

<b>Parent Company</b>									
<u>Notes</u>			<b>Gross amounts recognized in the statements of financial position</b>	<b>Related amounts not set off in the statements of financial position</b>				<b>Net amount</b>	
				<b>Financial instruments</b>	<b>Cash received</b>				
<b>December 31, 2017</b>									
	Loans and receivables –								
	Receivable from	11	P 264,631	(P 14,380)	P -		P 250,251		
	customers								
	Trading and investment								
	securities – Investment	10	58,133	( 5,686)	-		52,447		
	securities at amortized								
	cost								
	Other resources –								
	Margin deposits	15	23	-	( 23)		-		
<b>December 31, 2016</b>									
	Loans and receivables –								
	Receivable from	11	P 227,724	(P 15,925)	P -		P 211,799		
	customers								
	Trading and investment								
	securities – Investment	10	65,133	( 6,859)	-		58,274		
	securities at amortized								
	cost								
	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:

<b>Group</b>									
<u>Notes</u>			<b>Gross amounts recognized in the statements of financial position</b>	<b>Related amounts not set off in the statements of financial position</b>				<b>Net amount</b>	
				<b>Financial instruments</b>	<b>Cash received</b>				
<b>December 31, 2017</b>									
	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		
<b>December 31, 2016</b>									
	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		
<b>Parent Company</b>									
<u>Notes</u>			<b>Gross amounts recognized in the statements of financial position</b>	<b>Related amounts not set off in the statements of financial position</b>				<b>Net amount</b>	
				<b>Financial instruments</b>	<b>Cash received</b>				
<b>December 31, 2017</b>									
	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		
<b>December 31, 2016</b>									
	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) collateralized 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
<b>2017:</b>				
<b>Financial assets at FVPL:</b>				
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
<b>Financial assets at FVOCI –</b>				
Equity securities	3,456	197	1,710	5,363
<b>Total Resources at Fair Value</b>	<b>P 9,414</b>	<b>P 1,287</b>	<b>P 2,253</b>	<b>P 12,954</b>
<b>Derivative liabilities</b>	<b>P -</b>	<b>P 483</b>	<b>P -</b>	<b>P 483</b>
<b>2016:</b>				
<b>Financial assets at FVPL:</b>				
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
<b>Financial assets at FVOCI –</b>				
Equity securities	3,743	192	1,744	5,679
<b>Total Resources at Fair Value</b>	<b>P 20,089</b>	<b>P 1,339</b>	<b>P 2,330</b>	<b>P 23,758</b>
<b>Derivative liabilities</b>	<b>P -</b>	<b>P 385</b>	<b>P -</b>	<b>P 385</b>

	<b>Parent Company</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2017:</b>				
<b>Financial assets at FVPL:</b>				
Government securities	P 4,289	P -	P -	P 4,289
Corporate debt securities	455	-	-	455
Equity securities	147	-	543	690
Derivative assets	<u>29</u>	<u>1,090</u>	<u>-</u>	<u>1,119</u>
	4,920	1,090	543	6,553
<b>Financial assets at FVOCI –</b>				
Equity securities	<u>1,761</u>	<u>197</u>	<u>1,481</u>	<u>3,439</u>
<b>Total Resources at Fair Value</b>				
	<b><u>P 6,681</u></b>	<b><u>P 1,287</u></b>	<b><u>P 2,024</u></b>	<b><u>P 9,992</u></b>
<b>Derivative liabilities</b>				
	<b><u>P -</u></b>	<b><u>P 483</u></b>	<b><u>P -</u></b>	<b><u>P 483</u></b>
<b>2016:</b>				
<b>Financial assets at FVPL:</b>				
Government securities	P 14,790	P -	P -	P 14,790
Corporate debt securities	418	-	-	418
Equity securities	103	-	586	689
Derivative assets	<u>31</u>	<u>1,147</u>	<u>-</u>	<u>1,178</u>
	15,342	1,147	586	17,075
<b>Financial assets at FVOCI –</b>				
Equity securities	<u>2,035</u>	<u>185</u>	<u>1,515</u>	<u>3,735</u>
<b>Total Resources at Fair Value</b>				
	<b><u>P 17,377</u></b>	<b><u>P 1,332</u></b>	<b><u>P 2,101</u></b>	<b><u>P 20,810</u></b>
<b>Derivative liabilities</b>				
	<b><u>P -</u></b>	<b><u>P 385</u></b>	<b><u>P -</u></b>	<b><u>P 385</u></b>

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.

	<b>Group</b>		
	<b>Financial Assets at FVOCI</b>	<b>Financial Assets at FVPL</b>	<b>Total</b>
<b>2017:</b>			
Balance at beginning of year	P 1,744	P 586	P 2,330
Fair value losses	( 34)	( 43)	( 77)
Balance at end of year	<b><u>P 1,710</u></b>	<b><u>P 543</u></b>	<b><u>P 2,253</u></b>
<b>2016:</b>			
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	<b><u>P 1,744</u></b>	<b><u>P 586</u></b>	<b><u>P 2,330</u></b>

	<b>Parent Company</b>					
	<b>Financial Assets at FVOCI</b>		<b>Financial Assets at FVPL</b>		<b>Total</b>	
<b>2017:</b>						
Balance at beginning of year	P	1,515	P	586	P	2,101
Fair value losses	(	34)	(	43)	(	77)
Balance at end of year	<b>P</b>	<b>1,481</b>	<b>P</b>	<b>543</b>	<b>P</b>	<b>2,024</b>
<b>2016:</b>						
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	<b>P</b>	<b>1,515</b>	<b>P</b>	<b>586</b>	<b>P</b>	<b>2,101</b>

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.

	<b>Group</b>							
	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>	
<b>2017:</b>								
<b>Financial Assets:</b>								
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
	<b>P</b>	<b>159,539</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>355,381</b>	<b>P</b>	<b>514,920</b>

		Group			
		Level 1	Level 2	Level 3	Total
<b>Financial Liabilities:</b>					
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
		<b>P 388,412</b>	<b>P 88,610</b>	<b>P 15,162</b>	<b>P 492,184</b>

2016:

<b>Financial Assets:</b>					
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
		<b>P 164,576</b>	<b>P -</b>	<b>P 307,040</b>	<b>P 471,616</b>

		Group			
		Level 1	Level 2	Level 3	Total
<b>Financial Liabilities:</b>					
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
		<b>P 353,077</b>	<b>P 102,388</b>	<b>P 13,467</b>	<b>P 468,932</b>

		Parent Company			
		Level 1	Level 2	Level 3	Total
<b>2017:</b>					
<b>Financial Assets:</b>					
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
		<b>P 131,188</b>	<b>P -</b>	<b>P 265,970</b>	<b>P 397,158</b>

<b>Financial Liabilities:</b>					
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
		<b>P 288,667</b>	<b>P 81,243</b>	<b>P 9,265</b>	<b>P 379,175</b>

	Parent Company			
	Level 1	Level 2	Level 3	Total
2016:				
<i>Financial Assets:</i>				
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
	<u>P 134,842</u>	<u>P -</u>	<u>P 228,898</u>	<u>P 363,740</u>
<i>Financial Liabilities:</i>				
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
	<u>P 260,165</u>	<u>P 96,457</u>	<u>P 9,609</u>	<u>P 366,231</u>

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:

	<u>Retail</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Others</u>	<u>Total</u>
<b>2017:</b>					
<b>Revenues</b>					
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
	<u>19,374</u>	<u>7,615</u>	<u>2,975</u>	<u>1,370</u>	<u>31,334</u>
Intersegment revenues					
Interest income	-	2,892	-	7	2,899
Non-interest income	-	-	-	499	499
	<u>-</u>	<u>2,892</u>	<u>-</u>	<u>506</u>	<u>3,398</u>
Total revenues	<u>19,374</u>	<u>10,507</u>	<u>2,975</u>	<u>1,876</u>	<u>34,732</u>
<b>Expenses</b>					
Operating expenses excluding depreciation and amortization	11,840	1,988	551	986	15,365
Depreciation and amortization	823	94	13	341	1,271
	<u>12,663</u>	<u>2,082</u>	<u>564</u>	<u>1,327</u>	<u>16,636</u>
<b>Segment operating income</b>	<b><u>P 6,711</u></b>	<b><u>P 8,425</u></b>	<b><u>P 2,411</u></b>	<b><u>P 549</u></b>	<b><u>P 18,096</u></b>

