(P 537)	P 426
Deposit liabilities	28.2	**(751)**	**480**	(1,785)	1,231	1,545	3,018
Interest expense on deposits	28.2	**5**	**-**	6	-	5	-
Issuance of shares of stock	23.2	**-**	**-**	-	-	7,729	-
Interest income from loans and receivables	28.1	**16**	**-**	21	-	29	-

		Parent Company					
		2017		2016		2015	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Subsidiaries							
Loans and receivable	28.1	**(P 222)**	**P -**	P -	P 222	P 142	P 222
Deposit liabilities	28.2	**(2,155)**	**443**	553	2,598	26	2,065
Interest income from loans and receivable	23.1	**-**	**-**	-	-	3	-
Interest expense on deposits	28.2	**1**	**-**	5	-	6	-
Dividend	12	**315**	**-**	1,406	-	602	-
Rental income	28.5(a) 28.5(b)	**191**	**-**	186	-	175	6
Occupancy and equipment-related expenses	28.5(a)	**13**	**-**	186	-	153	3
Service and processing fees	28.5(c)	**499**	**-**	460	29	410	33
Sale of investment securities	28.3	**175**	**-**	810	-	1,236	-
Purchase of investment securities	28.3	**5**	**-**	601	-	846	-
Capital subscriptions	12.1	**-**	**-**	-	-	750	500
Assignment of receivables	11, 28.1	**(10)**	**192**	(20)	202	222	222
Associates							
Deposit liabilities	28.2	**266**	**277**	(53)	11	(60)	65
Interest expense on deposits	28.2	**3**	**-**	5	-	3	-
Dividend		**59**	**-**	124	-	76	-

		Parent Company					
		2017		2016		2015	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Related Parties Under Common Ownership							
Loans and receivables	28.1	**P 14**	**P 14**	(P 541)	P -	(P 1,966)	P 541
Deposit liabilities	28.2	**(2,584)**	**2,740**	(2,124)	156	(596)	2,282
Interest income from loans and receivables	28.1	**-**	**-**	19	-	35	-
Interest expense on deposits	28.2	**8**	**-**	15	-	10	-
Occupancy and equipment-related expenses	28.5(d)	**715**	**-**	926	-	829	-
Miscellaneous expenses – others	25.2	**67**	**-**	52	-	54	-
Key Management Personnel							
Loans and receivables	28.2	**196**	**197**	(1)	1	(5)	2
Deposit liabilities	28.2	**43**	**286**	67	243	(287)	176
Interest income from loans and receivables	28.1	**2**	**-**	-	-	-	-
Interest expense on deposits	28.2	**3**	**-**	1	-	3	-
Salaries and employee benefits	28.5(d)	**328**	**-**	271	-	221	-
Other Related Interests							
Loans and receivables	28.1	**5,565**	**10,106**	2,855	4,541	63	1,686
Deposit liabilities	28.2	**2,145**	**2,260**	(361)	115	-	476
Interest income from loans and receivables	28.1	**560**	**-**	567	-	103	-
Interest expense on deposits	28.2	**16**	**-**	3	-	2	-

28.1 Loans and Receivables

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2017:				
Stockholders	P -	P 55	P 16	P 316
Related parties under common ownership	210	196	-	14
Key management personnel	691	481	2	211
Other related interests	8,267	2,702	560	10,106
	P 9,168	**P 3,434**	**P 578**	**P 10,647**
2016:				
Stockholders	P -	P 55	P 21	P 371
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,331	4,476	567	4,541
	P 7,332	P 5,074	P 607	P 4,913
2015:				
Stockholders	P -	P 537	P 29	P 426
Related parties under common ownership	40	2,006	35	541
Key management personnel	2	5	-	4
Other related interests	400	649	103	1,686
	P 442	P 3,197	P 167	P 2,657

	Parent Company			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2017:				
Stockholders	P -	P 55	P 16	P 316
Subsidiaries	-	222	-	-
Related parties under common ownership	210	196	-	14
Key management personnel	663	467	2	197
Other related interests	8,267	2,702	560	10,106
	P 9,140	**P 3,642**	**P 578**	**P 10,633**

Related Party Category	Parent Company Issuances	Repayments	Interest Income	Loans Outstanding
2016:				
Stockholders	P -	P 55	P 21	P 371
Subsidiaries	1,276	1,276	-	222
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	7,331	4,476	567	4,541
	P 8,608	P 6,350	P 607	P 5,135
2015:				
Stockholders	P -	P 536	P 29	P 426
Subsidiaries	5,754	5,612	3	222
Related parties under common ownership	40	2,006	35	541
Key management personnel	-	5	-	2
Other related interests	400	337	103	1,686
	P 6,194	P 8,496	P 170	P 2,877

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRIs). Under existing policies of the Group, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Group and Parent Company and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Group and Parent Company. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2017 and 2016, the Group and Parent Company is in compliance with these regulatory requirements.

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

	Group		Parent Company	
	2017	2016	**2017**	2016
Total outstanding DOSRI loans	**P 542**	P 587	**P 509**	P 553
Unsecured DOSRI	**71**	60	**61**	49
Past due DOSRI	**1**	-	**1**	-
Non-accruing DOSRI	**1**	-	**1**	-
Percent of DOSRI loans to total loan portfolio	**0.15%**	0.19%	**0.19%**	0.24%
Percent of unsecured DOSRI loans to total DOSRI loans	**13.10%**	10.22%	**11.98%**	8.86%
Percent of past due DOSRI loans to total DOSRI	**0.13%**	0.05%	**0.14%**	0.04%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.13%**	0.05%	**0.14%**	0.04%

In 2017, the Group recognized impairment loss on certain loans and receivables from DOSRI amounting to P.06 and is recognized as part of Impairment Losses account in the 2017 statement of profit or loss. There are no impairment losses incurred in 2016 and 2015.

28.2 Deposit Liabilities

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2017, 2016 and 2015 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2017:				
Stockholders	P 25,106	P 25,857	P 5	P 480
Associates	32,335	32,069	3	277
Related parties under common ownership	14,007	11,312	9	2,851
Key management personnel	416	373	3	286
Other related interest	213,907	211,728	16	2,294
	P 285,771	**P 281,339**	**P 36**	**P 6,188**
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Associates	35,592	35,645	5	11
Related parties under common ownership	1,287,730	1,289,854	15	156
Key management personnel	4,365	4,298	1	243
Other related interests	1,036,115	1,036,476	3	115
	P 2,400,320	P 2,404,576	P 30	P 1,756
2015:				
Stockholders	P 49,928	P 48,383	P 5	P 3,018
Associates	20,098	20,158	3	65
Related parties under common ownership	121,273	121,869	10	2,282
Key management personnel	4,365	4,078	3	176
Other related interests	54,586	54,508	2	601
	P 250,250	P 248,996	P 23	P 6,142

