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

1. Check the appropriate box:

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

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

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

4. SEC Identification Number: **17514**

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

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

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

8. Date, time and place of the meeting of the security holders: **June 30, 2015, 4:00 P.M., Alfonso Sycip Executive Lounge, 47th Floor, RCBC Plaza, Yuchengco Tower, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 5, 2015**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	(as of June 2, 2015) 1,399,908,636

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

A. GENERAL INFORMATION

1. <u>Date, Time and Place of Meeting of Security Holders</u>

Date	:	June 29, 2015
Time	:	4:00 P.M.
Place	:	47th Floor, Alfonso Sycip Executive Lounge RCBC Plaza, Yuchengco Tower 6819 Ayala Avenue corner Sen. Gil J. Puyat Avenue Makati City
Complete mailing address of Principal office	:	21st Floor, RCBC Plaza, Tower II 6819 Ayala Avenue corner 333 Sen. Gil J. Puyat Avenue Makati City
Approximate date on which the Information Statement is first to be sent or given to security holders	:	June 5, 2015

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

2. <u>Dissenter's Right of Appraisal</u>

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

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

1. Voting Securities and Principal Holders Thereof

Class of Voting Securities : As of April 30, 2015, 1,399,902,000 Common shares and 339,291 Preferred shares are outstanding, and are entitled to be represented and vote at the Annual Stockholders' Meeting. Each share is entitled to one vote.

Record Date : Only stockholders of record as of May 29, 2015 shall be entitled to notice and vote at the meeting.

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

Security Ownership of Certain Record Owners of more than 5% (as of April 30, 2015)

(1) Title of Class	(2) Name, address of record owner and relationship with issuer	(3) Name of Beneficial Owner and Relationship with Record Owner	(4) Citizenship	(5) Number of Shares Held	(6) Percent
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has*	Filipino	580,300,482*	41.45%

	Relationship with Issuer: RCBC is a subsidiary of PMMIC	*not been advised otherwise.*			
	Cathay Life Insurance Co. LTD Address: No. 296 Ren Ai Road Sec. 4 Taipei R.O.C. (Taiwan) 10633 Relationship with Issuer: Stockholder	Cathay Life Insurance Co. LTD *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	281,870,197	20.13%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address:2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder	International Finance Corporation (IFC) *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	107,875,642	7.71%

**Combined Direct and Indirect Shares of PMMIC*

The person authorized to vote the shares of the corporate subscribers shall be identified upon submission of Proxy.

The participants under PCD owning more than 5% of the voting securities (common) are:

Name	***Shares***	***% of Total***
RCBC Securities, Inc.	155,220,304	11.0879407%
The Hongkong and Shanghai Bank	255,509,780	18.2519762%

Security Ownership of Certain Record Owners of more than 5% (as of April 30, 2015)

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

Security Ownership of Foreigners (as of April 30, 2015)

Title of Class	Shares	% of Total
Common	621,661,054	44.41
Preferred	416	0.00

Security Ownership of Management (as of April 30, 2015)

Title of Class	***Name of Beneficial Owner/ Position***		***Amount and Nature of Beneficial Ownership "r"/"b"****	***Citizen-ship***	***Percent of Class***
a. Board of Directors:					
Common	Alfonso T. Yuchengco	Honorary Chairman/ Director	P76,105.00 "r"	Filipino	0.006%
Common	Helen Y. Dee	Chairperson	P4,380.00 "r" P2,498,910.00 "b"	Filipino	0.017%
Common	Cesar E. A. Virata	Director/ Corporate Vice-Chairman	P1,670 "r" P500,000.00 "b"	Filipino	0.004%
Common	Lorenzo V. Tan	President and CEO	P50.00 "r"	Filipino	0.000%
Common	Teodoro D. Regala	Director	P10.00 "r"	Filipino	0.000%
Common	Wilfrido E. Sanchez	Director	P10.00 "r" P300,000.00 "b"	Filipino	0.002%
Common	Maria Celia H. Fernandez-Estavillo	Director/ Corporate Secretary	140.00 "r" 4,892,000.00 "b"	Filipino	0.03%
Common	John Law	Director	P10.00 "r"	French	0.000%
Common	TzeChing Chan	Director	P20.00 "r"	Chinese	0.000%
Common	Richard G.A. Westlake	Director	P10.00 "r"	New Zealander	0.000%
Common	Medel T. Nera	Director	P10.00 "r"	Filipino	0.000%
Common	Yuh-Shing Peng	Director	P10.00 "r"	R.O.C. (Taiwan)	0.000%
Common	Armando M. Medina	Independent Director	P1,950.00 "r"	Filipino	0.000%
Common	Francisco C. Eizmendi, Jr.	Independent Director	P10.00 "r"	Filipino	0.00%
Common	Antonino L. Alindogan, Jr.	Independent Director	P10.00 "r"	Filipino	0.00%
b. Senior Management:					
Common	Alfredo S. Del Rosario	Executive Vice-President	P174,000.00 "b"	Filipino	0.001%
Common	Edgar Anthony B. Villanueva	Executive Vice-President	P2,000.00 :b"	Filipino	0.00%
Common	Evelyn Nolasco	Senior Vice President	27,000.00 "b"	Filipino	0.00%
Common	Gerald O. Florentino	First Senior Vice-President	55,000 "b"	Filipino	0.00%
Common	Koji Onozawa	Senior Vice-President	P20,000.00 "b"	Japanese	0.000%
Common	Rommel S. Latinazo	First Senior Vice-President	P74,000.00 "b"	Filipino	0.000%
c. Directors &Principal Officers (as a Group)			P9,312,250.00		0.070%

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

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

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

2. <u>Directors and Executive Officers</u>

(a) Nominees for Independent Directors:

a. Mr. Armando M. Medina
b. Mr. Francisco C. Eizmendi, Jr.
c. Mr. Antonino L. Alindogan, Jr.

(b) Nominees for Directors:

i. Amb. Alfonso T. Yuchengco
ii. Ms. Helen Y. Dee
iii. Mr. Cesar E. A. Virata
iv. Mr. Lorenzo V. Tan
v. Atty. Teodoro D. Regala
vi. Atty. Wilfrido E. Sanchez
vii. Atty. Maria Celia H. Fernandez-Estavillo
viii. Mr. Tze Ching Chan
ix. Mr. Medel T. Nera
x. Mr. Richard G.A. Westlake
xi. Mr. John Law
xii. Mr. Yuh-Shing (Francis) Peng

Mr. Eduardo S. Lopez, Jr., a stockholder who is not in anyway related to the nominees, nominated to the Board the re-election of Mr. Armando M. Medina, Mr. Francisco C. Eizmendi, Jr., and Mr. Antonino L. Alindogan, Jr. as Independent Directors.

The Corporate Governance Committee composed of five (5) members, two (2) of whom are independent directors, review and evaluate the qualifications of all persons to be nominated to the Board as well as those to be nominated to other positions requiring appointment by the Board of Directors, i.e, with the ranks of Assistant Vice-Presidents and higher. The Corporate Governance Committee is composed of Mr. Francisco C. Eizmendi, Jr. as the Chairperson, and Atty. Wilfrido E. Sanchez, Mr. Armando M. Medina, Ms. Helen Y. Dee and Atty. Maria Celia H. Fernandez-Estavilllo as Members. The Directors will be nominated and elected in accordance with SRC Rule 38.

All the nominated directors comply with all the qualifications required of a director mentioned under Sections X141.2 (for director) of the Manual of Regulations for Banks (MORB) and do not possess any of the disqualifications mentioned under Sections X143.1 (for director) of the MORB, as amended by Circular No. 513 dated February 10, 2006.

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

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

The Independent Directors, Mr. Armando M. Medina, Mr. Francisco C. Eizmendi, Jr., and Mr. Antonino L. Alindogan, Jr. have always possessed the qualifications and none of the disqualifications of an independent director.