	<u>Retail</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Others</u>	<u>Total</u>
<b>2017:</b>					
<b>Total resources and liabilities</b>					
Total resources	<b><u>P 136,619</u></b>	<b><u>P 257,406</u></b>	<b><u>P 83,728</u></b>	<b><u>P 14,941</u></b>	<b><u>P 492,694</u></b>
Total liabilities	<b><u>P 402,809</u></b>	<b><u>P 182,495</u></b>	<b><u>P 20,692</u></b>	<b><u>P 9,261</u></b>	<b><u>P 615,257</u></b>
<b>2016:</b>					
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	<u>3,624</u>	<u>1,328</u>	<u>1,960</u>	<u>1,172</u>	<u>8,084</u>
	<u>17,500</u>	<u>6,794</u>	<u>2,946</u>	<u>1,354</u>	<u>28,594</u>
Intersegment revenues					
Interest income	-	2,235	-	5	2,240
Non-interest income	-	-	-	460	460
	<u>-</u>	<u>2,235</u>	<u>-</u>	<u>465</u>	<u>2,700</u>
Total revenues	<u>17,500</u>	<u>9,029</u>	<u>2,946</u>	<u>1,819</u>	<u>31,294</u>
Expenses					
Operating expenses excluding depreciation and amortization					
	10,889	1,756	546	1,186	14,377
Depreciation and amortization	<u>797</u>	<u>83</u>	<u>9</u>	<u>286</u>	<u>1,175</u>
	<u>11,686</u>	<u>1,839</u>	<u>555</u>	<u>1,473</u>	<u>15,552</u>
Segment operating income	<u>P 5,815</u>	<u>P 7,190</u>	<u>P 2,391</u>	<u>P 345</u>	<u>P 15,742</u>
Total resources and liabilities					
Total resources	<u>P 122,617</u>	<u>P 227,502</u>	<u>P 98,302</u>	<u>P 12,899</u>	<u>P 461,320</u>
Total liabilities	<u>P 363,468</u>	<u>P 155,872</u>	<u>P 28,297</u>	<u>P 7,264</u>	<u>P 554,901</u>

	<u>Retail</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Others</u>	<u>Total</u>
2015:					
Revenues					
From external customers					
Interest income	P 13,372	P 11,280	P 2,715	P 285	P 27,652
Interest expense	( <u>2,716</u> )	( <u>4,078</u> )	( <u>2,740</u> )	( <u>130</u> )	( <u>9,664</u> )
Net interest income (expense)	10,656	7,202	(25)	155	17,988
Non-interest income	<u>3,940</u>	<u>1,559</u>	<u>1,606</u>	<u>1,253</u>	<u>8,355</u>
	<u>14,596</u>	<u>8,761</u>	<u>1,581</u>	<u>1,408</u>	<u>26,342</u>
Intersegment revenues					
Interest income	-	2,169	-	6	2,175
Non-interest income	-	<u>3</u>	-	<u>410</u>	<u>413</u>
	-	<u>2,172</u>	-	<u>416</u>	<u>2,588</u>
Total revenues	<u>14,596</u>	<u>10,930</u>	<u>1,581</u>	<u>1,824</u>	<u>28,930</u>
Expenses					
Operating expenses, excluding depreciation and amortization	11,066	2,071	433	1,520	15,090
Depreciation and amortization	<u>671</u>	<u>95</u>	<u>9</u>	<u>133</u>	<u>908</u>
	<u>11,737</u>	<u>2,166</u>	<u>442</u>	<u>1,654</u>	<u>15,998</u>
Segment operating Income	<u>P 2,859</u>	<u>P 8,764</u>	<u>P 1,139</u>	<u>P 170</u>	<u>P 12,932</u>
Total resources and liabilities					
Total resources	<u>P 366,155</u>	<u>P 283,356</u>	<u>P 93,941</u>	<u>P 10,582</u>	<u>P 754,034</u>
Total liabilities	<u>P 366,155</u>	<u>P 283,356</u>	<u>P 93,941</u>	<u>P 10,582</u>	<u>P 754,034</u>

### 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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Liabilities</b>			
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	<u>P 486,961</u>	<u>P 459,060</u>	<u>P 457,932</u>

#### 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:

	<u>Philippines</u>	<u>United States</u>	<u>Asia and Europe</u>	<u>Total</u>
<b>2017:</b>				
<b>Statement of profit or loss</b>				
Total income	P 32,212	P -	P 6	P 32,218
Total expenses	<u>27,877</u>	<u>-</u>	<u>31</u>	<u>27,908</u>
Net profit (loss)	<u>P 4,335</u>	<u>P -</u>	<u>(P 25)</u>	<u>P 4,310</u>
<b>2017:</b>				
<b>Statement of financial position</b>				
Total resources	<u>P 553,844</u>	<u>P 1</u>	<u>P 143</u>	<u>P 553,988</u>
Total liabilities	<u>P 486,889</u>	<u>P 1</u>	<u>P 71</u>	<u>P 486,961</u>
<b>Other segment Information –</b> Depreciation and amortization	<u>P 1,914</u>	<u>P -</u>	<u>P -</u>	<u>P 1,914</u>
<b>2016:</b>				
<b>Statement of profit or loss</b>				
Total income	P 30,225	P -	P 28	P 30,253
Total expenses	<u>26,306</u>	<u>2</u>	<u>75</u>	<u>26,383</u>
Net profit (loss)	<u>P 3,919</u>	<u>(P 2)</u>	<u>(P 47)</u>	<u>P 3,870</u>
<b>2016:</b>				
<b>Statement of financial position</b>				
Total resources	<u>P 521,018</u>	<u>P 1</u>	<u>P 174</u>	<u>P 521,193</u>
Total liabilities	<u>P 458,967</u>	<u>P -</u>	<u>P 93</u>	<u>P 459,060</u>
<b>Other segment Information –</b> Depreciation and amortization	<u>P 1,766</u>	<u>P -</u>	<u>P -</u>	<u>P 1,766</u>

	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	<u>23,176</u>	<u>4</u>	<u>174</u>	<u>23,354</u>
Net profit (loss)	<u>P 5,123</u>	<u>(P 4)</u>	<u>P 9</u>	<u>P 5,128</u>
Statement of financial position				
Total resources	<u>P 515,602</u>	<u>P 3</u>	<u>P 456</u>	<u>P 516,061</u>
Total liabilities	<u>P 457,599</u>	<u>P -</u>	<u>P 333</u>	<u>P 457,932</u>
Other segment information – Depreciation and amortization				
	<u>P 1,609</u>	<u>P -</u>	<u>P 2</u>	<u>P 1,611</u>

## 9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

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

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:

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

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

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

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:

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

### 10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVPL is composed of the following:

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Peso denominated	<b>2.13% - 8.75%</b>	1.63% - 12.13%	2.63% - 8.44%
Foreign currency denominated	<b>2.95% - 10.63%</b>	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.

	<u>Notional Amount</u>	<u>Fair Values</u>	
		<u>Assets</u>	<u>Liabilities</u>
<b>2017:</b>			
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	-	-
	<b><u>P 88,052</u></b>	<b><u>P 1,119</u></b>	<b><u>P 483</u></b>
<b>2016:</b>			
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	-
	<b><u>P 59,428</u></b>	<b><u>P 1,178</u></b>	<b><u>P 385</u></b>



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:

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

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:

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

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

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

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:

	<u>Group</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Financial asset at FVPL	<b>P 647</b>	P 938	P 824
Investment securities at amortized cost	<u>2,137</u>	<u>2,331</u>	<u>3,056</u>
	<b><u>P 2,784</u></b>	<b><u>P 3,269</u></b>	<b><u>P 3,880</u></b>
	<u>Parent Company</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Financial asset at FVPL	<b>P 557</b>	P 931	P 815
Investment securities at amortized cost	<u>1,752</u>	<u>1,996</u>	<u>2,640</u>
	<b><u>P 2,309</u></b>	<b><u>P 2,927</u></b>	<b><u>P 3,455</u></b>

#### 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:

	<u>Group</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Profit or loss:</b>			
Financial asset at FVPL	<b>P 195</b>	P 267	P 68
Investment securities at amortized cost	<u>705</u>	<u>1,352</u>	<u>1,259</u>
	<b><u>P 900</u></b>	<b><u>P 1,619</u></b>	<b><u>P 1,327</u></b>
<b>Other comprehensive income:</b>			
Financial assets at FVOCI	<b>(P 156)</b>	P 1,442	(P 140)
Transfer of fair value gain to surplus	<u>(4)</u>	<u>(3)</u>	<u>(3)</u>
	<b><u>P 160</u></b>	<b><u>P 1,439</u></b>	<b><u>(P 143)</u></b>
	<u>Parent Company</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Profit or loss:</b>			
Financial asset at FVPL	<b>(P 20)</b>	P 136	P 68
Investment securities at amortized cost	<u>684</u>	<u>1,527</u>	<u>1,164</u>
	<b><u>P 664</u></b>	<b><u>P 1,663</u></b>	<b><u>P 1,232</u></b>
<b>Other comprehensive income:</b>			
Financial asset at FVOCI	<b>( 269)</b>	1,395	( 220)
Transfer of fair value gain to surplus	<u>(4)</u>	<u>(3)</u>	<u>(3)</u>
	<b><u>(P 273)</u></b>	<b><u>P 1,392</u></b>	<b><u>(P 223)</u></b>