	Parent Company			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2017:				
Stockholders	P 25,106	P 25,857	P 5	P 480
Subsidiaries	100,523	102,678	1	443
Associates	32,335	32,069	3	277
Related parties under common ownership	9,058	6,474	8	2,740
Key management personnel	416	373	3	286
Other related interests	136,192	134,047	16	2,260
	P 303,630	**P 301,498**	**P 36**	**P 6,486**

Related Party Category	Parent Company Deposits	Withdrawals	Interest Expense	Outstanding Balance
2016:				
Stockholders	P 36,518	P 38,303	P 6	P 1,231
Subsidiaries	974,281	973,728	5	2,598
Associates	35,592	35,645	9	11
Related parties under common ownership	1,287,730	1,289,854	16	156
Key management personnel	4,365	4,298	1	243
Other related interests	1,036,115	1,036,476	3	115
	P 3,374,601	P 3,378,304	P 40	P 4,354
2015:				
Stockholders	P 49,928	P 48,383	P 5	P 3,018
Subsidiaries	1,342,248	1,342,222	6	2,065
Associates	20,098	20,158	3	65
Related parties under common ownership	121,273	121,869	10	2,282
Key management personnel	4,635	4,922	3	176
Other related interests	54,508	54,508	2	476
	P 1,592,690	P 1,592,062	P 29	P 8,082

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

28.3 Sale and Purchase of Securities

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

28.4 Retirement Fund

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

The retirement funds have transactions with the Group and Parent Company as of December 31, 2017, 2016 and 2015 as follows:

Nature of Transactions	Group Net Amount of Transaction	Group Outstanding Balance	Parent Company Net Amount of Transaction	Parent Company Outstanding Balance
2017:				
Investment in common shares of Parent Company	**(P 6)**	**P 3,125**	**(P 6)**	**P 3,123**
Investment in corporate debt securities	**(47)**	**2**	**(49)**	**-**
Deposits with the Parent Company	**226**	**427**	**239**	**311**
Fair value gains	**1,266**	**-**	**1,266**	**-**
Interest income	**4**	**-**	**4**	**-**

Nature of Transactions	Group: Net Amount of Transaction	Group: Outstanding Balance	Parent Company: Net Amount of Transaction	Parent Company: Outstanding Balance
2016:				
Investment in common shares of Parent Company	P -	P 1,863	P -	P 1,863
Investment in corporate debt securities	(5)	50	-	49
Deposits with the Parent Company	75	201	72	72
Fair value gains	31	-	31	-
Interest income	3	-	3	-
2015:				
Investment in common shares of Parent Company	(P 853)	P 1,863	(P 853)	P 1,863
Investment in corporate debt securities	(5)	50	-	49
Deposits with the Parent Company	19	126	-	-
Fair value losses	(849)	-	(849)	-
Interest income	5	-	3	-

The carrying amount and the composition of the plan assets as of December 31, 2017 and 2016 are disclosed in Note 24.2. Investment in corporate debt securities include long-term negotiable certificates of deposit issued by the Parent Company.

The information on the Group's and Parent Company's contributions to the retirement fund and benefit payments through the fund are disclosed in Note 24.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.

28.5 Other Related Party Transactions

(a) Lease Contracts with RRC and Sublease Agreement with Subsidiaries

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC [see Note 29.7(b)]. Rental expense incurred by the Group related to this lease arrangement is included as part of Occupancy and Equipment-related expenses account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2020 after it was renewed in 2015 for another five years. The outstanding payable on the lease contract is presented as part of Accounts payable under Other Liabilities account in the 2017 and 2016 statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

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

(b) Lease Contract on RSB Corporate Center

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

(c) Service Agreement with RBSC

The Parent Company has Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. The total service processing fees incurred by the Parent Company is recognized as part of the Service and processing fees under the Miscellaneous Expenses account in the statements of profit or loss (see Note 25.2). The outstanding payable related to the service agreement is presented as part of Accounts payable under Other Liabilities account in the statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

(d) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2017	2016	2015
Short-term employee benefits	**P 442**	P 361	P 338
Post-employment defined benefits	**16**	15	18
	P 458	P 376	P 356

	Parent Company		
	2017	2016	2015
Short-term employee benefits	**P 328**	P 271	P 221
Post-employment defined benefits	**-**	-	-
	P 328	P 271	P 221

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2017 and 2016:

	Group		Parent Company	
	2017	2016	**2017**	2016
Trust department accounts	**P 91,585**	P 84,804	**P 64,395**	P 61,260
Derivative assets	**46,230**	32,172	**46,230**	32,172
Outstanding guarantees issued	**41,858**	31,828	**41,858**	31,828
Derivative liabilities	**41,822**	27,256	**41,822**	27,256
Unused commercial letters of credit	**17,055**	10,783	**17,055**	10,724
Spot exchange sold	**6,307**	5,455	**6,198**	5,452
Spot exchange bought	**6,204**	5,452	**6,204**	5,455
Inward bills for collection	**1,407**	540	**1,407**	2,048
Late deposits/payments received	**566**	2,169	**434**	540
Outward bills for collection	**133**	84	**133**	84
Others	**17**	17	**17**	17

29.2 Poverty Eradication and Alleviation Certificates Bonds

In October 2011, the Bank filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Bank subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 in October 2011 from the Bank on the interest on its PEACe bonds holdings. The amount was originally recognized as part of Accounts receivables under Loans and Receivables account in the statements of financial position until it was settled in 2017.

On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return the 20% final withholding tax it withheld on the PEACe Bonds on October 18, 2011. On March 16, 2015, the Bank and RCAP filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition "deposit substitutes" the PEACe Bonds since there was only one lender at the primary market, and subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax. The Parent Company and RCAP also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCAP/Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed. The Bank and RCAP also reiterated its arguments that the tax constitutes double taxation, violates the non-impairment clause of the Constitution, and is a breach of the obligations by the Bureau of Treasury when it issued the PEACe Bonds. The Office of the Solicitor General ("OSG"), as counsel for the Republic and other public respondents, also filed a Motion for Reconsideration and Clarification, reiterating the BIR's right to withhold 20% as Final Withholding Tax and asking for clarification on the effect of the ruling on other government securities.

In a Resolution dated October 5, 2016, the Supreme Court partially granted the Bank and RCAP's Motion for Clarification and/or Partial Reconsideration, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as "deposit substitutes", the phrase "at any one time" in relation to "20 or more lenders" should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCAP which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. On the other hand, the Supreme Court denied the Motion for Reconsideration and Clarification filed by the OSG. The Supreme Court likewise held that due to the continued refusal of the Bureau of Treasury to release the amount of P4,966, which it withheld upon maturity of the PEACe Bonds, in violation of the order issued by the Supreme Court, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of P4,966, counted from October 19, 2011 until fully paid.