(c) Directors:

Directors/ Senior Executive Officers	(Age)/ *Citizenship*	*Position/Period which they had served*

Alfonso T. Yuchengco (92)/ Filipino Honorary Chairman (May 27, 2002 to present)
Director (June 30, 2003 to present)

Position	Company
Yuchengco Group of Companies	Chairman
EEI Corporation	Chairman
Pan Malayan Management & Investment Corporation	Chairman of the Board and Chief Executive Officer
MICO Equities (Holding Company of Malayan Group of Insurance Cos.)	Chairman of the Board
AY Foundation, Inc.	Chairman of the Board
Yuchengco Center Inc.	Chairman
Yuchengco Museum	Chairman
RCBC Realty Corporation	Chairman
Philippine Integrated Advertising Agency, Inc.	Chairman
Luisita Industrial Park Corporation	Chairman
Y Realty Corporation	Chairman
GPL Holdings, Inc.	Director/Chairman
Honda Cars Kalookan, Inc.	Director/Chairman
Malayan Colleges, Inc.	Chairman/Trustee
Enrique T. Yuchengco, Inc.	Chairman
YGC Corporate Services, Inc.	Chairman/Director
Sunlife Grepa Financial Inc	Director
Malayan Insurance Company Inc.	Director
RCBC Land, Inc.	Director
House of Investments, Inc.	Director
Bantayog ng mga Bayani (Pillar of Heroes Foundation)	Chairman of the Board
Bayanihan Foundation	Chairman of the Board of Trustees
Master of Business Administration (MBA) Juris Doctor (JD) dual degree program of De La Salle University Professional Schools, Inc. Graduate School of Business and Far Eastern University Institute of Law	Chairman of the Board
Confederation of Asia-Pacific Chambers of Commerce and Industries (CACCI)	Chairman, Advisory Board
Blessed Teresa of Calcuta Awards	Vice-Chairman of the Board of Judges
Compania Operatta ng Pilipinas	Honorary Chairman
Dabaw Kaisa Foundation Inc.	Honorary Member
Asia Society, New York	Trustee Emeritus
Waseda Institute for Asia Pacific Studies	Member of International Advisory Board
Risumeikan Asia Pacific University	Member of the Advisory Board
International Insurance Society (IIS)	Member, Honors Committee and Former Chairman of the Board of Directors and Adviser
Mclaren School of Business, University of San Francisco, USA	Member, International Board of Trustees
Columbia University, Business School, New York, USA	Member, Board of Overseers
Pacific Forum	Member, Board of Governors

University of St. La Salle Affiliate College, Roxas City	Member, Board of Trustees
University of Alabama Culverhouse College of Commerce & Business Administration	Member, International Advisory

Helen Y. Dee	(71)/ Filipino	Board Chairperson (June 27, 2005 to present) Director (March 28, 2005 to present)

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

A.T. Yuchengco, Inc.	Vice President
Luisita Industrial Park Corporation	Director
iPeople, Inc.	Director
Y Realty Corporation	Director
E.T. Yuchengco, Inc.	Director
Malayan Colleges Laguna, Inc.	Trustee
Malayan High School of Science, Inc.	Chairperson

Cesar E.A. Virata (83)/ Filipino

Director (1995 to present)
Corporate Vice-Chairman (June 22, 2000 to present)

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

Lorenzo V. Tan (53)/ Filipino

Director/ President and CEO (April 01, 2007 to present)

Company	Position
RCBC International Finance Ltd./Investment	Chairman
RCBC Telemoney Europe SpA	Chairman
Merchants Savings and Loan Association, Inc.	Director/Chairman of the Board
RCBC Leasing and Finance Corporation	Director / Vice-Chairman
RCBC Savings Bank	Vice Chairman
Asian Bankers Association	Vice-Chairman
LGU Guarantee Corporation	Chairman
Bankers Association of the Philippines	First Vice-President
RCBC Forex Brokers Corporation	Director
RCBC Capital Corporation	Director
RCBC Rental Corporation	Director
Niyog Property Holdings, Inc.	Director
Smart Communications, Inc.	Director
Morphs Lab, Inc.	Independent Director

Teodoro D. Regala (81)/ Filipino Director (June 28, 1999 to present)

Company	Position
Angara Abello Concepcion Regala & Cruz Law Offices	Founding Partner
Malayan Insurance Co., Inc.	Director
MICO Equities, Inc.	Director
Philplans First, Inc.	Director
Philhealthcare, Inc.	Director
Dimension Data Philippines Inc.	Director
Safeway Philtech, Inc.	Director
Union Church of Manila Philippine Foundation Inc.	Director/ Chairman of the Board/ President
General Motors Automobiles Phils., Inc.	Director
OEP Philippines, Inc.	Director/Corporate Secretary
SDI Media Philippines Corporation	Director
GM Global Business Services Philippines	Director
Powersource Phils. Development Corporation	Corporate Secretary

Wilfrido E. Sanchez (78)/ Filipino Director (March 27, 2006 to present)

Company	Position
Quiason Makalintal Barot Torres & Ibarra Law Offices	Tax Counsel
Adventure International Tours, Inc.	Director
Amon Trading Corp.	Director
Center for Leadership & Change, Inc.	Director
EEI Corporation	Director
House of Investments	Director
EMCOR, Inc.	Director
Eton Properties Philippines, Inc.	Director
J-DEL Investment and Management Corp.	Director
JVR Foundation, Inc.	Director
Kawasaki Motor Corp.	Director
K Servico Trade, Inc.	Director
Magellan Capital Holdings Corp.	Director
PETNET, Inc.	Director
LT Group Inc.	Director
Transnational Diversified Corp.	Director
Transnational Diversified Group, Inc.	Director
Transnational Financial Services, Inc.	Director
Universal Robina Corp.	Director

Maria Celia H. Fernandez-Estavillo (43)/ Filipino Director (June 26, 2005 to present)
Corporate Secretary (February 28, 2005 to present)
Executive Vice-President, Head of Legal and Regulatory Affairs Group (July 19, 2006 to present)

Company	Position
Phil. Integrated Advertising Agency	Director
Luisita Industrial Park Corp.	Director/Corporate Secretary

RP Land Development Corp.	Director
YGC Corporate Services Inc.	Director
Yuchengco Center	Trustee
RCBC Capital Corporation	Corporate Secretary
RCBC Savings Bank	Corporate Secretary
Niyog Property Holdings, Inc.	Corporate Secretary
Mont-Sant-Michel Drugs, Inc.	Treasurer
Marques de Comillas, Inc.	Treasurer
FBIA Insurance Agency, Inc.	Director
Calafern, Inc.	Director / Treasurer

Medel T. Nera (59)/ Filipino Director (July 25, 2011 to present)

Company	Position
National Reinsurance Corporation of the Philippines	Director
House of Investments, Inc.	Director / President / CEO
RCBC Realty Corp.	Director / President
Honda Cars Kalookan	Director / President
iPeople, Inc.	Director
Landev Corporation	Director
Hi-Eisai Pharmaceutical	Director
Malayan Colleges Laguna	Director
Investment Managers, Inc.	Director
YGC Corporate Services	Director
Greyhounds Security and Investigation Agency	Chairman / Director
Cribs Foundation, Inc.	Director / Treasurer
Zamboanga Industrial Finance	Chairman
RCBC Forex Brokers Corporation	Director
Seafront Resources Corporation	Director
EEI Corporation	Director
EEI Realty Corporation	Chairman
AL Rushaid Construction Corporation	Director
Hexagon Lounge, Inc.	Chairman
Manila Memorial Park Cemetery, Inc.	Director
Management Association of the Phils.	Chairman, Nomination and Election Committee (NOMELEC)

Tze Ching Chan (58)/ Chinese Director (November 28, 2011 to present)

Company	Position
The Community Chest of Hong Kong	Member, Board of Directors
Hong Kong Exchanges and Clearing Limited	Member, Board of Directors
Mongolian Mining Corporation (MMC)	Member, Board of Directors
Portofino (165) Limited	Director
Tung Shing Holdings Company Limited	Non-Executive Director
East Asia Futures Limited	Non-Executive Director
East Asia Securities Company Limited	Non-Executive Director
The Bank of East Asia, Limited	Senior Adviser
CVC Capital Partners	Senior Adviser
Hong Kong Institute of Bankers	Honorary Advisory Vice President
Hong Kong Open University	Member, Sponsorship and Development Fund Committee

Hong Kong Polytechnic University	Deputy Chairman of Council
Hong Kong Red Cross	Council Member
Hong Kong Securities Clearing Company Limited	Member, Disciplinary Appeals Committee
Securities and Futures Commission	Member of Executive Committee
The Hong Kong Tourism Board	Member
Standing Commission on Civil Services Salaries and Conditions of Service (SCCS)	Member
The Financial Reporting Council	Member