**11. LOANS AND RECEIVABLES**

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

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Receivables from customers:				
Loans and discounts	<b>P 319,099</b>	P 281,025	<b>P 233,549</b>	P 205,390
Credit card receivables	<b>16,405</b>	12,760	<b>16,405</b>	12,760
Customers' liabilities on acceptances, import bills and trust receipts	<b>12,404</b>	7,675	<b>12,404</b>	7,675
Lease contract receivables	<b>2,893</b>	2,085	-	-
Bills purchased	<b>2,612</b>	2,128	<b>2,605</b>	2,125
Receivables financed	<b>249</b>	229	-	-
	<b>353,662</b>	305,902	<b>264,963</b>	227,950
Unearned discount	<b>(817)</b>	<b>(243)</b>	<b>(332)</b>	<b>(226)</b>
	<b>352,845</b>	<b>305,659</b>	<b>264,631</b>	<b>227,724</b>
Other receivables:				
Accrued interest receivables	<b>3,094</b>	2,784	<b>2,232</b>	2,075
Accounts receivables [see Notes 15.1 and 28.5 (a) and (b)]	<b>2,641</b>	1,594	<b>2,206</b>	1,150
Unquoted debt securities classified as loans	<b>1,939</b>	1,256	<b>1,177</b>	1,196
Sales contract receivables	<b>1,679</b>	1,770	<b>449</b>	564
Interbank loans receivables (see Note 9)	<b>38</b>	515	<b>38</b>	515
	<b>9,391</b>	<b>7,919</b>	<b>6,102</b>	<b>5,500</b>
	<b>362,236</b>	313,578	<b>270,733</b>	233,224
Allowance for impairment (see Note 16)	<b>(7,993)</b>	<b>(7,411)</b>	<b>(4,942)</b>	<b>(4,792)</b>
	<b>P 354,243</b>	<b>P 306,167</b>	<b>P 265,791</b>	<b>P 228,432</b>

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

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

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

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:

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

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

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

### 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*.

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

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).

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

## 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	2016
Acquisition costs of associates:			
HCPI		P 91	P 91
LIPC		57	57
YCS		4	4
		<u>152</u>	<u>152</u>
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		<u>265</u>	<u>231</u>
Carrying amount		<u>P 417</u>	<u>P 383</u>
		Parent Company	
		2017	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
		<u>8,639</u>	<u>8,639</u>
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		<u>9,562</u>	<u>7,817</u>
Carrying amount ( <i>carried forward</i> )		<u>P 18,201</u>	<u>P 16,456</u>



	Note	Parent Company	
		2017	2016
Carrying amount ( <i>brought forward</i> )		<b>P 18,201</b>	P 16,456
Acquisition costs of associates:			
NPHI		388	388
HCPI		91	91
LIPC		57	57
YCS		4	4
		<b>540</b>	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		<b>277</b>	182
		<b>817</b>	722
Carrying amount		<b>P 19,018</b>	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:

	<u>Resources</u>		<u>Liabilities</u>		<u>Revenues</u>		<u>Net Profit</u>	
<b>2017:</b>								
HCPI	P	6,110	P	2,965	P	25,215	P	589
<b>2016:</b>								
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.

	<u>Land</u>		<u>Buildings</u>		<u>Group Furniture, Fixtures and Equipment</u>		<u>Leasehold Rights and Improvements</u>		<u>Total</u>	
<b>December 31, 2017</b>										
Cost	P	1,283	P	3,368	P	9,684	P	1,167	P	15,502
Accumulated depreciation and amortization		<u>-</u>		<u>( 1,318 )</u>		<u>( 5,238 )</u>		<u>-</u>		<u>( 6,556 )</u>
Net carrying amount		<u><b>P 1,283</b></u>		<u><b>P 2,050</b></u>		<u><b>P 4,446</b></u>		<u><b>P 1,167</b></u>		<u><b>P 8,946</b></u>
<b>December 31, 2016</b>										
Cost	P	1,289	P	3,315	P	9,858	P	1,125	P	15,587
Accumulated depreciation and amortization		<u>-</u>		<u>( 1,226 )</u>		<u>( 5,460 )</u>		<u>( 25 )</u>		<u>( 6,711 )</u>
Net carrying amount		<u><b>P 1,289</b></u>		<u><b>P 2,089</b></u>		<u><b>P 4,398</b></u>		<u><b>P 1,100</b></u>		<u><b>P 8,876</b></u>
<b>January 1, 2016</b>										
Cost	P	1,297	P	3,239	P	7,946	P	1,015	P	13,497
Accumulated depreciation and amortization		<u>-</u>		<u>( 1,131 )</u>		<u>( 4,764 )</u>		<u>-</u>		<u>( 5,895 )</u>
Net carrying amount		<u><b>P 1,297</b></u>		<u><b>P 2,108</b></u>		<u><b>P 3,182</b></u>		<u><b>P 1,015</b></u>		<u><b>P 7,602</b></u>

	Parent Company				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
<b>December 31, 2017</b>					
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	<u>P 771</u>	<u>P 1,419</u>	<u>P 2,117</u>	<u>P 890</u>	<u>P 5,197</u>
<b>December 31, 2016</b>					
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	<u>P 777</u>	<u>P 1,449</u>	<u>P 2,151</u>	<u>P 816</u>	<u>P 5,192</u>
<b>January 1, 2016</b>					
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	<u>P 786</u>	<u>P 1,443</u>	<u>P 1,998</u>	<u>P 748</u>	<u>P 4,975</u>

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	<u>P 1,283</u>	<u>P 2,050</u>	<u>P 4,446</u>	<u>P 1,167</u>	<u>P 8,946</u>
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	<u>P 1,289</u>	<u>P 2,089</u>	<u>P 4,398</u>	<u>P 1,100</u>	<u>P 8,876</u>

	Parent Company				
	<u>Land</u>	<u>Buildings</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Leasehold Rights and Improvements</u>	<u>Total</u>
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	<u>P 771</u>	<u>P 1,419</u>	<u>P 2,117</u>	<u>P 890</u>	<u>P 5,197</u>
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	<u>P 777</u>	<u>P 1,449</u>	<u>P 2,151</u>	<u>P 816</u>	<u>P 5,192</u>

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.

	<u>Group</u>			<u>Parent Company</u>		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>December 31, 2017</b>						
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	<u><b>P 2,414</b></u>	<u><b>P 985</b></u>	<u><b>P 3,399</b></u>	<u><b>P 995</b></u>	<u><b>P 1,790</b></u>	<u><b>P 2,785</b></u>
<b>December 31, 2016</b>						
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	<u><b>P 1,355</b></u>	<u><b>P 1,874</b></u>	<u><b>P 3,229</b></u>	<u><b>P 1,000</b></u>	<u><b>P 1,816</b></u>	<u><b>P 2,816</b></u>
<b>January 1, 2016</b>						
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	<u><b>P 1,783</b></u>	<u><b>P 1,587</b></u>	<u><b>P 3,370</b></u>	<u><b>P 1,006</b></u>	<u><b>P 1,877</b></u>	<u><b>P 2,883</b></u>

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2017 and 2016 follow:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance at January 1, net of accumulated depreciation and impairment	<b>P 3,229</b>	P 3,370	<b>P 2,816</b>	P 2,883
Additions	<b>2,360</b>	559	<b>19</b>	46
Disposals	( <b>1,822</b> )	( 430)	( <b>7</b> )	( 71)
Impairment losses	( <b>79</b> )	( 34)	-	-
Depreciation charges for the year	( <b>289</b> )	( 236)	( <b>43</b> )	( 42)
Balance at December 31, net of accumulated depreciation and impairment	<u><b>P 3,399</b></u>	<u><b>P 3,229</b></u>	<u><b>P 2,785</b></u>	<u><b>P 2,816</b></u>

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		Parent Company	
		2017	2016	2017	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		<u>1,372</u>	<u>836</u>	<u>570</u>	<u>377</u>
		<b>9,203</b>	<b>10,149</b>	<b>6,308</b>	<b>6,317</b>
Allowance for impairment	15.3, 16	( <u>191</u> )	( <u>288</u> )	( <u>2</u> )	( <u>1</u> )
		<b>P 9,012</b>	<b>P 9,861</b>	<b>P 6,306</b>	<b>P 6,316</b>

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

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.

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year	<b>P 960</b>	P 936	<b>P 850</b>	P 786
Additions	<b>304</b>	294	<b>267</b>	270
Amortization	<b>( 287)</b>	( 269)	<b>( 243)</b>	( 206)
Balance at end of year	<b><u>P 977</u></b>	<u>P 960</u>	<b><u>P 874</u></b>	<u>P 850</u>

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		<u>158</u>
		426
Allowance for impairment	(	<u>158)</u>
	<b><u>P</u></b>	<b><u>268</u></b>

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:

	Notes	Group		Parent Company	
		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	<u>288</u>	<u>240</u>	<u>1</u>	<u>8</u>
		<u>7,733</u>	<u>7,350</u>	<u>4,793</u>	<u>4,833</u>
Impairment losses:					
Loans and receivables	11	2,076	1,856	1,086	1,040
Other resources	15	<u>79</u>	<u>(86)</u>	<u>78</u>	<u>(184)</u>
		<u>2,155</u>	<u>1,770</u>	<u>1,164</u>	<u>856</u>
Charge-offs and other adjustments during the year		<u>(1,646)</u>	<u>(1,387)</u>	<u>(1,013)</u>	<u>(1,327)</u>
		<u>P 509</u>	<u>P 383</u>	<u>P 151</u>	<u>(P 471)</u>
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	<u>191</u>	<u>288</u>	<u>2</u>	<u>1</u>
		<u>P 8,242</u>	<u>P 7,733</u>	<u>P 4,944</u>	<u>P 4,793</u>