On April 11, 2017, the Parent Company received a copy of the Entry of Judgment stating, among others, that the Decision dated January 13, 2015 and the Resolution dated August 16, 2016, which partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company became final and executory on October 20, 2016. The Bureau of Treasury has so far settled P197 of the Parent Company's claim. The balance of P2 is currently the subject of discussion between the Parent Company, the PDIC and the Bureau of Treasury. The PDIC is evaluating, among others, the deed of assignment executed in favor of the Parent Company by a rural bank, which has since then been placed under liquidation, of its PEACe bonds holdings in partial settlement of its past loan obligation.

29.3 Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI) (collectively, "Global Steel"), which purchased the Iligan Plant assets of the NSC ("NSC Plant Assets") from the Liquidator in 2004, initiated arbitration proceedings with the Singapore International Arbitration Centre ("SIAC") seeking damages on account of the failure of the Liquidator and the Secured Creditors, including the Bank and RCBC Capital Corporation ("RCAP"), to deliver the NSC Plant Assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the said assets to secure additional loans to fund the operations of the Plant and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of Global Steel in the total amount of (a) US$80, as and by way of lost opportunity to make profits and (b) P1,403, representing the value of the undelivered Billet Shop Land measuring 3.4071 hectares (the "Lost Land Claim").

On appeal, and on July 31, 2014, the Singapore High Court set aside the Partial Award, and subsequently granted the Secured Creditors' application for the lifting of the injunctions issued in 2008 and directed the release of Global Steel's installment payment to the Secured Creditors. Accordingly, the Bank and RCAP received their respective share in the funds previously held in escrow. Moreover, the Secured Creditors may now compel Global Steel to comply with their obligations under the Omnibus Agreement (OMNA)/Asset Purchase Agreement (APA) and take legal action upon Global Steel's failure to do so.

On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court insofar as it set aside (a) the monetary award of US$80 and P1,403 representing lost opportunity to make profit and the value of the Lost Land Claim in favor of Global Steel, respectively, and (b) the deferment of Global Steel's obligation to pay the purchase price of the NSC Plant Assets. The Singapore Court of Appeals ruled that (a) aside from the lack of jurisdiction to rule on the issue of lost opportunity to make profit and absence of evidentiary support for the award, and (b) the premature ruling on the issue of the Lost Land Claim, the dispute relating to Global Steel's payment obligation is an obligation under the OMNA, which is beyond the ambit of arbitration, so that the SIAC Arbitral Tribunal could not properly order the Bank, RCAP and the other Secured Creditors to defer holding Global Steel in default. However, the Singapore Court of Appeals held that the NSC Liquidator and Secured Creditors are still required to deliver to Global Steel clean title to the NSC Plant Assets.

On November 27, 2015, the Singapore Court of Appeals further held that the issue of Global Steel's lost opportunity to make profit cannot be remanded to the Arbitral Tribunal, or to a new Arbitral Tribunal for that matter, to be litigated anew after the setting aside of the Partial Award. The doctrines of res judicata and abuse of process also operated to preclude the reopening of this issue. However, the Singapore Court of Appeals held that the Lost Land Claim may be the subject of a fresh arbitration proceedings before a new arbitral tribunal. The Singapore Court of Appeals likewise awarded litigation costs to the Liquidator but none to the Secured Creditors.

The Parent Company's estimated exposure is approximately P209 in terms of estimated property taxes and transfer costs due on the NSC Plant Assets, while it has a receivable from Global Steel in the amount of P486, taking into consideration the P49 installment payment it had received from the funds previously in escrow. The Parent Company has recognized full impairment loss on the receivable since then, with the gross amount of receivable classified as UDSCL under Loans and Receivable account. The Parent Company's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries), now that all pre-closing taxes on the NSC assets sold to Global Steel, covering the period 1999 to October 14, 2004, are deemed paid, following the denial with finality of the City of Iligan's Petition for Review by the Supreme Court and the issuance of an Entry of Judgment on March 16, 2016, in the case initiated solely by the NSC Liquidator.

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

In an Order dated April 4, 2017, the Makati Trial Court (a) nullified the public auction of the NSC Plant Assets, among others, (b) enjoined any and all real property tax collection actions against the NSC until the Decision dated October 7, 2011, which held that the NSC pre-closing taxes have been paid, is fully executed and NSC's remaining tax liabilities are correctly computed. The Makati Trial Court likewise (a) directed the Iligan City Treasurer to show cause why she should not be held in contempt of court for holding the auction sale of the NSC Plant Assets without clearing NSC of the pre-closing taxes, and (b) directed the Iligan City Treasurer, among others, to inform the Makati Trial Court of the names of the responsible persons who ordered, aided and abetted her assailed conduct. The LGU and the Iligan City Treasurer, among others, moved the reconsideration of the April 4, 2017 Order.

29.4 Verotel Merchant Services B.V. Case

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

After nearly five years, and after being transferred to a fourth judge, the case went to trial from January 13, 2016 to January 26, 2016, where the issues on prescription, VII's lack of capacity to sue and VMS's lack of standing to sue were reserved for Judge Michael J. Raphael's disposition. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. On March 10, 2016, the Parent Company/Bankard informed Judge Raphael that they will, instead, be filing a motion for judgment notwithstanding verdict (JNOV) and motion for new trial. On April 11, 2016, the Parent Company /Bankard timely filed their motions for JNOV and new trial, and on April 27, 2016, the Parent Company /Bankard likewise timely filed their Reply to the Oppositions filed by VII/VMS.

On May 12, 2016, Judge Raphael heard, and partially granted, the Parent Company/Bankard's Motion for JNOV by deleting the US$7.5 million punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Parent Company/Bankard knew of, authorized, or ratified fraudulent acts, and (b) Janet Conway was a managing agent of the Parent Company/Bankard within the meaning of the California Civil Code Section 3294(b). However, Judge Raphael ruled that Conway was an agent of the Parent Company/Bankard for some purposes, and sustained the award of US$1.5 million. Judge Raphael likewise denied the Parent Company/Bankard's Motion for New Trial, and likewise partially granted, plaintiffs' motion for interest and awarded VMS prejudgment interest in the amount of US$0.5 million.

On July 11, 2016, the Parent Company/Bankard timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and received a copy of the Notice of Appeal solely filed by VMS on July 8, 2016. On July 21, 2016, the Parent Company/Bankard timely posted the amount of US$3.1 million, as and by way of security to stay the enforcement of the Amended Judgment rendered by Judge Rafael.

On September 8, 2016, VMS filed its unsealed Certificate of Interested Persons, after the California Court of Appeals sustained the Parent Company/Bankard's position that the identities subject of the disclosure was, in fact, a central issue in this case and the appeal, as it relates to whether VMS has standing in this case and is entitled to any damages. In an Order dated, and filed, on November 16, 2016, the California Court of Appeals adopted the briefing sequence proposed by the Parent Company/Bankard, thus, allowing the full ventilation of the case on appeal. In a notice dated January 25, 2017, the California Court of Appeals informed the parties of the filing of the reporter's transcripts.