Minki Brian Hong*	(43)/ American	Director (June 27, 2011 to April 27, 2015)

Company	Position
CVC Asia Pacific Limited	Managing Director
Hexagon Investment Holdings Limited	Director
Capital Asia Funds Limited	Director
Best Moment Holdings	Director
WiniaMando Inc.	Director
Spare Group Limited	Director
Spare Holdings Limited	Director

* *Resigned effective April 27, 2015.*

Francis G. Estrada*	(65)/ Filipino	Director (December 17, 2012 to April 27, 2015)

Company	Position
De La Salle University	Member, Advisory Board
Philippine Military Academy	Chairman, Board of Visitors
Ayala Land Inc	Independent Director
Philam Life and General Insurance Company	Independent Director
Institute of Corporate Directors	Vice-Chairman
De La Salle Philippines	Chairman, Investment Committee
Sociedad Espanola de Beneficiencia	Trustee
RCBC Savings Bank	Director
EEI Corporation	Director
Clean Air Asia, Inc.	Director
Asia Institute of Management	Member
Bancom Alumni, Inc.	Vice-Chairman
Institute of Solidary in Asia	Fellow
Maximo Kalaw T. Foundation	Director

* *Resigned effective April 27, 2015.*

Yvonne S. Yuchengco*	(61)/ Filipino	Advisory Board Member (May 1995 to June 2009; March 26, 2012 to June 30, 2014; October 1, 2015 to present) Director (June 29, 2009 to March 26, 2012;June 30, 2014 to September 30, 2014)

Company	Position
First Nationwide Assurance Corp.	Chairperson
Malayan Securities Corp.	Chairperson / President
RCBC Capital Corporation	Director/Chairperson
Yuchengco Museum Inc.	Trustee/Vice Chairperson
XYZ Assets Corporation	Chairperson
Malayan Insurance Co., Inc.	President/Director
MICO Equities, Inc.	President/Director
Philippine Integrated Advertising Agency, Inc.	President/Director
Malayan High School of Science, Inc.	Director / Treasurer
Pan Malayan Management & Investment Corp.	Treasurer/Director
Petro Energy Resources Corp.	Director / Treasurer
Pan Managers Inc	Director / Vice President / Treasurer
Honda Cars Kalookan	Treasurer/Director
House of Investment	Director
HYDee Management & Resource Corp.	Director
iPeople, Inc.	Director
La Funenaria Paz Sucat, Inc.	Director
Luisita Industrial Park Corp.	Director
Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology)	Director
Malayan Colleges Laguna, Inc. led by a Mapua School of Engineering	Director
Malayan Insurance (H.K.)	Director
Malayan International Insurance Corp.	Director
Manila Memorial Park Cemetery, Inc.	Director
National Reinsurance Corp. of the Phils.	Director
AY Foundation, Inc.	Trustees
AY Holdings, Inc.	Director
Pan Malayan Realty Corp.	Director
Pan Pacific Computer Center Inc.	Director
Seafront Resources Corp.	Director
Pan Malayan Express, Inc.	Director
YGC Corporate Services, Inc.	Director
Enrique T. Yuchengco, Inc.	Asst. Treasurer
Asia-Pac Reinsurance Co., Ltd.	Director
Alto Pacific Corporation	President / Director
Mona Lisa Development Corp.	Director / Treasurer
Shayamala Corporation	Director

* *Resigned effective September 30, 2014. Appointed as Advisory Board Member effective October 1, 2014.*

Richard G.A. Westlake (53)/ New Zealand Director (October 1, 2014 to present)

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

John Law (64)/ France & Taiwan (dual citizen) Director (April 27, 2015 to present)

Company	Position
Oliver Wyman	Senior Advisor
IFC / World Bank	Consultant
Far East Horizon Ltd.	Board Director
SinoPac Securities Ltd.	Board Director
BNP Paribas (China) Ltd.	Board Director
Bank of Hangzhou	Board Director

Yuh-Shing (Francis) Peng (43)/ Taiwanese Director (April 27, 2015 to present)

Company	Position
Cathay United Bank	Executive Vice President

Armando M. Medina (65)/ Filipino Independent Director (February 26, 2003 to present)

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

Francisco C. Eizmendi, Jr. (79)/ Filipino Independent Director (May 26, 2006 to present)

Company	Position
Institute of Corporate Directors	Trustee
Sun Life Grepa Financial Inc.	Independent Director
Great Life Financial Assurance Corporation	Independent Director
Makati Finance	Independent Director
Dearborn Motor Co.	Chairman
East West Seed	Advisory Board Member

Antonino L. Alindogan, Jr. (76)/ Filipino Independent Director (November 12, 2007 to present)

Company	Position
House of Investments, Inc.	Independent Director
An-Cor Holdings, Inc.	Chairman of the Board
Eton Properties Phils., Inc.	Independent Director
PAL Holdings, Inc.	Independent Director
Philippine Airlines, Inc.	Independent Director/ ExCom Member/ Audit Committee Chairman
LT Group Inc.	Independent Director
Landrum Holdings	Chairman and President

Great Life Financial Assurance Corp.	Independent Director
RCBC Bankard Services Corp.	Independent Director

(d) Executive Officers:

Senior Executive Vice-Presidents

BANCOD, Redentor C.	Group Head	Office of the Group Head – ITSSG

Executive Vice-Presidents

AGUILAR, Michelangelo R.	Group Head	Office of the Group Head – Conglomerates and Global Corporate Banking
DE JESUS, Michael O.	Group Head	Office of the Group Head – National Corporate Banking
DEL ROSARIO, JR., Alfredo S.	Group Head	Office of the Group Head - Asset Management & Remedial
DEVERAS, John Thomas G.	Head, Strategic Initiatives	Office of the President & Chief Executive Officer
ESTAVILLO, Maria Celia F.	Group Head / Corporate Secretary	Office of the Group Head - Legal & Regulatory Affairs
LATINAZO, Rommel S.	President and CEO	RCBC Savings Bank (Seconded)
VILLANUEVA Edgar Anthony B.	Group Head	Global Transaction Banking Group

First Senior Vice-Presidents

AHYONG, JR., Manuel G.	Group Head	Wealth Management Segment 2
DAYRIT, Rogelio P.	Segment Head	Japanese and Ecozone Banking
DAYRIT, Rafael Aloysius M.	Group Head	Credit Management Group
FERRER, Lourdes Bernadette M.	Group Head	Trust & Investments Group
FLORENTINO, Gerald O.	President	RCBC Securities, Inc. (Seconded)
GO, John P.	Segment Head	Office of the Segment Head – Chinese Banking Segment II
LAO, Eli D.	Segment Head	Office of the Segment Head – Chinese Banking Segment I
LIM, Ana Luisa S.	Group Head	Office of the Group Head- Internal Audit
MAGNO, Regino V.	Group Head	Corporate Risk Management Services
MARANAN, Remedios M.	National Service Head	Retail Banking Group
MATSUMOTO, Yasuhiro .	Head	Japanese Business Relationship Office
ORSOLINO, Reynaldo P.	Segment Head	Emerging Corporates Segment
RACELA, Lizette Margaret Mary, J.	Consumer Lending Group Head	RCBC Savings Bank
SUBIDO, Rowena F.	Group Head	Human Resources Group
TAN, Raul Victor B.	Group Head Acting Group Head	Retail Banking Group Treasury Group

Senior Vice-Presidents

BANZON, Felisa R.	Division Head	Corporate Banking Segment - Division I
BUENAFLOR, Enrique C.	Business Development Head	Business Development Division - Global Transaction Banking Group