## 17. DEPOSIT LIABILITIES

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

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Demand	<b>P 51,996</b>	P 42,053	<b>P 40,857</b>	P 33,027
Savings	<b>165,187</b>	162,926	<b>141,160</b>	140,921
Time	<b>161,727</b>	136,217	<b>97,148</b>	74,336
Long-term Negotiable Certificate of Deposits (LTNCD)	<b>9,502</b>	11,881	<b>9,502</b>	11,881
	<b><u>P 388,412</u></b>	<u>P 353,077</u>	<b><u>P 288,667</u></b>	<u>P 260,165</u>

The Parent Company's LTNCDs as of December 31, 2017 and 2016 are as follows:

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Coupon Interest</u>	<u>Outstanding Balance</u>	
			<u>2017</u>	<u>2016</u>
August 11, 2017	February 11, 2023	3.75%	<b>P 2,502</b>	P -
December 19, 2014	June 19, 2020	4.13%	<b>2,100</b>	2,100
November 14, 2013	May 14, 2019	3.25%	<b>2,860</b>	2,860
November 14, 2013	May 14, 2019	0.00%	<b>2,040</b>	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
			<b><u>P 9,502</u></b>	<u>P 11,881</u>

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:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Within one year	<b>P 71,895</b>	P 66,733	<b>P 53,549</b>	P 50,604
One year to more than five years	<b>13,739</b>	10,523	<b>12,546</b>	9,786
Non-maturing	<b>302,778</b>	275,821	<b>222,572</b>	199,775
	<b><u>P 388,412</u></b>	<u>P 353,077</u>	<b><u>P 288,667</u></b>	<u>P 260,165</u>

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:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Foreign banks	<b>P 33,102</b>	P 26,985	<b>P 33,102</b>	P 26,985
Local banks	<b>10,862</b>	10,548	<b>3,495</b>	4,723
Others	<b>3</b>	110	<b>3</b>	4
	<b><u>P 43,967</u></b>	<u>P 37,643</u>	<b><u>P 36,600</u></b>	<u>P 31,712</u>

The maturity profile of bills payable follows:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Within one year	<b>P 33,841</b>	P 15,180	<b>P 29,915</b>	P 10,749
Beyond one year but within five years	<b>6,379</b>	20,970	<b>5,185</b>	19,470
More than five years	<b>3,747</b>	1,493	<b>1,500</b>	1,493
	<b><u>P 43,967</u></b>	<u>P 37,643</u>	<b><u>P 36,600</u></b>	<u>P 31,712</u>

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Group</u></b>			
Peso denominated	<b>1.06% - 4.50%</b>	0.88% - 2.98%	0.02% - 2.00%
Foreign currency denominated	<b>1.06% - 3.46%</b>	0.10% - 2.86%	0.02% - 2.67%
<b><u>Parent Company</u></b>			
Foreign currency denominated	<b>1.06% - 3.46%</b>	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:

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Coupon Interest</u>	<u>Face Value (in millions)</u>	<u>Outstanding Balance</u>	
				<u>2017</u>	<u>2016</u>
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
			<u>\$ 838</u>	<u>P 28,060</u>	<u>P 41,595</u>

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:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Accrued expenses	<b>P 2,809</b>	P 3,321	<b>P 2,171</b>	P 2,492
Accrued interest	<b>1,120</b>	1,263	<b>838</b>	1,023
Taxes payable	<b>256</b>	239	<b>209</b>	118
	<b><u>P 4,185</u></b>	<u>P 4,823</u>	<b><u>P 3,218</u></b>	<u>P 3,633</u>

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:

	<u>Notes</u>	<u>Group</u>		<u>Parent Company</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Accounts payable	28.5(a), 28.5(c)	<b>P 6,451</b>	P 5,210	<b>P 3,735</b>	P 3,089
Manager's checks		<b>1,575</b>	1,108	<b>835</b>	586
Bills purchased – contra		<b>1,079</b>	721	<b>1,074</b>	718
Derivative financial liabilities	10.1	<b>483</b>	385	<b>483</b>	385
Outstanding acceptances payable		<b>405</b>	822	<b>405</b>	822
Other credits		<b>370</b>	342	<b>232</b>	232
Deposit on lease contracts		<b>342</b>	167	<b>-</b>	-
Withholding taxes payable		<b>243</b>	205	<b>143</b>	142
Payment orders payable		<b>193</b>	167	<b>181</b>	144
Sundry credits		<b>121</b>	82	<b>96</b>	80
Post-employment defined benefit obligation	24.2	<b>111</b>	1,735	<b>33</b>	1,557
Guaranty deposits		<b>62</b>	58	<b>62</b>	58
Due to BSP		<b>39</b>	33	<b>39</b>	30
Miscellaneous		<b>895</b>	935	<b>816</b>	845
		<b><u>P 12,369</u></b>	<u>P 11,970</u>	<b><u>P 8,134</u></b>	<u>P 8,688</u>

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:

	<u>Number of Shares</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
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	<u>276,845</u>	<u>293,987</u>	<u>310,145</u>
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	<u>1,399,916,364</u>	<u>1,399,912,464</u>	<u>1,399,908,746</u>

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.

<u>Issuance</u>	<u>Subscriber</u>	<u>Issuance Date</u>	<u>Number of Shares Issued</u>
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		Record Date	Date Approved		Date Paid/Payable
	Per Share	Total Amount		by BOD	by BSP	
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.

	<b>Group</b>			
	<b>Revaluation of Financial Assets at FVOCI</b>	<b>Accumulated Translation Adjustments on Foreign Operations</b>	<b>Actuarial Gains (Losses) on Defined Benefit Plan</b>	<b>Total</b>
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	<b>P 1,968</b>	<b>P 85</b>	<b>(P 79)</b>	<b>P 1,974</b>

	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)
<b>Balance as of December 31, 2016</b>	<b>P 2,128</b>	<b>P 86</b>	<b>(P 1,593)</b>	<b>P 621</b>
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)
<b>Balance as of December 31, 2015</b>	<b>P 689</b>	<b>P 61</b>	<b>(P 1,268)</b>	<b>(P 518)</b>
	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)
<b>Balance as of December 31, 2017</b>	<b>P 1,860</b>	<b>P 85</b>	<b>P 29</b>	<b>P 1,974</b>
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)
<b>Balance as of December 31, 2016</b>	<b>P 2,020</b>	<b>P 86</b>	<b>(P 1,485)</b>	<b>P 621</b>

	<u>Parent Company</u>			
	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	<u>P 581</u>	<u>P 61</u>	<u>(P 1,160)</u>	<u>P 518</u>

## 24. EMPLOYEE BENEFITS

### 24.1 Salaries and Employee Benefits Expense

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

	<u>Group</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	<b>P 5,663</b>	P 5,039	P 4,370
Post-employment defined benefits	<u>374</u>	<u>369</u>	<u>361</u>
	<b><u>P 6,037</u></b>	<b><u>P 5,408</u></b>	<b><u>P 4,731</u></b>
	<u>Parent Company</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	<b>P 3,904</b>	P 3,386	P 2,924
Post-employment defined benefits	<u>307</u>	<u>280</u>	<u>266</u>
	<b><u>P 4,211</u></b>	<b><u>P 3,666</u></b>	<b><u>P 3,190</u></b>

### 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:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Present value of the obligation	<b>P 4,995</b>	P 4,953	<b>P 4,126</b>	P 4,156
Fair value of plan assets	( <b>4,891</b> )	( 3,218 )	( <b>4,100</b> )	( 2,599 )
Effect of asset ceiling test	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>
Deficiency of plan assets	<b><u>P 111</u></b>	<u>P 1,735</u>	<b><u>P 33</u></b>	<u>P 1,557</u>

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:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year	<b>P 4,953</b>	P 4,859	<b>P 4,156</b>	P 4,037
Current service cost	<b>374</b>	369	<b>307</b>	280
Interest expense	<b>274</b>	241	<b>230</b>	208
Remeasurements – actuarial losses (gains) arising from changes in:				
– financial assumptions	( <b>230</b> )	( 73 )	( <b>206</b> )	( 63 )
– experience adjustments	( <b>113</b> )	2	( <b>125</b> )	18
– demographic assumptions	-	( 6 )	-	-
Benefits paid by the plan	( <b>263</b> )	( 439 )	( <b>236</b> )	( 324 )
Balance at end of year	<b><u>P 4,995</u></b>	<u>P 4,953</u>	<b><u>P 4,126</u></b>	<u>P 4,156</u>

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

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year	<b>P 3,218</b>	P 3,585	<b>P 2,599</b>	P 2,898
Interest income	<b>186</b>	179	<b>149</b>	148
Return on plan assets (excluding amounts included in net interest)	<b>1,174</b>	( 402 )	<b>1,167</b>	( 394 )
Contributions paid into the plan	<b>576</b>	295	<b>421</b>	271
Benefits paid by the plan	( <b>263</b> )	( 439 )	( <b>236</b> )	( 324 )
Balance at end of year	<b><u>P 4,891</u></b>	<u>P 3,218</u>	<b><u>P 4,100</u></b>	<u>P 2,599</u>