Subsequently, on March 7, 2017, Judge Raphael granted VMS's motion for cost of proof sanction and directed the Parent Company/Bankard to pay VMS the additional amount of US$0.08 million to cover the cost of (a) the services of expert witnesses and (b) their presentation during the trial, given his ruling that the Parent Company/Bankard unjustifiably denied VMS's request for admission that they failed to comply with MasterCard and VISA association rules. The Parent Company/Bankard timely filed their Notice of Appeal on the aforementioned Order of Judge Raphael but no longer posted any additional filing fees, following VMS's agreement not seek to enforce of the said award during the pendency of the appeal.

The Parent Company/Bankard filed their Revised Opening Brief on their Appeal with the California Court of Appeals on October 2, 2017, raising the following arguments: (a) there is no substantial evidence to establish that the Parent Company/Bankard caused VMS' loss, which arose as a result of the processing of VMS' transactions under and using the merchant ID of another merchant, in a side deal without Bankard's knowledge and consent; (b) there is, therefore, no contract/no processing relationship between VMS and Bankard; (c) there is no substantial evidence to establish that the Parent Company/Bankard caused VMS' loss under agency law, given that (i) Conway could not be Bankard's agent as a matter of law, because she was defrauding Bankard, (ii) plaintiffs did not establish that Conway was an agent of Bankard, (iii) plaintiff did not establish that Conway was a purported agent of Bankard, and, (iv) plaintiffs did not establish that Conway's wrongful conduct was within the scope of her agency; and. (d) the Trial Court abused its discretion in awarding cost of proof sanctions. The Parent Company/Bankard is awaiting the filing of VMS' Reply Brief.

29.5 Applicability of RR 4-2011

On March 15, 2011, the BIR issued RR 4-2011, which prescribed that for income tax reporting purposes, banks and other financial institutions must (a) report costs and expenses either under RBU or FCDU/EFCDU or OBU if specifically identified as such; or (b) allocate such cost and expenses, which cannot be specifically identified, based on percentage share of gross income earnings of a unit. The BIR, however, issued assessment notices to banks and other financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU.

On April 6, 2015, the Parent Company and other member-banks of the Bankers Association of the Philippines ("BAP") (the "Petitioners"), filed the above-captioned case with Application for TRO and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati ("Makati Trial Court"), wherein the Petitioners assailed the validity of RR 4-2011 on the ground, among others, that (a) RR 4-2011 violates the Petitioners' substantive due process rights; (b) it is not only illegal but also unfair; (c) it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation; (e) it was promulgated without prior consultation, thus, violating the procedural due process rights of the petitioners; and (f) it violated the equal protection clause guaranteed in the Constitution for requiring Banks and other financial institutions to adopt a method of allocation when other institutions and taxpayers were not being required to do so by the Department of Finance ("DOF") and BIR.

On April 8, 2015, the RTC-Makati issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, RTC-Makati issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the Parent Company and other BAP member banks, including the issuance of Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the RTC-Makati issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Parent Company and other BAP member banks are concerned. The Pre-trial Conference of the case began on August 2, 2016 and continued to August 3, 2017. During the August 3, 2017 hearing, in lieu of trial for the resolution of the case, the Makati Trial Court directed the parties to file their respective Memorandum on September 15, 2017. As of October 5, 2017, the parties to the case have submitted their respective Memorandum

29.6 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, there was an alleged unauthorized transfer of funds from the Bank of Bangladesh to four accounts in the Parent Company, which were eventually transferred to various accounts outside of the Parent Company. In August 2016, the Monetary Board of the BSP approved the imposition of supervisory action on the Parent Company to pay the amount of P1.0 billion in relation to the completed special examination. The Parent Company has fully recognized in the 2016 statement of profit or loss the P1.0 billion supervisory action as part of Miscellaneous Expenses under Other Operating Expenses account (see Note 25.2), and has fully paid the same. The Parent Company does not expect this imposition of supervisory action to affect its ability to perform its existing obligations or unduly hamper its operations.

The AMLC has filed a criminal complaint against former and current officers and employees of the Parent Company for alleged violation of Section 4(f) of RA No. 9160, as amended, otherwise known as the "Anti-Money Laundering Law", in connection with the alleged unauthorized transfer of funds taken from the account of the Bank of Bangladesh with the New York Federal Reserve Bank. The AMLC alleged that each of the respondents supposedly performed or failed to perform an act, which facilitated the crime of money laundering, particularly the remittance and eventual withdrawal of the aforementioned amount from the US Dollar accounts of Enrico T. Vasquez, Michael F. Cruz, Alfred Vergara and Jessie Christopher M. Lagrosas (the "Beneficiary Accounts"), which were then being maintained at the Parent Company's Jupiter Business Center. In particular, the AMLC alleged that each of the respondents failed to effect a hold out on the Beneficiary Accounts despite the supposed "red flags" in the SWIFT payment orders and their supposed receipt on February 9, 2016 of the SWIFT MT999 and MT199 messages of the Bank of Bangladesh requesting for the stop payment of the remittances in issue, resulting in the withdrawals from the said accounts. The AMLC also charged the respondents for their alleged failure to perform Enhanced Due Diligence (EDD), despite the aforementioned "red flags" or alleged irregularities in the remittances.

On March 27, 2017, the former and current officers of the Parent Company filed their Joint Counter-Affidavit, pointing out that: (a) the AMLC failed to establish that they had actual knowledge, as required by the AMLA, as amended, that the US$81 million inward remittance proceeded from an unlawful activity or that the willful blindness doctrine under US jurisprudence is applicable; (b) no predicate crime was established, in the absence of evidence showing the occurrence of the supposed "hacking incident"; and (c) their supposed failure to conduct EDD and the lifting of the hold out on the Beneficiary Accounts cannot amount to facilitation of money-laundering, considering that none of the scenarios required prior to conducting EDD is present, and banks are not legally allowed to effect any unilateral freezing of a depositor's account under the AMLA, as amended, and relevant jurisprudence.

On May 18, 2017, the AMLC filed its Consolidated and Joint Reply Affidavit. On July 10, 2017, the former and current officers of the Parent Company filed their respective Individual Rejoinder Affidavits.

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

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

29.7 Lease Commitments

(a) Parent Company as a Lessor

The Parent Company has entered into various lease contracts related to RSB Corporate Center, an investment property held for rental, with lease terms ranging from one to five years and with monthly rent depending on market price with 5% escalation rate every year. Total rent income earned from these leases amounted to P297, P280, and P218 in 2017, 2016 and 2015, respectively, which are presented as part of Rental under the Miscellaneous Income account in the statements of profit or loss (see Note 25.1). A certain office and parking spaces in RSB Corporate Center are being lease-out to RSB [see Note 28.5 (a)].