CAPINA, Brigitte B.	Regional Sales Director	South Metro Manila Regional Office
CHUA, Arsenio L.	Regional Sales Director	North Metro Manila Regional Office
CONTRERAS, Claro Patricio L.	Division Head	Office of the Division Head - Remedial Management
CORONEL, Elizabeth E.	Segment Head	Office of the Division Head - Conglomerate Banking
ECO, Sabino Maximiano O.	Deputy Group Head/ Division Head	Office of the Group Head – Operations Branch Banking Services Division
ERMITA, Edwin, R.	Bank Security Officer	Office of the President & Chief Executive Officer
LANSANG, Jennie F.	Deputy Group Head / Chief Technology Officer	Office of the Group Head - ITSSG
MACASAET, Vivien L.	Division Head	Management Services Division
MADONZA, Florentino M.	Group Head	Office of the Group Head – Controllership Group
MAÑAGO, Jane N.	Segment Head	Wealth Management Segment 2
MERCADO, Carlos Cesar B.	Segment Head	Balance Sheet Management
NOLASCO, Evelyn	Division Head	Asset Disposition
ONOZAWA, Koji	Japanese Liaison Officer	Japanese Business Relationship Office
PALOSO, Matias L.	Head	RBG Products, Support And Systems Segment
PAPILLA, Loida, C.	Division Head	Asset Management Support Division
PEDROSA, Alberto N.	Division Head	Investment Portfolio Management Division
PEJO, Arsilito A.	Regional Sales Director	Office of the Group Head – Retail Banking
PINEDA, Ma. Lourdes Jocelyn S.	President	Merchants Savings and Loan Association, Inc. (Seconded)
QUIOGUE, Nancy J.	Regional Service Head	Metro Manila Regional Service
RAMOS, Elsie S.	Division Head	Legal Affairs
REYES, Ismael S.	National Sales Director	Retail Banking Group
REYES, Steven Michael T.	Segment Head	Trading Segment
SANTOS, Raoul V.	Division Head	Investment Services
SO, Johan C.	Division Head	Chinese Banking Segment 1 - Division 1
TINIO, Ma. Angela V.	Segment Head	Commercial and Small Medium Enterprises Banking Segment
VALENA, Teodoro Eric D. Jr.	IT Head	ADD 6 - Retail E-Channels/Mobile Applications Systems

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

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

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

(f) Family Relationships: Amb. Alfonso T. Yuchengco is the father of Ms. Helen Y. Dee. Other than such relationship, none of the Bank's Directors are related to one another or to any of the Bank's executive officers.

(g) Legal Proceedings:

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

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

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased the Iligan Plant assets of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Bank and RCBC Capital, to deliver the Plant assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80,000,000.00, as and by way of lost opportunity to make profits and (b) P1,403,000,000.00, representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI filed an appeal on 1 September 2014. In the meantime, the secured creditors' application for the issuance of consequential orders relating to the discharge of the injunction, costs and other matters, the purpose of which is to allow the secured creditors to obtain complete relief from the SIAC Partial Award, was heard and granted by the Singapore High Court on 17 November 2014. In particular, the Singapore High Court confirmed that the injunctions issued in 2008 and that embodied in the Partial Award have been discharged, so that the secured creditors may now compel GSPI and GIHI to comply with their obligations under the Omnibus Agreement/Asset Purchase Agreement and take legal action upon GSPI's and GIHI's failure to do so. The Singapore High Court likewise granted the secured creditors' claim for the payment of legal costs, the amount of which shall be subject to further submissions. As a result of the ruling of the Singapore High Court that the injunctions previously issued have been discharged, the secured creditors, applying the principle of legal set-off, directed the release of GSPI and GIHI's installment payment by the Facility Agent. Accordingly, the Bank and RCBC Capital received their respective share in the funds previously held in escrow.

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

The Bank's exposure is approximately P245.8 million in terms of estimated property taxes and transfer costs due on the Iligan Plant assets, while it has a receivable from Global Steel of P534.8 million. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as UDSCL with zero net book value. In February 2015, the Bank received the amount of P49.3 million as installment payment recently released from escrow. The Bank's exposure, however, may be varied depending on should Iligan City agree to enter into another tax agreement with NSC on its outstanding tax obligation.

In 2011, Verotel Merchant Services B.V. ("VMS"), a Netherlands corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation civilly sued the Bank, 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.

While the court ruled that jurisdiction was obtained over the Bank and Bankard despite the fact that none of the Bank, Bankard or any of the plaintiffs do business in California, the Bank and Bankard believe that the case is without merit and will be ruled in their favor since:

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

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

3. There is no accounting of the claim of US$1.5 million, and no basis for the same. Based on Bankard's records of this claim (which was remitted to Mercarse), only US$ 500 thousand belonged to VII and US $1 million belonged to another merchant.

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

On 4 December 2014, Judge Bruguera of the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive/clearance from her court. The aforementioned plaintiffs' counsel likewise did not confer with the Bank's US counsel for the said setting. Consequently, the court issued an Order to Show Cause upon the plaintiffs' counsel as to why the matter should not be referred to the California State Bar for misconduct, especially after the counsel issued a declaration casting aspersions on the court and her staff and the veracity of the Minute Order denying that the court ordered the parties to proceed to mandatory settlement conference. The matter was heard on March 30, 2015, at which occasion Judge Bruguera immediately discharged the Order to Show Cause after the plaintiff's counsel admitted to using inappropriate language in his explanation.

The case has been ordered to be brought back to Department 1 for re-assignment to another judge. Per the latest update of the US counsel, the case was raffled to Judge Mitchell Beckloff, who set the Motion to vacate the orders denying the Bank and Bankard's motions for summary judgment for hearing on 12 May 2015. In the meantime, the trial in the main case is tentatively scheduled for January 2016.

In December 2011, RCBC Securities initiated the filing of a criminal case for falsification against a former agent who carried out certain questionable transactions with her own personal clients. Since then, RCBC Securities has filed additional criminal and civil cases, including charges of BP 22, against the aforesaid former agent. These cases are now pending with the Regional Trial Court and Metropolitan Trial Court of Makati City. There is also an investigation before the Capital Markets Integrity Corporation ("CMIC") of the Philippine Stock Exchange initiated in May 2012 requesting for an investigation on the operations of RSEC in relation to the accounts handled by the former agent and requesting the CMIC to take appropriate action. The CMIC, in its letter dated 4 December 2014, dismissed the complaint on the ground of prescription and res judicata. The complainants may seek reconsideration of the CMIC decision or action to the CMIC Board within 10 business days from receipt of such decision or action. There is also a complaint filed in December 2013 before the Securities and Exchange Commission ("SEC") for alleged violations by RSEC of the Securities Regulation Code for improperly accounting for shares handled by the former agent. The complaints sought for penalties against RSEC, including the suspension or revocation of RSEC's license. The complaint is still pending before the SEC.

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

On 13 January 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return the 20% final withholding tax it withheld on the PEACe Bonds on 18 October 2011. On 16 March 2015, RCBC 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. RCBC also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital / Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed. RCBC 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 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.

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

(i) Certain Relationships and Related Transactions:

The Bank is a member of the Yuchengco Group of Companies (YGC). The Yuchengco family, primarily through Pan Malayan Management and Investment Corporation (PMMIC), is the largest shareholder. As of December 31, 2014, PMMIC owned 473,963,632 certificated shares, approximately 37.15% of the Bank's issued and outstanding common shares. Total shareholdings comprising both certificated and scripless shares amount to 576,646,082, approximately 45.20% of the Bank's issued and outstanding common shares.

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

Under the said Policy, transactions directly or indirectly involving a related party, where the amount involved is at least PhP 1Million Pesos, is a reportable related party transaction. The Bank adopted an expanded definition of related parties to include not only directors, officers, stockholders and related interests (DOSRI) as defined under the General Banking Law and related issuances and related parties as defined under International Accounting Standards 24 (IAS 24), but also second degree relatives by consanguinity or affinity of directors, officers, or stockholders. The expanded definition also includes advisory board members and consultants of the Bank, and directors and key officers of subsidiaries and affiliates of the Bank, among others.

Related parties, through the account officers, are required to notify the Related Party Transactions Committee of any potential related party transaction as soon as they become aware of it. If a transaction is determined to be a Related Party Transaction, such transaction, including all of the relevant details regarding such transaction, shall be submitted for analysis and evaluation to the Related Party Transactions Committee to determine whether or not the Related Party Transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The Related Party Transactions Committee is a board committee composed of at least three (3) members of the Board of Directors, including the chairman who is an independent director and who is not a member of the Audit Committee.

The transaction shall thereafter be presented to the Board for approval. Any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction. Pursuant to BSP Circular No. 749 as amended and the Bank's Corporate Governance Manual, the Bank's stockholders confirmed by majority vote, in the last annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties. Review of related party transactions is part of compliance testing of the Compliance Office as well as audit work program of the Internal Audit Group.