The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	<b>Group</b>		<b>Parent Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	<b>P 402</b>	P 226	<b>P 311</b>	P 72
Debt securities:				
Corporate debt securities	<b>299</b>	291	-	51
Government bonds	<b>127</b>	114	<b>4</b>	4
Equity securities:				
Quoted equity securities				
Financial intermediaries	<b>3,354</b>	1,900	<b>3,124</b>	1,900
Transportation and communication	<b>208</b>	194	<b>208</b>	192
Electricity, gas and water	<b>170</b>	119	<b>169</b>	115
Diversified holding companies	<b>26</b>	31	<b>22</b>	16
Others	<b>22</b>	58	<b>1</b>	1
Unquoted long-term equity investments	<b>169</b>	171	<b>169</b>	168
UITF	<b>107</b>	94	<b>85</b>	76
Investment properties	<b>6</b>	4	<b>6</b>	4
Loans and receivables	<b>1</b>	15	<b>1</b>	-
Other investments	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
	<b><u>P 4,891</u></b>	<b><u>P 3,218</u></b>	<b><u>P 4,100</u></b>	<b><u>P 2,599</u></b>

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:

	<b>Group</b>		<b>Parent Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Fair value gains (losses)	<b>P 1,157</b>	(P 402)	<b>P 1,167</b>	(P 394)
Interest income	<b>186</b>	179	<b>149</b>	148
Actual returns	<b><u>P 1,343</u></b>	<b><u>(P 223)</u></b>	<b><u>P 1,316</u></b>	<b><u>(P 246)</u></b>

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:

	<b>Group</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<i>Reported in profit or loss:</i>			
Current service cost	<b>P 374</b>	P 369	P 361
Net interest expense (income)	<b>88</b>	62	(51)
	<b><u>P 462</u></b>	<b><u>P 431</u></b>	<b><u>P 310</u></b>

	<b>Group</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Reported in other comprehensive income:</i>			
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)	<u>1,174</u>	<u>( 402)</u>	<u>( 1,013)</u>
	<b><u>P 1,510</u></b>	<b><u>(P 325)</u></b>	<b><u>(P 1,045)</u></b>
<b>Parent Company</b>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Reported in profit or loss:</i>			
Current service costs	P 307	P 280	P 266
Net interest expense	<u>81</u>	<u>60</u>	<u>5</u>
	<b><u>P 388</u></b>	<b><u>P 340</u></b>	<b><u>P 271</u></b>
<i>Reported in other comprehensive income:</i>			
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)	<u>1,167</u>	<u>( 394)</u>	<u>( 998)</u>
	<b><u>P 1,491</u></b>	<b><u>(P 349)</u></b>	<b><u>(P 987)</u></b>

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:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Group</b>			
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%
<b>Parent Company</b>			
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:

	<b>Group</b>					
	<b>Impact on Post-employment Defined</b>					
	<b>Benefit Obligation</b>					
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>		<u>Decrease in Assumption</u>	
<b>2017:</b>						
Discount rate	+/- 1 %	(P	323)	P	403	
Salary growth rate	+/- 1 %		480	(	388)	
<b>2016:</b>						
Discount rate	+/- 1%	(P	166)	P	92	
Salary growth rate	+/- 1%		186	(	71)	
	<b>Parent Company</b>					
	<b>Impact on Post-employment Defined</b>					
	<b>Benefit Obligation</b>					
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>		<u>Decrease in Assumption</u>	
<b>2017:</b>						
Discount rate	+/- 1%	(P	391)	P	456	
Salary growth rate	+/- 1%		413	(	363)	
<b>2016:</b>						
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:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Less than one year	<b>P 226</b>	P 139	<b>P 44</b>	P 75
More than one year to five years	<b>1,319</b>	1,068	<b>1,094</b>	888
More than five years to ten years	<b><u>2,425</u></b>	<u>1,970</u>	<b><u>1,984</u></b>	<u>1,752</u>
	<b><u>P 3,970</u></b>	<u>P 3,177</u>	<b><u>P 3,122</u></b>	<u>P 2,715</u>

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
		<b>P 1,893</b>	<b>P 1,598</b>	<b>P 1,216</b>
Parent Company				
	Notes	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
		<b>P 1,129</b>	<b>P 1,084</b>	<b>P 839</b>

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
		<b>P 4,878</b>	<b>P 5,470</b>	<b>P 4,675</b>

	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
		<b>P 4,055</b>	<b>P 4,556</b>	<b>P 3,396</b>

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:

	<b>Group</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current tax expense:			
RCIT	<b>P 711</b>	P 414	P 459
Final tax	<b>203</b>	177	326
Excess MCIT over RCIT	<u>2</u>	<u>190</u>	<u>46</u>
	<b>916</b>	781	831
Application of MCIT	<b>(356)</b>	-	-
	<b>560</b>	781	831
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>281</u>	<u>(955)</u>	<u>(1,138)</u>
	<b>P 841</b>	<b>(P 174)</b>	<b>(P 307)</b>
	<b>Parent Company</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current tax expense:			
RCIT	<b>P 563</b>	P 140	P 161
Final tax	<b>147</b>	173	254
Excess MCIT over RCIT	<u>-</u>	<u>190</u>	<u>46</u>
	<b>710</b>	503	461
Application of MCIT	<b>(356)</b>	-	-
	<b>354</b>	503	461
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>343</u>	<u>(842)</u>	<u>(443)</u>
	<b>P 697</b>	<b>(P 339)</b>	<b>P 18</b>



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:

	<b>Group</b>					
	<u>2017</u>		<u>2016</u>		<u>2015</u>	
Tax on pretax profit at 30%	<b>P</b>	<b>1,545</b>	P	1,109	P	1,446
Adjustments for income subjected to lower income tax rates	(	<b>434</b>	(	180)	(	142)
Tax effects of:						
Non-taxable income	(	<b>786</b>	(	845)	(	539)
Non-deductible expenses		<b>595</b>		520		356
Recognition of previously unrecognized deferred tax asset		-	(	865)	(	992)
Utilization of MCIT		<b>356</b>		-		-
FCDU income	(	<b>306</b>	(	388)	(	125)
Unrecognized temporary differences	(	<b>130</b>		97		129
Utilization of NOLCO		<b>1</b>		374	(	443)
Others		-		4		3
	<b>P</b>	<b>841</b>	(P	174)	(P	307)
	<b>Parent Company</b>					
	<u>2017</u>		<u>2016</u>		<u>2015</u>	
Tax on pretax profit at 30%	<b>P</b>	<b>1,502</b>	P	1,059	P	1,544
Adjustments for income subjected to lower income tax rates	(	<b>384</b>	(	118)	(	108)
Tax effects of:						
Non-taxable income	(	<b>899</b>	(	889)	(	548)
Non-deductible expenses		<b>531</b>		420		423
Recognition of previously unrecognized deferred tax asset		-	(	797)	(	992)
Utilization of MCIT		<b>356</b>		-		-
FCDU income	(	<b>275</b>	(	388)	(	125)
Unrecognized temporary differences	(	<b>134</b>		-	(	282)
Utilization of NOLCO		-		374	(	443)
	<b>P</b>	<b>697</b>	(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.

	<b>Statements of Financial Position</b>				<b>Statements of Profit or Loss</b>					
	<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
Allowance for impairment	<b>P</b>	<b>1,610</b>	P	1,619	(P	<b>9)</b>	P	867	P	695
Provision for credit card reward payments		<b>127</b>		105		<b>22</b>		105		-
Excess MCIT		<b>60</b>		356	(	<b>296)</b>		356		-
Post-employment benefit obligation		<b>52</b>		60	(	<b>8)</b>		39		-
Deferred rent – PAS 17		<b>30</b>		17		<b>13</b>		16		-
NOLCO		-		-		-	(	443)		443
Others		<b>17</b>		20	(	<b>3)</b>		15		-
Deferred tax assets	<b>P</b>	<b>1,896</b>	P	2,177						
Deferred tax income (expense) – net					(P	<b>281)</b>	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	-
	<u>P 942</u>	<u>P 1,285</u>			
Deferred tax assets	<u>P 942</u>	<u>P 1,285</u>			
Deferred tax income (expense) – net			<u>(P 343)</u>	<u>P 842</u>	<u>P 443</u>

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	-	-
	<u>P 1,061</u>	<u>P 2,732</u>	<u>P 763</u>	<u>P 1,075</u>

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.

<u>Inception Year</u>	<u>Amount</u>	<u>Utilized</u>	<u>Expired</u>	<u>Balance</u>	<u>Expiry Year</u>
2016	P 190	P 20	P -	P 170	2019
2014	<u>67</u>	<u>-</u>	<u>67</u>	<u>-</u>	
	<b><u>P 257</u></b>	<b><u>P 20</u></b>	<b><u>P 67</u></b>	<b><u>P 170</u></b>	

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

<u>Inception Year</u>	<u>Amount</u>	<u>Utilized</u>	<u>Expired</u>	<u>Balance</u>	<u>Expiry Year</u>
2017	P 56	P -	P -	P 56	2020
2016	194	190	-	4	2019
2015	46	46	-	-	
2014	<u>122</u>	<u>120</u>	<u>2</u>	<u>-</u>	
	<b><u>P 418</u></b>	<b><u>P 356</u></b>	<b><u>P 2</u></b>	<b><u>P 60</u></b>	

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.