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

	2017	2016
Within one year	**P 375**	P 410
After one year but not more than five years	**486**	861
	P 861	P 1,271

(b) Group as Lessee

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices [see Note 28.5(a)] and branches/business centers for lease periods from one to 25 years. The Group's rental expense related to these leases (included as part of Occupancy and Equipment-related expenses account in the statements of profit or loss) amounted to P977, P742 and P754 in 2017, 2016 and 2015, respectively. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

The future minimum rental payables under these non-cancellable operating leases are as follow:

	Group	**Parent Company**
2017:		
Within one year	P 811	P 673
After one year but not more than five years	2,640	2,375
More than five years	335	291
	P 3,786	**P 3,339**

	Group		Parent Company	
2016:				
Within one year	P	853	P	605
After one year but not more than five years		2,600		2,246
More than five years		228		193
	P	3,681	P	3,044

30. EARNINGS PER SHARE

The following shows the profit and per share data used in the basic and diluted EPS computations for the three years presented:

	Group					
	2017		2016		2015	
Basic and Diluted EPS						
a. Net profit attributable to Parent Company's shareholders	**P**	**4,308**	P	3,868	P	5,129
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends		**-**		-		(219)
b. Adjusted net profit before capital redemption		**4,308**		3,868		4,910
Redemption premium on HT1		**-**		-		(723)
c. Adjusted net profit	**P**	**4,308**	P	3,868	P	4,187
d. Weighted average number of outstanding common stocks		**1,400**		1,400		1,362
EPS before capital redemption (b/d)	**P**	**3.08**	P	2.76	P	3.60
Basic and diluted EPS (c/d)	**P**	**3.08**	P	2.76	P	3.07

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented. The Group and the Parent Company has no potential dilutive shares as of the end of each reporting period.

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2017	2016	2015
Return on average equity			
Net profit / Average total equity	**6.72%**	6.42%	9.23%
Return on average resources			
Net profit / Average total resources	**0.82%**	0.77%	1.09%
Net interest margin			
Net interest income / Average interest earning resources	**4.25%**	4.06%	4.15%
Profit margin			
Net profit / Revenues	**17.15%**	16.95%	23.07%
Debt-to-equity ratio			
Total liabilities / Total equity	**7.27**	7.39	7.88
Resources-to-equity ratio			
Total resources / Total equity	**8.27**	8.39	8.88
Interest rate coverage			
Earnings before interest and taxes / Interest expense	**1.73**	1.50	1.81

	Parent Company		
	2017	2016	2015
Return on average equity			
Net profit / Average total equity	**6.74%**	6.43%	9.34%
Return on average resources			
Net profit / Average total resources	**1.02%**	0.93%	1.30%
Net interest margin			
Net interest income / Average interest earning resources	**3.85%**	3.47%	3.62%
Profit margin			
Net profit / Revenues	**22.34%**	22.67%	32.32%

	Parent Company		
	2017	2016	2015
Debt-to-equity ratio			
Total liabilities / Total equity	**5.60**	5.73	6.40
Resources-to-equity ratio			
Total resources / Total equity	**6.60**	6.73	7.40
Interest rate coverage			
Earnings before interest and taxes / Interest expense	**1.95**	1.60	2.06

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's and Parent Company's 2017 liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bills Payable (see Note 18)		**Bonds Payable (see Note 19)**		**Total Financing Activities**	
	Group	**Parent**	**Group**	**Parent**	**Group**	**Parent**
Balance as of January 1, 2017	P 37,643	P 31,712	P 41,595	P 41,595	P 79,238	P 73,307
Cash flow from financing activities:						
Availments	20,561	15,477	-	-	20,561	15,477
Payments/redemption	(14,472)	(10,788)	(13,687)	(13,687)	(28,159)	(24,475)
Non-cash financing activities:						
Foreign exchange losses	235	199	118	118	353	317
Amortization of premium	-	-	34	34	34	34
	P 43,967	**P 36,600**	**P 28,060**	**P 28,060**	**P 72,027**	**P 64,660**

RIZAL COMMERCIAL BANKING CORPORATION
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

RCBC
We believe in you.

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, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

RCBC
We believe in you.

HELEN Y. DEE
Chairperson, Board of Directors

GIL A. BUENAVENTURA
President & Chief Executive Officer

CHESTER Y. LUY
SEVP, Head – Treasury Group

FLORENTINO M. MADONZA
SVP, Head – Controllership Group

SUBSCRIBED AND SWORN TO BEFORE ME, this MAR 12 2018 day of ______, 2018 at Makati City, Philippines, affiants exhibited to me their valid identifications, to wit:

Name	*ID No.*	*Date/Place of Issue*
Helen Y. Dee	Driver's License N11-75-016658	4/28/2015, Makati
Gil A. Buenaventura	Passport No. P1316244A	12/19/2016, Manila
Chester Y. Luy	Passport No. EC1750463	07/28/2014, Singapore
Florentino M. Madonza	PRC License 0088956	8/3/2017, Manila

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20(2017-2018)
Until 31 December 2018
PTR NO. 6816390;01-04-18;Makati City
IBP NO. 020208;01-04-18; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Doc. No. 244;
Page No. 00;
Book No. 391;
Series of 2018.

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Report of Independent Auditors to Accompany the Securities and Exchange Commission Schedules File Separately from the Basic Financial Statements

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Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rizal Commercial Banking Corporation and subsidiaries (the Group) for the year ended December 31, 2017, on which we have rendered our report dated February 26, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see SEC Supplementary Schedules) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Maria Isabel E. Comedia**
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 6616005, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-3 (until Dec. 22, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-21-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 26, 2018

Rizal Commercial Banking Corporation and Subsidiaries
SEC Supplementary Schedules
December 31, 2017

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Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A
Financial Assets

Instrument	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Financial Assets at Fair Value Through Profit or Loss				
Government securities	P 4,508,854,568	P 4,386,423,285	P 4,386,423,285	P 108,415,598
Corporate debt securities	464,380,201	-	461,633,074	28,231,895
Equity securities	1,651,112,386	1,624,952,329	1,624,952,329	-
Derivative financial assets	1,120,997,606	1,118,862,142	1,118,862,142	510,349,940
		7,130,237,755	7,591,870,829	646,997,433
Financial Assets at Fair Value Through Other Comprehensive Income				
Quoted equity securities	59,855,050 shares	3,652,999,648	3,618,999,648	47,624,734
Unquoted equity securities	226,970,711 shares	1,710,573,939	1,744,573,939	185,979,743
		5,363,573,586	5,363,573,586	233,604,477
Investment Securities at Amortized Cost				
Government securities	P 39,044,035,173	39,044,035,173	35,477,152,778	1,770,317,216
Corporate debt securities	20,933,672,055	20,933,672,055	20,918,845,233	366,272,853
		59,977,707,228	56,395,998,011	2,136,590,069
		P 72,471,518,569	**P 69,351,442,427**	**P 3,017,191,979**