The Group's significant transactions with its related parties as of end December 2014 include loans and receivables and deposit liabilities. Total amount of loans outstanding was at P5,412 and deposit liabilities was at P5,462 as of end December 2014, where related parties are defined according to PAS 24. (Notes 28.1 and 28.2, Notes to Financial Statements)

The Bank complies with existing BSP regulations on loans, credit accommodations and guarantees to its directors, officers, stockholders and related interests (DOSRI).

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain DOSRIs. Under existing policies of the Group, these loans are made substantially on the same terms as loans to other individuals and business of comparable risks.
Under current BSP regulations, the amount of loans to each DOSRI, 70% of which must be secured, should not exceed the amount of his deposit and book value of his investment in the

Bank. In the aggregate, loans to DOSRIs, generally, should not exceed the total capital funds or 15% of the total loan portfolio of the Bank and/or any of its lending and nonbanking financial subsidiaries, whichever is lower. As of December 31, 2014 and 2013, the Group is generally compliant with these regulatory requirements and is currently addressing some specific regulatory concerns on this matter.

The total amount of DOSRI loans was at P5,412 as of end December 2014. (Note 28.1, Notes to Financial Statements)
Certain of the Bank's major related-party transactions are described below.

- RCBC and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RCBC Realty). Related rental expense are included as part of Occupancy and Equipment-related account in the statement of income. RCBC's lease contract with RCBC Realty is until December 31, 2015. (Note 28.5, Notes to Financial Statements)

- In October 1, 2009, RCBC entered into a joint development agreement with RCBC Savings Bank (RSB), Malayan Insurance Company, Inc. (MICO), Grepalife Financial, Inc. (Grepalife), Bankard Inc. (Bankard) and Hexagonland, Inc. (Hexagonland), with the conformity of Goldpath Properties Development Corporation (Goldpath), the parent company of Hexagonland, to form a consortium for the pooling of their resources and establishment of an unincorporated joint venture (the "UJV") for the construction and development of a high rise, mixed use commercial/office building, now operated by the Group as RSB Corporate Center.
  In 2011, RCBC acquired the rights and interest of Grepalife in the UJV. Also in 2011, RSB was able to acquire the rights and interest of Hexagonland after the latter's liquidation and partial return of capital to Goldpath. RSB, accordingly, contributed the land amounting to P383 to the Project. (Notes 13 and 30.02, Notes to Financial Statements)

  On October 2, 2012, the remaining co-venturers executed a memorandum of understanding agreeing in principle to cancel or revoke the UJV, subject to the approval of BSP. As of December 31, 2012, total cash contribution of RCBC, RSB and Bankard to the UJV amounted to P1,600 which is recorded as Construction in Progress.
  On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, BSP approved RCBC's acquisition of the land contributed to the RSB Corporate Center as well as the rights and interests of its co-venturers (Note 28.5, Notes to Financial Statements). As a result, RCBC paid its co-venturers a total consideration of P1,200 which is inclusive of compensation at the rate of 5.00% per annum computed from the date of the co-venturers' payment of their respective cash contributions until the date of the actual return or payment by RCBC. The total consideration was capitalized and recorded as part of Buildings account. In addition, by virtue of a deed of absolute sale executed between the Parent Company and RSB on April 5, 2013, the latter transferred its ownership and title to the land where the RSB Corporate Center is situated to RCBC for a selling price of P529. (Note 13, Notes to Financial Statements).

- On January 30, 2012, the BOD approved the acquisition of a total of 448,528,296 common stocks or around 97.79% of the outstanding capital stock in First Malayan Leasing and Finance Corporation (FMLFC) from PMMIC, House of Investments, Inc. (HI) and other investors. The sale and purchase of FMLFC stocks were made in accordance with the three share purchase agreements signed by the contracting parties on February 7, 2012 and were conditioned on among others, the receipt of approval of the transaction from the BSP, which was received by RCBC on March 12, 2012. After the acquisition, FMLFC was renamed as RCBC LFC. (Note 12.2, Notes to Financial Statements)

- In 31 July 2013, the Board approved the sale of the Bank's 25% shareholdings in RCBC Realty and 49% shareholdings in RCBC Land, Inc. (RCBC Land) representing the Bank's 34.8% economic interest in RCBC Realty to Pan Malayan Investment and Management Corporation, House of Investments, and RCBC Land. The transaction was valued at Php 4,547. The purpose of the transaction was to comply with Basel III guidelines. (See Note 12, Notes to Financial Statements)

- In 18 October 2013, the Board of RCBC approved the sale to Philippine Business Bank Trust and Investment Center on behalf of various clients the Bank's and its subsidiary RCBC Capital Corporation's 89% stake in Bankard.

  Bankard's total assets, total liabilities and net assets amounted to P1,075, P14 and P1,061 respectively, as at the date of disposal. As a consideration for the sale of the investment, the Group received cash amounting to P225 and a right over an escrow account amounting to P870 established by the buyer investor in settlement of this transaction. Gain on sale recognized related to this transaction amounting to P44 is included as part of Gain on sale of equity investments under Miscellaneous Income in the 2013 statement of profit or loss (see Note 25.01). Moreover, the disposal of Bankard resulted in the reversal and transfer of P233 other reserves recognized in years prior to 2011 directly to surplus (see Note 23.04). (Note 12.1, Notes to Financial Statements)

  In 25 November 2013, the RCBC Board approved the transfer of the merchant acquiring business of Bankard to the Bank. The transfer of the business involved the following activities:

  1. Sale of POS terminals to the Bank
  2. Assignment of merchant contracts in the name of Bankard, Inc. to the Bank
     Transfer of the Bank Identification Number (BIN) and Association Licenses from Bankard to the Bank for the processing of acquiring transaction
  3. Transfer of settlement Bank accounts from Bankard, Inc. to the Bank.

  The purpose of the transaction was to consolidate the merchant acquiring business of Bankard to the Bank. This was also intended to help in the efforts of the Bank to minimize its equity investments in subsidiaries in preparation for Basel III implementation. Assets and liabilities to be purchased and/or absorbed by RCBC as of 31 Oct 2013 in million pesos appear below. Final movements subject to change due to movements until settlement date.

Assets	
POS terminals	P39.41
Due from associations	6.37
Other Assets	2.03
Total Assets	**47.81**
Liabilities	
Due to merchants	P 8.07
Other liabilities	0.69
Total liabilities	**8.76**
Net assets	P39.05

*The POS terminals totaling 5,050 units will be acquired at net book value of P39.41M per valuation report of Multinational Investment Bancorporation.

In 04 December 2013, RCBC Bankard Services Corporation was incorporated as a subsidiary of RCBC Capital Corporation to perform card processing services for the Bank.

- The Bank's and certain subsidiaries' retirement funds covered under their defined post-employment benefit plan for qualified employees are administered by the Bank's and RSB's Trust Department in accordance with their respective trust agreements. The Group's retirement fund has transactions directly and indirectly with the Group and the Bank which consist of investment in common shares of the Bank, other securities and debt instruments, trading gain and dividend income. 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. (Note 28.4, Notes to Financial Statements)

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

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

- The law firm of Angara Abello Concepcion Regala & Cruz (ACCRA) Law Office is among the firms engaged by the Bank to render legal services. Atty. Teodoro Dy-Liaco Regala, Director, is a Senior Partner of ACCRA Law Office. During the year, the Company paid ACCRA legal fees that the Company believes to be reasonable for the services provided.

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

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

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

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

3. <u>Compensation of Directors and Executive Officers</u>

Executive Compensation:

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

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES			
Names	**Principal Position**	**Aggregate Compensation** (net of Bonuses)	**Bonuses**
2015 Estimate			
Lorenzo V. Tan	President & Chief Executive Officer	45,512	69,415
Redentor C. Bancod	Senior Executive Vice President		
Michaelangelo R. Aguilar	Executive Vice President		
John Thomas G. Deveras	Executive Vice President		
Edgar Anthony B. Villanueva	Executive Vice President		
2014 Actual			
Lorenzo V. Tan	President & Chief Executive Officer	39,802	101,247
Redentor C. Bancod	Senior Executive Vice President		
Jose Emmanuel U. Hilado	Senior Executive Vice President		
John Thomas G. Deveras	Executive Vice President		
Michael O. de Jesus	Executive Vice President		
2013 Actual			
Lorenzo V. Tan	President & Chief Executive Officer	40,139	227,382
Redentor C. Bancod	Senior Executive Vice President		
Jose Emmanuel U. Hilado	Senior Executive Vice President		
Ismael R. Sandig	Senior Executive Vice President		
John Thomas G. Deveras	Executive Vice President		
Officers and Directors as a Group Unnamed			
2015 Estimate		1,310,818	475,430
2014 Actual		1,124,823	526,464
2013 Actual		1,038,799	555,426

Profit Sharing Bonus:

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

Likewise, the members of the Board of Directors and the Advisory Board are entitled to per diem for every meeting they attended. For the years 2014 and 2013, total per diem amounted to P6.837 million and P6.207 million, respectively.