	<u>Notes</u>	<u>Group</u>					
		<u>2017</u>		<u>2016</u>		<u>2015</u>	
		<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
<b>Stockholders</b>							
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	-
<b>Associates</b>							
Deposit liabilities	28.2	266	277	( 53)	11	( 60)	65
Interest expense on deposits	28.2	3	-	5	-	3	-
Dividend	12	59	-	124	-	76	-
<b>Related Parties Under Common Ownership</b>							
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	-

		<b>Group</b>					
		<u>2017</u>		<u>2016</u>		<u>2015</u>	
<u>Notes</u>		<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
<b>Key Management Personnel</b>							
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	-
<b>Other Related Interests</b>							
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	-
		<b>Parent Company</b>					
		<u>2017</u>		<u>2016</u>		<u>2015</u>	
<u>Notes</u>		<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
<b>Stockholders</b>							
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	-

	<u>Notes</u>	<u>Parent Company</u>					
		<u>2017</u>		<u>2016</u>		<u>2015</u>	
		<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
<b>Subsidiaries</b>							
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
<b>Associates</b>							
Deposit liabilities	28.2	266	277	( 53)	11	( 60)	65
Interest expense on deposits	28.2	3	-	5	-	3	-
Dividend		59	-	124	-	76	-

	Notes	Parent Company					
		2017		2016		2015	
		Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
<b>Related Parties Under Common Ownership</b>							
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	-
<b>Key Management Personnel</b>							
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	-
<b>Other Related Interests</b>							
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:

<u>Related Party Category</u>	<u>Group</u>			
	<u>Issuances</u>	<u>Repayments</u>	<u>Interest Income</u>	<u>Loans Outstanding</u>
<b>2017:</b>				
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	<u>8,267</u>	<u>2,702</u>	<u>560</u>	<u>10,106</u>
	<b><u>P 9,168</u></b>	<b><u>P 3,434</u></b>	<b><u>P 578</u></b>	<b><u>P 10,647</u></b>
<b>2016:</b>				
Stockholders	P -	P 55	P 21	P 371
Related parties under common ownership	-	541	19	-
Key management personnel	1	2	-	1
Other related interests	<u>7,331</u>	<u>4,476</u>	<u>567</u>	<u>4,541</u>
	<b><u>P 7,332</u></b>	<b><u>P 5,074</u></b>	<b><u>P 607</u></b>	<b><u>P 4,913</u></b>
<b>2015:</b>				
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	<u>400</u>	<u>649</u>	<u>103</u>	<u>1,686</u>
	<b><u>P 442</u></b>	<b><u>P 3,197</u></b>	<b><u>P 167</u></b>	<b><u>P 2,657</u></b>
<u>Related Party Category</u>	<u>Parent Company</u>			
	<u>Issuances</u>	<u>Repayments</u>	<u>Interest Income</u>	<u>Loans Outstanding</u>
<b>2017:</b>				
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	<u>8,267</u>	<u>2,702</u>	<u>560</u>	<u>10,106</u>
	<b><u>P 9,140</u></b>	<b><u>P 3,642</u></b>	<b><u>P 578</u></b>	<b><u>P 10,633</u></b>

<u>Related Party Category</u>	<u>Parent Company</u>			
	<u>Issuances</u>	<u>Repayments</u>	<u>Interest Income</u>	<u>Loans Outstanding</u>
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	<u>7,331</u>	<u>4,476</u>	<u>567</u>	<u>4,541</u>
	<u>P 8,608</u>	<u>P 6,350</u>	<u>P 607</u>	<u>P 5,135</u>
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	<u>400</u>	<u>337</u>	<u>103</u>	<u>1,686</u>
	<u>P 6,194</u>	<u>P 8,496</u>	<u>P 170</u>	<u>P 2,877</u>

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:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Total outstanding				
DOSRI loans	<b>P 542</b>	P 587	<b>P 509</b>	P 553
Unsecured DOSRI	<b>71</b>	60	<b>61</b>	49
Past due DOSRI	<b>1</b>	-	<b>1</b>	-
Non-accruing DOSRI	<b>1</b>	-	<b>1</b>	-
Percent of DOSRI loans to total loan portfolio	<b>0.15%</b>	0.19%	<b>0.19%</b>	0.24%
Percent of unsecured DOSRI loans to total DOSRI loans	<b>13.10%</b>	10.22%	<b>11.98%</b>	8.86%
Percent of past due DOSRI loans to total DOSRI loans	<b>0.13%</b>	0.05%	<b>0.14%</b>	0.04%
Percent of non-accruing DOSRI loans to total DOSRI loans	<b>0.13%</b>	0.05%	<b>0.14%</b>	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):

<u>Related Party Category</u>	<u>Group</u>			
	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Expense</u>	<u>Outstanding Balance</u>
<b>2017:</b>				
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	<u>213,907</u>	<u>211,728</u>	<u>16</u>	<u>2,294</u>
	<b><u>P 285,771</u></b>	<b><u>P 281,339</u></b>	<b><u>P 36</u></b>	<b><u>P 6,188</u></b>
<b>2016:</b>				
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	<u>1,036,115</u>	<u>1,036,476</u>	<u>3</u>	<u>115</u>
	<b><u>P 2,400,320</u></b>	<b><u>P 2,404,576</u></b>	<b><u>P 30</u></b>	<b><u>P 1,756</u></b>
<b>2015:</b>				
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	<u>54,586</u>	<u>54,508</u>	<u>2</u>	<u>601</u>
	<b><u>P 250,250</u></b>	<b><u>P 248,996</u></b>	<b><u>P 23</u></b>	<b><u>P 6,142</u></b>
<u>Related Party Category</u>	<u>Parent Company</u>			
	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Expense</u>	<u>Outstanding Balance</u>
<b>2017:</b>				
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	<u>136,192</u>	<u>134,047</u>	<u>16</u>	<u>2,260</u>
	<b><u>P 303,630</u></b>	<b><u>P 301,498</u></b>	<b><u>P 36</u></b>	<b><u>P 6,486</u></b>

<u>Related Party Category</u>	<u>Parent Company</u>			
	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Expense</u>	<u>Outstanding Balance</u>
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	<u>1,036,115</u>	<u>1,036,476</u>	<u>3</u>	<u>115</u>
	<u>P 3,374,601</u>	<u>P 3,378,304</u>	<u>P 40</u>	<u>P 4,354</u>
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	<u>54,508</u>	<u>54,508</u>	<u>2</u>	<u>476</u>
	<u>P 1,592,690</u>	<u>P 1,592,062</u>	<u>P 29</u>	<u>P 8,082</u>

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:

<u>Nature of Transactions</u>	<u>Group</u>		<u>Parent Company</u>	
	<u>Net Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Net Amount of Transaction</u>	<u>Outstanding Balance</u>
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	-

<u>Nature of Transactions</u>	<u>Group</u>		<u>Parent Company</u>	
	<u>Net Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Net Amount of Transaction</u>	<u>Outstanding Balance</u>
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 5<sup>th</sup> 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:

	<b>Group</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	<b>P 442</b>	P 361	P 338
Post-employment defined benefits	<u>16</u>	<u>15</u>	<u>18</u>
	<b><u>P 458</u></b>	<b><u>P 376</u></b>	<b><u>P 356</u></b>
	<b>Parent Company</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	<b>P 328</b>	P 271	P 221
Post-employment defined benefits	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>P 328</u></b>	<b><u>P 271</u></b>	<b><u>P 221</u></b>

## 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:

	<b>Group</b>		<b>Parent Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Trust department accounts	<b>P 91,585</b>	P 84,804	<b>P 64,395</b>	P 61,260
Derivative assets	<b>46,230</b>	32,172	<b>46,230</b>	32,172
Outstanding guarantees issued	<b>41,858</b>	31,828	<b>41,858</b>	31,828
Derivative liabilities	<b>41,822</b>	27,256	<b>41,822</b>	27,256
Unused commercial letters of credit	<b>17,055</b>	10,783	<b>17,055</b>	10,724
Spot exchange sold	<b>6,307</b>	5,455	<b>6,198</b>	5,452
Spot exchange bought	<b>6,204</b>	5,452	<b>6,204</b>	5,455
Inward bills for collection	<b>1,407</b>	540	<b>1,407</b>	2,048
Late deposits/payments received	<b>566</b>	2,169	<b>434</b>	540
Outward bills for collection	<b>133</b>	84	<b>133</b>	84
Others	<b>17</b>	17	<b>17</b>	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 Panlungsod 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 FCDO/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:

	<u>2017</u>		<u>2016</u>
Within one year	<b>P 375</b>	P	410
After one year but not more than five years	<u>486</u>		<u>861</u>
	<b><u>P 861</u></b>	P	<b><u>1,271</u></b>

#### (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:

	<u>Group</u>		<u>Parent Company</u>
<b>2017:</b>			
Within one year	P 811	P	673
After one year but not more than five years	2,640		2,375
More than five years	<u>335</u>		<u>291</u>
	<b><u>P 3,786</u></b>	P	<b><u>3,339</u></b>