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule B
DOSRI and Receivable from Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Rizal Commercial Banking Corporation							
Loans Receivable							
RCBC Realty Corp.	P -	P -	P -	P -	*Not applicable*		P -
Pan Malayan Management and Investment Corp.	371,250,000	-	55,000,000	-	*Not applicable*		316,250,000
Malayan Colleges Inc.	-	-	-	-	*Not applicable*		-
RCBC Savings Bank							
Loans Receivable							
Employee loans	3,031,144	1,321,090	-	-	*Not applicable*		4,352,234
RCBC Capital Corporation							
Loans Receivable							
Employee Loans	655,020	2,109,305	1,391,902	-	*Not applicable*		1,372,423
RCBC Leasing and Finance Corp.							
Loans Receivable							
Employee Loans	80,226	451,372	80,226	-	*Not applicable*		451,372

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
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Schedule C
DOSRI Eliminated During the Consolidation of Financial Statements

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Classification		Balance at end of period
			Amounts collected	Amounts written off	Current	Not Current	

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
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Schedule D
Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Deductions			Ending Balance
			Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	
Goodwill*	P 425,985,979	P -	P -	P -	P -	P 425,985,979
Branch licenses	1,004,700,961	-	4,700,961	-	-	1,000,000,000
Software – net	959,735,127	304,338,849	286,985,626	-	-	977,088,350

**Gross of allowance for impairment*

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule E
Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet		Amount shown under caption "Long-Term Debt" in related balance sheet
Rizal Commercial Banking Corporation				
US$ 243,000,000 Senior Notes Interest Rate: 4.25% Fixed Rate Maturity Date: 1/22/2020 Number of periodic installments: Not applicable	US$ 243,000,000	Not applicable	P	12,082,166,281
US$ 320,000,000 Senior Notes Interest Rate: 3.45% Fixed Rate Maturity Date: 2/2/2021 Number of periodic installments: Not applicable	US$ 320,000,000	Not applicable	P	15,977,311,255
P 2,502,000,000 Long Term Negotiable Certificate of Deposit Interest Rate: 3.75% Fixed Rate Maturity Date: 2/11/2023 Number of periodic installments: Not applicable	P 2,502,000,000	Not applicable	P	2,502,000,000
P2,100,000,000 Long Term Negotiable Certificates of Deposit Interest Rate: 4.13% Maturity Date: 6/19/2020 Number of periodic installments: Not applicable	P 2,100,000,000	Not applicable	P	2,100,000,000
P2,860,240,000 Long Term Negotiable Certificate of Deposit Interest Rate: 3.25% Maturity Date: 5/14/2019 Number of periodic installments: Not applicable	P 2,860,000,000	Not applicable	P	2,860,000,000
P2,040,000,000 Long Term Negotiable Certificate of Deposit Interest Rate: 0.00% Maturity Date: 5/14/2019 Number of periodic installments: Not applicable	P 2,040,000,000	Not applicable	P	2,040,000,000
P10,000,000,000 Tier 2 Unsecured Subordinated Notes Interest Rate: 5.375% Maturity Date: 9/27/2024 Number of periodic installments: Not applicable	P 10,000,000,000	Not applicable	P	9,968,460,284

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule F
Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule G
Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule H
Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees
Preferred Shares[1] *voting, non-cumulative, non-redeemable, participating convertible into common shares*	200,000,000	276,845	-	-	-
Common Shares[2]	1,400,000,000	1,399,916,364	-	999,678,805	59,110,533

1 On July 8, 2011, preferred shares amounting to P180,823,110 or 18,082,311 shares were converted to 5,820,000 common shares in 2011.

On September 30, 2011, an additional 28,011 preferred shares with P10 par value from unissued portion were converted into 9,018 common shares having P10 par value, and accounting the difference as additional paid in capital in the amount of P190,000.

On February 21, 2012, preferred shares amounting to P1,830 or 183 shares were converted to 58 common shares.

On March 7, 2012, preferred shares amounting to P21,756,450 or 2,175,645 shares were converted to 700,441 common shares.

On March 30, 2012, preferred shares amounting to P666,240 or 66,624 shares were converted to 21,449 common shares.

On July 26, 2012 preferred shares amounting to P2,220 or 222 shares were converted to common shares.

2 On June 28, 2010, the Parent Company's stockholders owning or representing more than 2/3 of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or purchase any shares of any class, by amending its Articles of Incorporation. The increase in authorized capital stock of the Parent Company was approved by BSP and SEC on August 24, 2011 and September 16, 2011, respectively, totalling 1,600,000,000 shares.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprised of 50,427,931 treasury shares (with total cost of P771,207,492) and 23,020,344 unissued shares (with total par value of P230,203,440), to International Finance Corporation for a total consideration of P2,130,000,000 representing 7.2% ownership interest. The issuance resulted to recognition of APIC amounting to P1,128,589,043.

Also, on July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On March 15, 2013, the Parent Company issued 63,650,000 comoon shares from the unissued capital stock (with total cost of P636,500,000) to Pan Malayan Management that is equivalent to approximately 5.3% The issuance resulted to recogntiion of APIC amounting to P3,437,100,000.

On April 26, 2013, the Parent Company issued 71,151,505 common shares from the unissued capital stock (with total cost of P711,515,050) to International Finance Corporation that is equivalent to approximately 5.6%. The issuance resulted to recognition of APIC amounting to P3,415,272,250.

On September 30, 2014, preferred shares amounting to P37,910 or 3,791 shares were converted to 1,090 common shares.

On May 26, 2015, preferred shares amounting to P281,460 or 28,146 shares were converted to 6,746 common shares.

On April 20, 2015, the Parent Company issued 124,242,272 common shares to Cathay Life Insurance Corporation at P64 per share for a total issue price of P7,951,505,408. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709,082,688 reduced by the total issuance cost of P1,463,697,230.

On May 3, 2016, preferred shares amounting to P161,580 or 16, 158 shares were converted to 3,718 common shares.

On February 8, 2017, preferred shares amounting to P16,660 or 1,666 shares were converted into 383 common shares.

On March 14, 2017, preferred shares amounting to P133,280 or 13,328 shares were converted into 3029 common shares.

RIZAL COMMERCIAL BANKING CORPORATION
Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen Gil Puyat Avenue, Makati City

Parent Company Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2017
(Amounts in Millions of Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		**P 24,401**
Prior Years' Outstanding Reconciling Item, net of tax		
Share in net earnings of subsidiaries and associates		**(8,778)**
Deferred tax assets		**(869)**
Fair value gain on financial assets at fair value through profit or loss		**(279)**
		(9,926)
Unappropriated Retained Earnings at Beginning of Year, Dividend Declaration at Beginning of Year, As Adjusted		**14,475**
Net Profit Realized during the Year		
Net profit per audited financial statements		**4,308**
Non-actual/unrealized income		
Share in net earnings of subsidiaries and associates		**(2,110)**
Deferred tax income		**(73)**
Fair value gain on financial assets at fair value through profit or loss		**19**
		2,144
Other Transactions During the Year		
Dividends declared	**(P 773)**	
Dividends received from subsidiaries and associates	**319**	
Appropriation of retained earnings to trust reserves	**(16)**	**(470)**
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 16,149**

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Schedule of Recent Public Offerings

2011 - P3,850,000,000 Long Term Negotiable Certificates of Time Deposit

Net Proceeds: P3,389,382,206 (Issue Price: 100.00% for P2,033,210,000 notes and 74.05% for P1,816,790,000 notes)

Use of Proceeds: To be used for general banking and re-lending purposes.