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

4. <u>Independent Public Accounts</u>

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

In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2014 and 2013, there were no disagreements with P&A on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedure.

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

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

The Members of the Audit Committee are as follows: Armando M. Medina as Chairman and Medel T. Nera, Francisco C. Eizmendi, Jr. as Members.

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

5. <u>Compensation Plans</u> – Not Applicable

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. <u>Authorization or Issuance of Securities Other than for Exchange</u> – Not applicable

10. <u>Modification or Exchange of Securities</u> – Not applicable

11. <u>Financial and Other Information</u>

a. **Financial statements meeting the requirements of SRC Rule 68, as amended**
Please see Annex "B".

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

c. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**
Please see Annex "A"

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

12. <u>Mergers, Consolidations, Acquisitions and Similar Matters</u> – Not applicable

13. <u>Acquisition or Disposition of Property</u> – Not applicable

14. <u>Restatement of Accounts</u> – Not applicable

D. OTHER MATTERS

15. <u>Action with Respect to Reports</u>

The Management Report, as set forth in the Annual Report, and the Minutes of the previous stockholders' regular meeting held on June 30, 2014 will be submitted for stockholders' approval.

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

Approval of the June 30, 2014 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, such as, (a) 2013 annual report and audited financial statements, (b) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2013, (c) election of directors, (d) confirmation of significant transactions with DOSRI and related parties, (e) appointment of external auditor, and (f) Amendment of Article Third of the Amended Articles of Incorporation on Principal Office Address.
The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (June 30, 2014) up to the date of the meeting (June 29, 2014). These include, among others, those that involve day-to-day operation, administration and management of the corporate affairs such as approval of loans, restructuring of past due accounts, sale of ROPOAs, appointment/resignation of directors/officers, sanctions/disciplinary measures imposed to erring officers/employees, authority to file criminal/civil complaints.

16. <u>Matters Not Required to be Submitted</u> – Not applicable

17. <u>Amendment of Charter, By-Laws or Other Documents</u> – Not applicable

18. <u>Other Proposed Action</u> – Not applicable

19. <u>Voting Procedures</u>

The vote required for election or approval.

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

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

The method by which votes will be counted

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

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

E. OTHER CERTIFICATIONS

Attached is the written certification by the Corporate Secretary that none of the named directors and officers works with the government as Annex "D"

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information given in this Information Statement is true, complete and correct. This Statement is signed in the City of Makati on June 02, 2015.

RIZAL COMMERCIAL BANKING CORPORATION

By: Ma Celia H Fernandez

MARIA CELIA H. FERNANDEZ-ESTAVILLO
Corporate Secretary

Definitive2015

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

(A) Audited Consolidated Financial Statements

The Audited Financial Statements of the Bank as of December 31, 2014 are contained in the latest annual report sent to security holders at the Annual Stockholders' meeting on June 29, 2015.

(B) Management Discussion and Analysis of Financial Conditions and Results of Operations (2012-2014) and Plan of Operations

2012 .

Philippine GDP in 2012 grew 6.6%, the highest in two years, vs. 3.9% in 2011 and above the average of 4.6% posted from 1999 to 2011. The global economic growth remained relatively slow in 2012, but on a recovery mode, amid some pick up in the US economy (jobs, housing, manufacturing), the lingering Euro zone debt crisis, slower economic growth in China (the world's second biggest economy; posted the slowest growth rate since 1999), recessionary and deflationary economic conditions in Japan (the world's third biggest economy).

Major factors that contributed to the faster Philippine economic growth in 2012 are the sustained above-average growth in consumer spending (70.5% of GDP) and services (56.9% of GDP), faster government spending growth (+12.2% growth in 2012 vs. +1.7% in 2011, when there was underspending), recovery in exports (+8.8% in 2012 after -4% in 2011), faster growth in construction (+14.2% in 2012 vs. -5.2% in 2011), some pick up in manufacturing (5.4% in 2012 vs. +4.8% in 2011).

The strong growth in the Philippine economy for 2012 was supported by the continued growth in OFW remittances, sustained strong growth in business process outsourcing (BPO) industry, new record lows in interest rates that reduced borrowing/financing costs, continued growth in tourism, increased infrastructure spending.

GNP growth for 2012 was at 5.8%, from 3.2% in 2011.

Inflation averaged 3.2% in 2012, vs. 4.6% in 2011, considered relatively low/benign and at the lower range of the 3%-5% target of the Bangko Sentral ng Pilipinas (BSP). Stronger peso exchange rate vs. the US dollar, with an appreciation of 6.4% in 2012, partly supported relatively lower importation costs and overall inflation..

The 91-Day Treasury Bill Rate ended 2012 at 0.198%, after reaching a record low of 0.15% on Nov. 12, 2012, vs. 1.56% in end-2011. Philippine interest rates mostly reached new record lows in 2012 amid huge amounts of excess peso liquidity in the financial system partly driven by increased foreign portfolio investments/hot money, relatively benign/low inflation, and relatively slower global economic growth. Key Philippine interest rates in the secondary market, as measured by the PDST yields, also reached new record lows, with short-term tenors below 1% (near zero), with the 3-month tenor at 0.49% in end-2012, vs. 1.66% in end-2011. The BSP reduced its key overnight interest rate in 2012, by a total of -1.00 to a record low of 3.50%, partly due to the stronger peso exchange rate that helped keep inflation relatively low/benign. The low interest rate environment was also supported by relatively narrow Budget Deficit, which stood at –PHP127.3bn from Jan.-Nov. 2012, after –PHP197.8bn (or -2% of GDP) in 2011 due to higher government revenues despite some pick up in government spending compared to 2011.

The Peso Exchange Rate appreciated by 2.79 pesos or 6.4% to close at 41.05 in end-2012, vs. 43.84 in the previous year, the strongest in nearly five years and among the best performing currencies in Asia for the year. Philippine Gross International Reserves (GIR) reached US$83.8 billion or equivalent to 12 months worth of imports (+US$8.5 billion or +11% from US$75.3 billion in end-2011), partly brought about by the following: +6% growth in OFW remittances (Jan.-Nov. 2012) to US$19.4 billion; +21% growth in BPO revenues to US$13 billion; net foreign portfolio investments of +US$3.9 billion after +US$4.1 billion in 2011 (though temporary/shorter-term in nature). Balance of payments surplus for 2012 stood at +US$9.2 billion, after +US$10.2 billion in 2011.

OFW remittances, BPO revenues, foreign tourist revenues continued to support consumer spending, which accounted for about 70.5% of the Philippine economy in 2012. Additional OFW, BPO, and tourism jobs partly caused unemployment rate in 2012 to improve to 6.8% from 7.0% in 2011.

Exports from Jan.-Nov. 2012 grew by an average of +7% to US$48 billion, a turnaround vs. the decline of -6.2% in 2011, despite the stronger peso exchange rate. Imports from Jan.-Nov. 2012 grew by an average of +1% to US$56.4 billion, slower vs. +10.1% in 2011. Consequently, Trade Deficit from Jan.-Nov. 2012 narrowed to -US$8.4 billion, vs. –US$12.2 billion for 2010.

Foreign tourist arrivals in 2012 grew by +9.1% to 4.273 million, after +11.3% growth in 2011.

Universal/Commercial bank loans as of Nov. 2012 grew by +14% year-on-year to PHP3.135 trillion, after +19.3% as of end-2011.

Non-performing loan (NPL) ratio of universal/commercial banks as of Oct. 2012 stood at 2.0%, the best since revised records started in 2003, vs. 2.2% as of end-2011.

On Dec. 20, 2012, S&P raised the credit rating outlook for the Philippines to positive from stable and reportedly hinted possible credit rating upgrade for the country to investment grade as early as within a year, from the current credit rating of one notch below investment grade.