	<u>Group</u>	<u>Parent Company</u>
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	<u>228</u>	<u>193</u>
	<u>P 3,681</u>	<u>P 3,044</u>

### 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:

	<u>Group</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Basic and Diluted EPS</u>			
a. Net profit attributable to Parent Company's shareholders	<b>P 4,308</b>	P 3,868	P 5,129
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends	<u>-</u>	<u>-</u>	<u>( 219 )</u>
b. Adjusted net profit before capital redemption	<b>4,308</b>	3,868	4,910
Redemption premium on HT1	<u>-</u>	<u>-</u>	<u>( 723 )</u>
c. Adjusted net profit	<b><u>P 4,308</u></b>	<b><u>P 3,868</u></b>	<b><u>P 4,187</u></b>
d. Weighted average number of outstanding common stocks	<u>1,400</u>	<u>1,400</u>	<u>1,362</u>
EPS before capital redemption (b/d)	<b><u>P 3.08</u></b>	<b><u>P 2.76</u></b>	<b><u>P 3.60</u></b>
Basic and diluted EPS (c/d)	<b><u>P 3.08</u></b>	<b><u>P 2.76</u></b>	<b><u>P 3.07</u></b>

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:

	<b>Group</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Return on average equity			
$\frac{\text{Net profit}}{\text{Average total equity}}$	<b>6.72%</b>	6.42%	9.23%
Return on average resources			
$\frac{\text{Net profit}}{\text{Average total resources}}$	<b>0.82%</b>	0.77%	1.09%
Net interest margin			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	<b>4.25%</b>	4.06%	4.15%
Profit margin			
$\frac{\text{Net profit}}{\text{Revenues}}$	<b>17.15%</b>	16.95%	23.07%
Debt-to-equity ratio			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>7.27</b>	7.39	7.88
Resources-to-equity ratio			
$\frac{\text{Total resources}}{\text{Total equity}}$	<b>8.27</b>	8.39	8.88
Interest rate coverage			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	<b>1.73</b>	1.50	1.81
	<b>Parent Company</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Return on average equity			
$\frac{\text{Net profit}}{\text{Average total equity}}$	<b>6.74%</b>	6.43%	9.34%
Return on average resources			
$\frac{\text{Net profit}}{\text{Average total resources}}$	<b>1.02%</b>	0.93%	1.30%
Net interest margin			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	<b>3.85%</b>	3.47%	3.62%
Profit margin			
$\frac{\text{Net profit}}{\text{Revenues}}$	<b>22.34%</b>	22.67%	32.32%



	<b>Parent Company</b>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt-to-equity ratio			
<u>Total liabilities</u> Total equity	<b>5.60</b>	5.73	6.40
Resources-to-equity ratio			
<u>Total resources</u> Total equity	<b>6.60</b>	6.73	7.40
Interest rate coverage			
<u>Earnings before interest and taxes</u> Interest expense	<b>1.95</b>	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.

	<u>Bills Payable</u> <u>(see Note 18)</u>		<u>Bonds Payable</u> <u>(see Note 19)</u>		<u>Total</u> <u>Financing Activities</u>	
	<u>Group</u>	<u>Parent</u>	<u>Group</u>	<u>Parent</u>	<u>Group</u>	<u>Parent</u>
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
	<b><u>P 43,967</u></b>	<b><u>P 36,600</u></b>	<b><u>P 28,060</u></b>	<b><u>P 28,060</u></b>	<b><u>P 72,027</u></b>	<b><u>P 64,660</u></b>

**RIZAL COMMERCIAL BANKING CORPORATION**  
**INDEX TO SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2017**

**Statement of Management's Responsibility for the Financial Statements**

**Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements**

**Supplementary Schedules to Financial Statements (Form 17-A, Item 7)**

**Reconciliation of Retained Earnings Available for Dividend Declaration**

**Schedule of Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2017**

**Schedule of Financial Indicators as of December 31, 2017 and 2016**

**Map Showing the Relationship Between and Among the Parent Company and its Related Entities**

**Proceeds and Expenditures for the Recent Public Offering**

**Details of Transactions with DOSRI**

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.



We believe in you.

*[Signature]*  
HELEN Y. DEE

Chairperson, Board of Directors

*[Signature]*  
GIL A. BUENAVENTURA

President & Chief Executive Officer

*[Signature]*  
CHESTER Y. LUY

SEVP, Head - Treasury Group

*[Signature]*  
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

Doc. No. 204 ;  
Page No. 00 ;  
Book No. 391 ;  
Series of 7018 .

*[Signature]*  
**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  
21<sup>st</sup> Floor Yuchengco Tower 2, RCBC Plaza  
Ayala Avenue, Makati City



**P&A**  
**Grant Thornton**

An instinct for growth™

**Report of Independent Auditors  
to Accompany the Securities and  
Exchange Commission Schedules  
File Separately from the Basic  
Financial Statements**

**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rizal Commercial Banking Corporation and subsidiaries (the Group) for the year ended December 31, 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. 0092968

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**

**Table of Contents**

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>2</u>
B	DOSRI and Receivable from Principal Stockholders (Other than Related Parties)	<u>3</u>
C	DOSRI Eliminated During the Consolidation of Financial Statements	<u>4</u>
D	Intangible Assets - Other Assets	<u>5</u>
E	Long Term Debt	<u>6</u>
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	<u>7</u>
G	Guarantees of Securities of Other Issuers	<u>8</u>
H	Capital Stock	<u>9</u>
SEC Circular 11		
	Reconciliation of Retained Earnings Available for Dividend Declaration	<u>10</u>
	Schedule of Recent Public Offerings	<u>11</u>
	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	<u>12</u>
	Map Showing the Relationships Between and Among the RCBC and Its Related Parties	<u>16</u>
	Schedule of Financial Indicators	<u>17</u>

Rizal Commercial Banking Corporation and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule A  
Financial Assets

<i>Instrument</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet</i>	<i>Valued based on the market quotation at balance sheet date</i>	<i>Income received and accrued</i>
<b><i>Financial Assets at Fair Value Through Profit or Loss</i></b>				
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
		<u>7,130,237,755</u>	<u>7,591,870,829</u>	<u>646,997,433</u>
<b><i>Financial Assets at Fair Value Through Other Comprehensive Income</i></b>				
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
		<u>5,363,573,586</u>	<u>5,363,573,586</u>	<u>233,604,477</u>
<b><i>Investment Securities at Amortized Cost</i></b>				
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
		<u>59,977,707,228</u>	<u>56,395,998,011</u>	<u>2,136,590,069</u>
		<b><u>P 72,471,518,569</u></b>	<b><u>P 69,351,442,427</u></b>	<b><u>P 3,017,191,979</u></b>

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
<b>Rizal Commercial Banking Corporation</b>							
<b>Loans Receivable</b>							
RCBC Realty Corp.	P -	P -	P -	P -	<i>Not applicable</i>		P -
Pan Malayan Management and Investment Corp.	371,250,000	-	55,000,000	-	<i>Not applicable</i>		316,250,000
Malayan Colleges Inc.	-	-	-	-	<i>Not applicable</i>		-
<b>RCBC Savings Bank</b>							
<b>Loans Receivable</b>							
Employee loans	3,031,144	1,321,090	-	-	<i>Not applicable</i>		4,352,234
<b>RCBC Capital Corporation</b>							
<b>Loans Receivable</b>							
Employee Loans	655,020	2,109,305	1,391,902	-	<i>Not applicable</i>		1,372,423
<b>RCBC Leasing and Finance Corp.</b>							
<b>Loans Receivable</b>							
Employee Loans	80,226	451,372	80,226	-	<i>Not applicable</i>		451,372



Rizal Commercial Banking Corporation and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule C  
DOSRI Eliminated During the Consolidation of Financial Statements

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Classification		Balance at end of period
			Amounts collected	Amounts written off	Current	Not Current	

*Not applicable*

Rizal Commercial Banking Corporation and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule D  
Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Deductions			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  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule E  
Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
<b>Rizal Commercial Banking Corporation</b>			
<b><u>US\$ 243,000,000 Senior Notes</u></b>			
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
<b><u>US\$ 320,000,000 Senior Notes</u></b>			
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
<b><u>P 2,502,000,000 Long Term Negotiable Certificate of Deposit</u></b>			
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
<b><u>P2,100,000,000 Long Term Negotiable Certificates of Deposit</u></b>			
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
<b><u>P2,860,240,000 Long Term Negotiable Certificate of Deposit</u></b>			
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
<b><u>P2,040,000,000 Long Term Negotiable Certificate of Deposit</u></b>			
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
<b><u>P10,000,000,000 Tier 2 Unsecured Subordinated Notes</u></b>			
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  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule F  
Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
-----------------------	--------------------------------	--------------------------

*Not applicable*

Rizal Commercial Banking Corporation and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule G  
Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
--	---	---	---	---------------------

*Not applicable*

Rizal Commercial Banking Corporation and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule H  
Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees
Preferred Shares <sup>1</sup> <i>voting, non-cumulative, non-redeemable, participating convertible into common shares</i>	200,000,000	276,845	-	-	-
Common Shares <sup>2</sup>	1,400,000,000	1,399,916,364	-	999,678,805	59,110,533

<sup>1</sup> 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.