2012 - US$ 275,000,000 Senior Note

Gross Proceeds: US$275,000,000 (Issue Price: US$200,000,000 @ 100.00% and US$75,000,000 @ P102)

Related Expenses: US$1,193,825

Use of Proceeds: To be used for general banking and re-lending purposes.

2013 - P5,000,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Net Proceeds: P4,626,797,247.90 (Issue Price: 100.00% for P2,860,260,000 Fixed Rate LTNCDs and 82.5585% for P2,139,740,000 Zero Coupon LTNCDs)

Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P2,100,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Gross Proceeds: P2,100,000,000 (Issue Price: 100.00%)

Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2014 - P10,000,000,000 Tier 2 Unsecured Subordinated Notes

Gross Proceeds: P10,000,000,000 (Issue Price: 100.00%)

Use of Proceeds: To strengthen the Bank's capital base and capital adequacy ratio (CAR) and support asset growth as well as expand the bank's long-term funding base

2015 - US$ 243,000,000 Senior Note

Gross Proceeds: US$243,000,000 (Issue Price: US$ 200,000,000 @ 100.00% and US$43,000,000 @ P102)

Related Expenses: US$1,400,857

Use of Proceeds: To be used for general banking and re-lending purposes.

2015 - US$ 320,000,000 Senior Note

Gross Proceeds: US$320,000,000 (Issue Price: US$ 320,000,000 @ 100.00%)

Related Expenses: US$1,042,758

Use of Proceeds: To be used for general banking and re-lending purposes.

2017 - P2,502,000,000 Long Term Negotiable Certificate of Deposit

Gross Proceeds: P2,502,000,000 (Issue Price: P2,502,000,000 @ 100.00%)

Related Expenses: P15,703,828

Use of Proceeds: To be used for general funding purposes.

Rizal Commercial Banking Corporation and Subsidiaries
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		♋		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		♋		
Practice Statement Management Commentary			♋	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	♋		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	♋		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	♋		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	♋		
	Amendments to PFRS 1: Government Loans	♋		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	♋		
PFRS 2	Share-based Payment			♋
	Amendments to PFRS 2: Vesting Conditions and Cancellations			♋
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			♋
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions (b) *(effective January 1, 2018)*			♋
PFRS 3 (Revised)	Business Combinations	♋		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (*effective January 1, 2019)*			♋
PFRS 4	Insurance Contracts			♋
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			♋
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments* , with PFRS 4, *Insurance Contracts* (b) *(effective January 1, 2018)*			♋
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	♋		
PFRS 6	Exploration for and Evaluation of Mineral Resources			♋
PFRS 7	Financial Instruments: Disclosures	♋		
	Amendments to PFRS 7: Transition	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets (d)	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition (d)	♋		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	♋		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	♋		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	♋		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (b) *(effective when PFRS 9 is first applied)*	♋		
PFRS 8	Operating Segments	♋		
PFRS 9	Financial Instruments (a) (2009, 2010 and 2013 versions)	♋		
	Financial Instruments (2014) (b) *(effective January 1, 2018)*			♋
	Amendments to PFRS 9: Prepayment Features with Negative Compensation (b) (*effective January 1, 2019)*			♋

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	♋		
	Amendments to PFRS 10: Transition Guidance	♋		
	Amendments to PFRS 10: Investment Entities	♋		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (b) *(effective date deferred indefinitely)*			♋
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	♋		
PFRS 11	Joint Arrangements	♋		
	Amendments to PFRS 11: Transition Guidance	♋		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	♋		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation (b) (*effective January 1, 2019)*			♋
PFRS 12	Disclosure of Interests in Other Entities	♋		
	Amendments to PFRS 12: Transition Guidance	♋		
	Amendments to PFRS 12: Investment Entities	♋		
	Amendments to PFRS 12: Investment Entities – Applying the Consolidation Exception	♋		
	Amendments to PFRS 12: Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale	♋		
PFRS 13	Fair Value Measurement	♋		
PFRS 14	Regulatory Deferral Accounts			♋
PFRS 15	Revenue from Contracts with Customers (b) (*effective January 1, 2018*)			♋
PFRS 16	Leases (b) *(effective January 1, 2019)*			♋
PFRS 17	Insurance Contracts (b) *(effective January 1, 2021)*			♋
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	♋		
	Amendments to PAS 1: Disclosure Initiative	♋		
PAS 2	Inventories			♋
PAS 7	Statement of Cash Flows	♋		
	Amendments to PAS 7: Disclosure Initiative	♋		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	♋		
PAS 10	Events After the Reporting Period	♋		
PAS 11	Construction Contracts			♋
PAS 12	Income Taxes	♋		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	♋		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	♋		
	Amendment to PAS 12 - Tax Consequences of Dividends (b) (*effective January 1, 2019)*			♋
PAS 16	Property, Plant and Equipment	♋		
	Amendments to PAS 16: Bearer Plants	♋		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	♋		
PAS 17	Leases	♋		
PAS 18	Revenue	♋		
PAS 19 (Revised)	Employee Benefits	♋		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	♋		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			♋

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	♋		
	Amendments: Net Investment in a Foreign Operation	♋		
PAS 23 (Revised)	Borrowing Costs	♋		
	Amendment to PAS 23: Eligibility for Capitalization (b) (*effective January 1, 2019*)			♋
PAS 24 (Revised)	Related Party Disclosures	♋		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			♋
PAS 27 (Revised)	Separate Financial Statements	♋		
	Amendments to PAS 27: Investment Entities	♋		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	♋		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	♋		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (b) *(effective date deferred indefinitely)*			♋
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	♋		
	Amendment to PAS 28: Clarification on Fair Value through Profit or Loss Classification (b) (*effective January 1, 2018)*			♋
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (b) (*effective January 1, 2019*)			♋
PAS 29	Financial Reporting in Hyperinflationary Economies			♋
PAS 32	Financial Instruments: Presentation	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendments to PAS 32: Classification of Rights Issues	♋		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	♋		
PAS 33	Earnings Per Share	♋		
PAS 34	Interim Financial Reporting	♋		
PAS 36	Impairment of Assets	♋		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	♋		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	♋		
PAS 38	Intangible Assets	♋		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	♋		
PAS 39 (d)	Financial Instruments: Recognition and Measurement	♋		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	♋		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	♋		
	Amendments to PAS 39: The Fair Value Option	♋		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	♋		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	♋		
	Amendments to PAS 39: Eligible Hedged Items	♋		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	♋		
PAS 40	Investment Property	♋		
	Amendment to PAS 40: Reclassification to and from Investment Property (b) (*effective January 1, 2018*)			♋
PAS 41	Agriculture			♋
	Amendments to PAS 41: Bearer Plants			♋