Financial and Operating Highlights

RCBC followed up its remarkable financial results in 2011 with another solid performance in 2012. RCBC's Total Assets modestly expanded by 5.45% or P18.828 billion to P364.095 billion while Total Capital Funds went up by 13.55% or P5.127 billion to P42.973 billion. Net Income grew by 23.18% or P1.172 billion from P5.055 billion in 2011 to P6.227 billion in 2012. Gross Operating Income improved by 8.88% or P1.862 billion from P20.962 billion to P22.824 billion. Non-Interest Income increased by 12.78% or P1.295 billion from P10.130 billion to P11.425 billion mainly driven by trading and securities gains, equity in net earnings of associates, trust fees, and service fees and commissions. Foreign exchange gains and miscellaneous income which totaled P1.891 billion, contributed 16.55% of total Non-Interest Income. Despite pressures on margins due to low interest rates and the non-remuneration of reserve-eligible funds, Net Interest Income rose by 5.23% or P567 million to P11.399 billion resulting to a NIM of 3.93%, one of the highest in the sector.

BALANCE SHEET			
In Million Pesos	**2012**	**2011***	**2010***
Total Assets	364,095	345,267	315,673
Investment Securities	95,179	87,728	88,099
Loans and Receivables (Net)	190,808	186,192	165,425
Capital Funds	42,973	37,846	26,161

*As Restated

The P18.828 billion increase in total assets was mainly driven by the growth in investment securities, loans and receivables, due from other banks, and due from Bangko Sentral ng Pilipinas.

Cash and other cash items increased by 14.91% or P1.217 billion from P8.163 billion to P9.380 billion. Due from Bangko Sentral ng Pilipinas, representing 10.06% of total resources, went up by 6.82% or P2.337 billion from P34.283 billion to P36.620 billion. Due from other banks likewise increased by 55.98% or P2.110 billion from P3.769 billion to P5.879 billion. Total investment securities, which represent 26.14% of total resources, reached P95.179 billion, higher by 8.49% or P7.451 billion mainly due to the growth in the Available for Sale Securities by 10.25% or P7.777 billion from P75.910 billion to P83.687 billion.

Total net loans and other receivables stood at P190.808 billion and represented 52.41% of total resources.

Investments in subsidiaries and associates, net went up by 9.22% or P333 million from P3.613 billion to P3.946 billion mainly due to equity earnings recognized for the period.

Bank premises, furniture, fixtures and equipment posted a 16.17% increase or P1.045 billion from P6.462 billion to P7.507 billion due to investments in computer equipment and in the core banking technology, construction cost of RSB Corporate Center building, and branch expansion. In 2012, the Bank opened thirty-three (33) new business centers and extension offices and deployed two hundred forty-nine (249) new ATMs.

Investment property, net decreased by 11.18% or P855 million from P7.651 billion to P6.796 billion. Other resources, net increased by 10.05% or P597 million from P5.938 billion to P6.535 billion due to margin deposits on derivative transactions and acquisition of software.

Deposit liabilities stood at P246.757 billion and accounted for 67.77% of total resources. Demand deposits rose by 5.67% or P567 million from P10.001 billion to P10.568 billion while savings deposits reached P130.302 and accounted for 35.75% of total resources. Time deposits, on the other hand, stood at P105.887 billion and represented 29.08% of total resources.

The Bank listed on May 8, 2012 its three (3) tranches of Long Term Negotiable Certificates of Time Deposit (LTNCDs) maturing in 2017 worth P5.0 billion. The three tranches were issued in two (2) fixed rate series and one (1) zero coupon series. The P2.033 billion fixed rate and PhP 1.15 billion Series 2 fixed rate LTNCDs both have a coupon rate of 5.25% per annum, and are maturing on June 29, 2017 and November 7, 2017 respectively. The zero coupon series due June 29, 2017, in the amount of P1.817 billion, was issued at an offer price of 74.0493% of face value and a yield-to-maturity of 5.5% p.a. on December 29, 2011.

Bills payable, representing 7.25% of total resources, increased by 46.29% or P8.350 billion from P18.037 billion to P26.387 billion as the Bank resorted to cheaper alternative source of funding, especially foreign currency denominated borrowings, to support asset growth.

Accounting for 5.92% of total resources, bonds payable went up by 97.64% or P 10.648 billion from P10.905 billion to P21.553 billion due to the issuance of 5-year senior unsecured fixed-rate notes in January and April 2012 totaling $275 million. On January 30, 2012, the Bank successfully raised $200 million worth of 5-year senior unsecured fixed-rate notes off its $1.0 billion EMTN Programme. The notes carried a coupon and yield of 5.25% and maturity of January 31, 2017. On April 3, 2012, the Bank issued another $75 million with a coupon and yield of 4.779% under the same EMTN Programme.

Accrued taxes, interest, and other expenses payable went up by 13.15% or P523 million from P3.978 billion to P4.501 billion. Other liabilities increased by 32.54% or P2.685 billion from P8.252 billion to P10.937 billion on account of increases in accounts payable, bills purchase-contra account, and import bills under usance.

Total liabilities amounted to P321.122 billion and accounted for 88.20% of total resources.

Preferred stock declined by 88.46% or P23 million from P26 million to P3 million due to conversion to common shares. Revaluation reserves on AFS securities rose by 37.82% or P863 million from P2.282 billion to P3.145 billion primarily due to the declining interest rates leading to the appreciation of AFS securities. Other reserves went up by 223.53% or P228 million from P102 million to P330 million mainly due to the acquisition of RCBC Leasing and Finance Corp. Retained earnings grew by 49.44% or P4.643 billion from P9.392 billion to P14.035 billion driven by the P6.220 billion net profits generated for the year partially offset by dividends paid. Non-controlling interest declined by 84.62% or P165 million from P195 million to P30 million also due to the acquisition of FMLFC. The Bank's capital, excluding non-controlling interest, grew to P42.943 billion, 14.06% or P5.292 billion higher from P37.651 billion in 2011 and accounted for 11.79% of total resources.

INCOME STATEMENT			
In Million Pesos	**2012**	**2011***	**2010***
Interest Income	18,755	17,037	17,018
Interest Expense	7,356	6,205	6,022
Net Interest Income	11,399	10,832	10,996
Other Operating Income	11,425	10,130	8,602
Impairment Losses	2,486	2,538	3,186
Operating Expenses	13,366	12,454	11,085
Net Income attributable to Parent Company Shareholders	6,220	5,029	4,280

*As restated

Total interest income went up by 10.08% or P1.718 billion from P17.037 billion to P18.755 billion. Interest income from loans and receivables increased by 16.92% or P2.003 billion from P11.840 billion to P13.843 billion and accounted for 60.65% of total operating income. Other interest income declined significantly by 70.42% or P419 million from P595 million to P176 million primarily due to the non-remuneration of reserve-eligible funds. Interest income from investment securities reached P4.736 billion and accounted for 20.75% of total operating income.

Total interest expense increased by 18.55% or P1.151 billion from P6.205 billion to P7.356 billion. Interest expense from deposit liabilities increased by 12.88% or P490 million from P3.804 billion to P4.294 billion mainly due to the higher cost of time deposits. Interest expense from bills payable and other borrowings increased by 27.53% or P661 million from P2.401 billion to P3.062 billion. Nevertheless, net interest income grew by 5.23% or P567 million from P10.832 billion to P11.399 billion and accounted for 49.94% of total operating income.

Impairment losses stood at P2.486 billion and represented 10.89% of total operating income.

Other operating income of P11.425 billion accounted for 50.06% of total operating income and is broken down as follows:

- Trading and securities gain-net is higher by 37.45% or P1.854 billion from P4.950 billion to P6.804 billion
- Trust fees went up by 17.20% or P43 million from P250 million to P293 million
- Service fees and commissions increased by 8.90% or P170 million from P1.910 billion to P2.080 billion
- Foreign exchange gains (losses)-net decreased by 33.33% or P98 million from P294 million to P196 million
- Equity in net earnings of associates went up by 78.50% or P157 million from P200 million to P357 million
- Miscellaneous income decreased by 32.90% or P831 million from P2.526 billion to P1.695 billion mainly due to the extra-ordinary income in 2011 coming from the amount

collected from BDO in connection with the purchase of Bankard by RCBC Capital in May 2000 and from the sale of Manchesterland shares

Operating expenses increased by 7.32% or P912 million from P12.454 billion to P13.366 billion and represented 58.56% of total operating income.