<sup>2</sup> 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 common 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 recognition 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)*

<b>Unappropriated Retained Earnings at Beginning of Year</b>		<b><u>P 24,401</u></b>
<b>Prior Years' Outstanding Reconciling Item, net of tax</b>		
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	( <u>279</u> )	
		( <u>9,926</u> )
<b>Unappropriated Retained Earnings at Beginning of Year,</b>		
<b>Dividend Declaration at Beginning of Year, As Adjusted</b>		<u>14,475</u>
<b>Net Profit Realized during the Year</b>		
Net profit per audited financial statements		4,308
<b>Non-actual/unrealized income</b>		
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	<u>19</u>	
		<u>2,144</u>
<b>Other Transactions During the Year</b>		
Dividends declared	( P 773 )	
Dividends received from subsidiaries and associates	319	
Appropriation of retained earnings to trust reserves	( <u>16</u> )	( <u>470</u> )
<b>Unappropriated Retained Earnings Available for</b>		
<b>Dividend Declaration at End of Year</b>		<b><u>P 16,149</u></b>

**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**

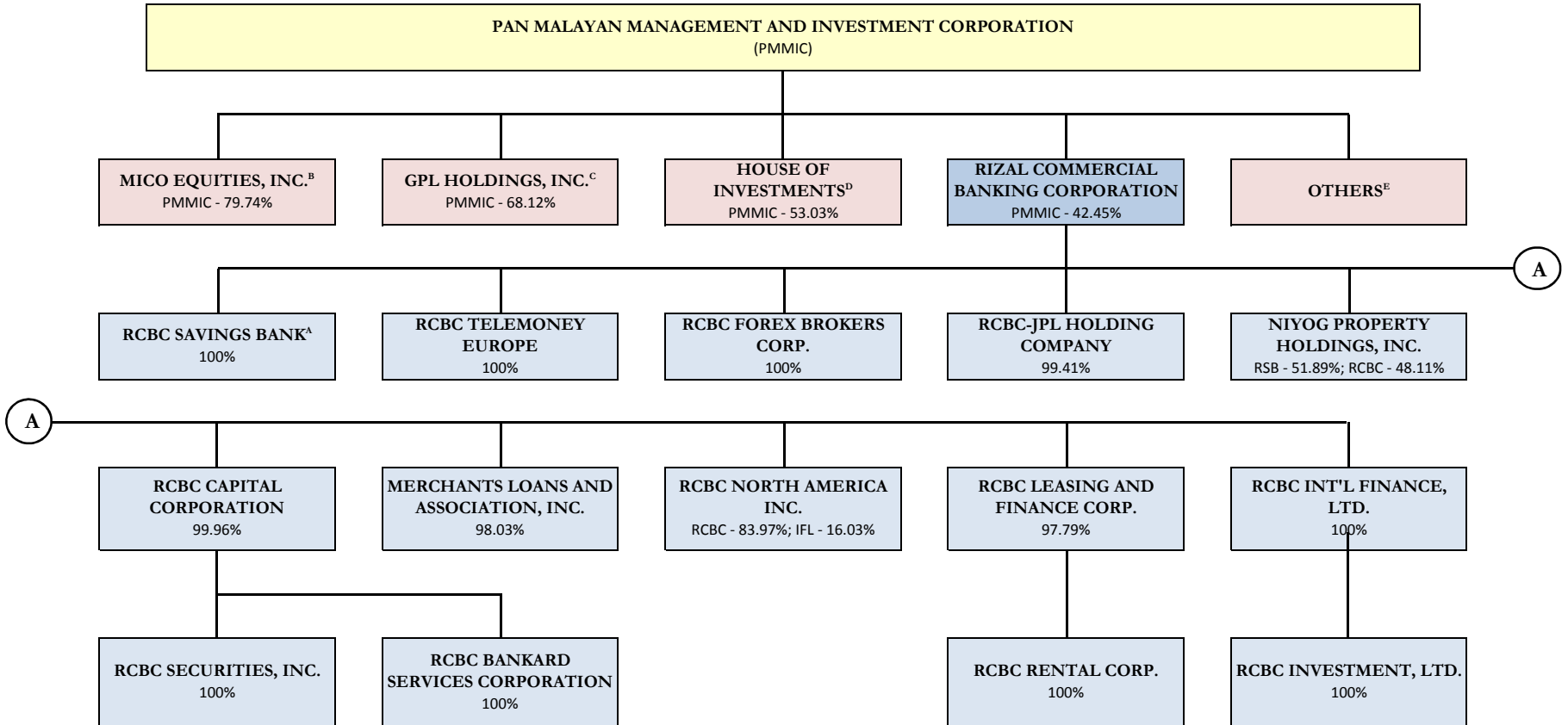
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>		☒		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		☒		
<b>Practice Statement Management Commentary</b>			☒	
<b><i>Philippine Financial Reporting Standards (PFRS)</i></b>				
<b>PFRS 1 (Revised)</b>	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	☒		
<b>PFRS 2</b>	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) <i>(effective January 1, 2018)</i>			☒
<b>PFRS 3 (Revised)</b>	Business Combinations	☒		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation <i>(effective January 1, 2019)</i>			☒
<b>PFRS 4</b>	Insurance Contracts			☒
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			☒
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> (b) <i>(effective January 1, 2018)</i>			☒
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	☒		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			☒
<b>PFRS 7</b>	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) <i>(effective when PFRS 9 is first applied)</i>	☒		
<b>PFRS 8</b>	Operating Segments	☒		
<b>PFRS 9</b>	Financial Instruments (a) (2009, 2010 and 2013 versions)	☒		
	Financial Instruments (2014) (b) <i>(effective January 1, 2018)</i>			☒
	Amendments to PFRS 9: Prepayment Features with Negative Compensation (b) <i>(effective January 1, 2019)</i>			☒

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) <i>(effective date deferred indefinitely)</i>			☒
	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) <i>(effective January 1, 2019)</i>			☒
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) <i>(effective January 1, 2018)</i>			☒
PFRS 16	Leases (b) <i>(effective January 1, 2019)</i>			☒
PFRS 17	Insurance Contracts (b) <i>(effective January 1, 2021)</i>			☒
<b>Philippine Accounting Standards (PAS)</b>				
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) <i>(effective January 1, 2019)</i>			☒
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) ( <i>effective January 1, 2019</i> )			☒
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) ( <i>effective date deferred indefinitely</i> )			☒
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	☒		
	Amendment to PAS 28: Clarification on Fair Value through Profit or Loss Classification (b) ( <i>effective January 1, 2018</i> )			☒
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (b) ( <i>effective January 1, 2019</i> )			☒
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) ( <i>effective January 1, 2018</i> )			☒
PAS 41	Agriculture			☒
	Amendments to PAS 41: Bearer Plants			☒

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities (c)	☒		
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			☒
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	☒		
<b>IFRIC 5</b>	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (c)	☒		
<b>IFRIC 6</b>	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			☒
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			☒
<b>IFRIC 9 (d)</b>	Reassessment of Embedded Derivatives	☒		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	☒		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	☒		
<b>IFRIC 12</b>	Service Concession Arrangements			☒
<b>IFRIC 13</b>	Customer Loyalty Programmes	☒		
<b>IFRIC 14</b>	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)	☒		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			☒
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners (c)	☒		
<b>IFRIC 18</b>	Transfers of Assets from Customers (c)	☒		
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments (c)	☒		
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine (c)	☒		
<b>IFRIC 21</b>	Levies	☒		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration (b) (effective January 1, 2018)			☒
<b>IFRIC 23</b>	Uncertainty Over Income Tax Treatments (b) (effective January 1, 2019)			☒
<b>Philippine Interpretations - Standing Interpretations Committee (SIC)</b>				
<b>SIC-7</b>	Introduction of the Euro			☒
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			☒
<b>SIC-15</b>	Operating Leases - Incentives	☒		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders (c)	☒		
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	☒		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			☒
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services (c)	☒		
<b>SIC-32</b>	Intangible Assets - Web Site Costs (c)	☒		
<p>(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.</p> <p>(b) These standards will be effective for periods subsequent to 2017 and are not early adopted by the Group.</p> <p>(c) These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.</p> <p>(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.</p>				

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**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Return on average equity	<b>6.72%</b>	6.42%	9.23%
Return on average resources	<b>0.82%</b>	0.77%	1.09%
Net interest margin	<b>4.25%</b>	4.06%	4.15%
Profit margin	<b>17.15%</b>	16.95%	23.07%
Capital adequacy ratio	<b>15.46%</b>	16.16%	15.72%
Cost to income ratio	<b>70.90</b>	76.05	67.74
Liquidity ratio	<b>0.93</b>	0.56	0.41
Debt-to-equity ratio	<b>7.27</b>	7.39	7.88
Resources-to-equity ratio	<b>8.27</b>	8.39	8.88
Interest rate coverage ratio	<b>1.73</b>	1.50	1.81