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities (c)	♋		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			♋
IFRIC 4	Determining Whether an Arrangement Contains a Lease	♋		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (c)	♋		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			♋
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			♋
IFRIC 9 (d)	Reassessment of Embedded Derivatives	♋		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	♋		
IFRIC 10	Interim Financial Reporting and Impairment	♋		
IFRIC 12	Service Concession Arrangements			♋
IFRIC 13	Customer Loyalty Programmes	♋		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	♋		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction (c)	♋		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			♋
IFRIC 17	Distributions of Non-cash Assets to Owners (c)	♋		
IFRIC 18	Transfers of Assets from Customers (c)	♋		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (c)	♋		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (c)	♋		
IFRIC 21	Levies	♋		
IFRIC 22	Foreign Currency Transactions and Advance Consideration (b) (*effective January 1, 2018*)			♋
IFRIC 23	Uncertainty Over Income Tax Treatments (b) (effective *January 1, 2019*)			♋
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			♋
SIC-10	Government Assistance - No Specific Relation to Operating Activities			♋
SIC-15	Operating Leases - Incentives	♋		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders (c)	♋		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	♋		
SIC-29	Service Concession Arrangements: Disclosures			♋
SIC-31	Revenue - Barter Transactions Involving Advertising Services (c)	♋		
SIC-32	Intangible Assets - Web Site Costs (c)	♋		

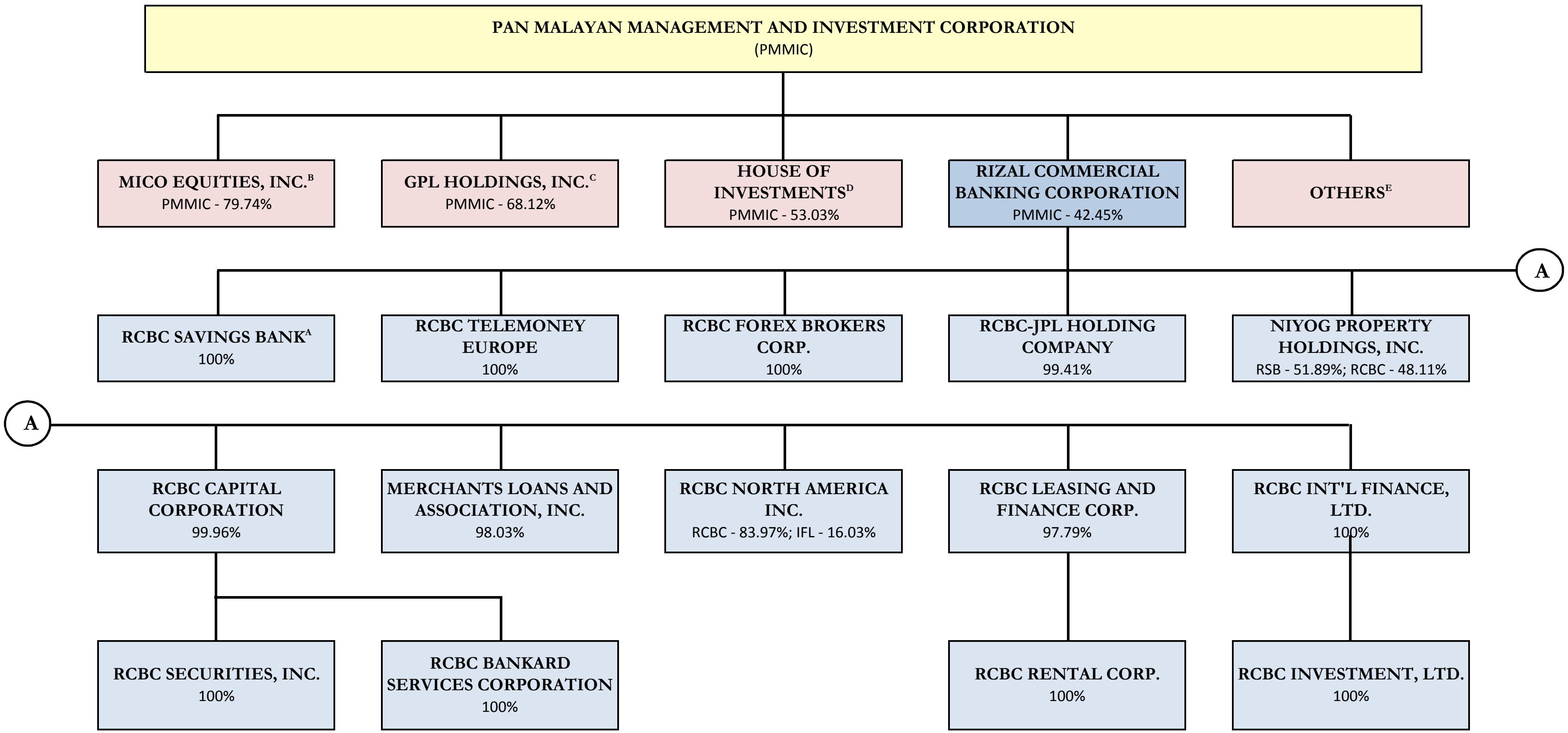
[a] PFRS 9 (2009, 2010 and 2013 versions) is effective January 1, 2018 but the Group opted to early adopt with January 1, 2014 as the date of initial application.

[b] These standards will be effective for periods subsequent to 2017 and are not early adopted by the Group.

[c] These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

[d] PAS 39 and all related amendments, improvements and interpretations thereto were applied by the Group prior to January 1, 2014. These were superseded by PFRS 9 (2009, 2010 and 2013 versions) effective January 1, 2014 except for the principles relating to impairment and hedge accounting.

Rizal Commercial Banking Corporation and Subsidiaries
Map Showing the Relationships Between and Among the RCBC and Its Related Parties
December 31, 2017



Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Schedule of Financial Indicators

	2017	2016	2015
Return on average equity	**6.72%**	6.42%	9.23%
Return on average resources	**0.82%**	0.77%	1.09%
Net interest margin	**4.25%**	4.06%	4.15%
Profit margin	**17.15%**	16.95%	23.07%
Capital adequacy ratio	**15.46%**	16.16%	15.72%
Cost to income ratio	**70.90**	76.05	67.74
Liquidity ratio	**0.93**	0.56	0.41
Debt-to-equity ratio	**7.27**	7.39	7.88
Resources-to-equity ratio	**8.27**	8.39	8.88
Interest rate coverage ratio	**1.73**	1.50	1.81