- Taxes and licenses went up by 20.68% or P279 million from P1.349 billion to P1.628 billion primarily due to higher gross receipts tax on account of higher operating income
- Occupancy and equipment-related costs rose by 16.72% or P325 million from P1.944 billion to P2.269 billion
- Depreciation and amortization increased by 5.69% or P60 million from P1.054 billion to P1.114 billion as a result of the Bank's investments in core banking technology and the setting up of additional and the renovation of existing banking channels
- Manpower costs increased by 4.93% or P172 million from P3.488 billion to P3.660 billion due to the additional workforce as a result of branch expansion
- Miscellaneous expenses reached P4.695 billion

Provision for tax expense declined by 18.58% or P170 million from P915 million to P745 million.

Net profit to non-controlling interest declined by 73.08% or P19 million from P26 million to P7 million.

RCBC's solid performance in 2012 reflects management's firm commitment to its strategic objectives and business direction. Riding on this momentum, the Bank aims to continue growing its client base by a million a year through expansion in the Bank's distribution and electronic banking channels, brand-building, and introduction of innovative products and services especially now with the full-scale operation of the new core banking platform. The Bank will still keep on catering to the country's middle class and overseas Filipino workers in the remittance business and give special focus on the growing micro, small, and medium enterprises (MSMEs) and consumer segment. It will continue to hire more young, dedicated, and competent people and train its existing personnel.

RCBC continues to be in the market for well-managed mid-sized commercial banks and thrift banks which will enable it to increase its asset base, distribution network, and customer reach in a cost-efficient manner.

For 2012, there were no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having within the next twelve (12) months any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		**Parent**	
	2012	**2011***	**2012**	**2011***
Return on Average Assets (ROA)	1.78%	1.62%	1.70%	1.60%
Return on Average Equity (ROE)	16.31%	16.56%	15.35%	17.15%
BIS Capital Adequacy Ratio (CAR)	17.61%	18.52%	15.99%	17.12%
Non-Performing Loans (NPL) Ratio	1.88%	1.62%	0.98%	0.87%
Non-Performing Assets (NPA) Ratio	3.49%	3.98%	2.03%	2.15%
Net Interest Margin (NIM)	3.93%	4.12%	3.44%	3.54%
Cost-to-Income Ratio	58.56%	59.41%	56.76%	57.70%

Loans-to-Deposit Ratio	77.19%	67.45%	75.39%	67.04%
Current Ratio	0.45	0.69	0.46	0.58
Liquid Assets-to-Total Assets Ratio	0.42	0.44	0.43	0.43
Debt-to-Equity Ratio	7.47	8.12	7.25	7.82
Asset-to- Equity Ratio	8.47	9.12	8.25	8.82
Asset -to- Liability Ratio	1.13	1.12	1.14	1.13
Interest Rate Coverage Ratio	1.95	1.96	1.89	1.93
Earnings per Share (EPS)				
Basic	Php 5.09	Php 4.46	Php 4.01	Php 3.57
Diluted	Php 5.09	Php 4.46	Php 4.01	Php 3.57

*As restated

Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK In Php 000s	**Audited**	
	2012	**2011**
Net Income	Php 1,137,192	Php 1,389,096
Return on Average Assets (ROA)	1.92%	2.49%
Return on Average Equity (ROE)	15.10%	19.30%
BIS Capital Adequacy Ratio (CAR)	14.94%	14.95%
Non-Performing Loans (NPL) Ratio	3.97%	3.95%
Non-Performing Assets (NPA) Ratio	9.64%	9.28%
Earnings per Share (EPS)	Php 36.84	Php 45.00

RIZAL MICROBANK In Php 000s	**Audited**	
	2012	**2011**
Net Loss	Php (125,004)	Php (52,095)
Return on Average Assets (ROA)	(13.51%)	(15.38%)
Return on Average Equity (ROE)	(19.85%)	(15.88%)
BIS Capital Adequacy Ratio (CAR)	98.57%	298.60%
Non-Performing Loans (NPL) Ratio	0.22%	0.56%
Non-Performing Assets (NPA) Ratio	3.62%	0.06%
Loss per Share	Php (14.26)	Php (5.94)

RCBC CAPITAL CORPORATION and Subsidiary In Php 000s	**Audited**	
	2012	**2011**
Net Income	Php 432,942	Php 446,909
Return on Average Assets (ROA)	9.14%	12.10%
Return on Average Equity (ROE)	12.10%	14.41%
BIS Capital Adequacy Ratio (CAR)	50.79%	59.47%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.18%	0.02%
Earnings per Share (EPS)	Php 3.66	Php 3.78

RCBC FOREX BROKERS CORPORATION In Php 000s	**Audited**	
	2012	**2011**
Net Income	Php 98,020	Php 74,801
Return on Average Assets (ROA)	20.75%	17.14%
Return on Average Equity (ROE)	39.45%	32.82%
Capital to Total Assets	72.58%	81.38%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

Earnings per Share (EPS)	Php 196.04	Php 149.60

RCBC INTERNATIONAL FINANCE, LTD. And Subsidiary In Php 000s	**Audited**	
	2012	**2011**
Net Loss	Php (10,634)	Php (8,850)
Return on Average Assets (ROA)	(7.09%)	(5.13%)
Return on Average Equity (ROE)	(7.82%)	(5.74%)
Capital to Total Assets	91.37%	78.87%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php (4.25)	Php (3.54)

RCBC NORTH AMERICA, INC. In Php 000s	**Audited**	
	2012	**2011**
Net Income (Loss)	Php 12,086	Php (51,253)
Return on Average Assets (ROA)	7.70%	(30.15%)
Return on Average Equity (ROE)	35.31%	(133.10%)
Capital to Total Assets	27.96%	15.69%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share	Php 276.40	Php (1,172.11)

RCBC TELEMONEY EUROPE S.P.A In Php 000s	**Audited**	
	2012	**2011**
Net Income (Loss)	Php (61,592)	Php 6,929
Return on Average Assets (ROA)	(27.36%)	2.15%
Return on Average Equity (ROE)	(530.67%)	14.35%
Capital to Total Assets	(15.60%)	23.58%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share (EPS)	Php (102.65)	Php 11.55

BANKARD, INC. In Php 000s	**Audited**	
	2012	**2011**
Net Income	Php 114,125	Php 118,435
Return on Average Assets (ROA)	10.68%	12.96%
Return on Average Equity (ROE)	11.70%	14.16%
Capital to Total Assets	91.35%	91.97%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.06%	0.13%
Earnings per Share (EPS)	Php 0.07	Php 0.08

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	**Audited**	
	2012	**2011**
Net Loss	Php (92,540)	Php (43,004)
Return on Average Assets (ROA)	(25.88%)	(6.91%)
Return on Average Equity (ROE)	(160.13%)	(139.61%)
Capital to Total Assets	(44.49%)	(4.12%)
Non-Performing Loans (NPL) Ratio	99.49%	81.91%
Non-Performing Assets (NPA) Ratio	113.31%	61.78%
Loss per Share (EPS)	Php (83.40)	Php (38.76)

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Audited	
	2012	2011
Net Income	Php 29,154	Php 132,793
Return on Average Assets (ROA)	8.60%	39.21%
Return on Average Equity (ROE)	8.92%	46.35%
Capital to Total Assets	98.11%	97.21%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 20.96	Php 95.47

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Audited	
	2012	2011
Net Income (Loss)	Php (92,279)	Php 39,452
Return on Average Assets (ROA)	(0.11%)	1.33%
Return on Average Equity (ROE)	(0.91%)	8.72%
Capital to Total Assets	16.48%	15.24%
Non-Performing Loans (NPL) Ratio	25.56%	16.60%
Non-Performing Assets (NPA) Ratio	19.46%	15.60%
Earnings (Loss) per Share (EPS)	Php (0.32)	Php 0.14

Notes to the Computations:

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

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

3. *NPL ratio is determined by using the following formula: (Total NPLs net of NPLs fully covered by allowance for losses) / (Total loan portfolio net of NPLs fully covered by allowance for losses).*

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

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

2013

Philippine GDP growth in 2013:+7.2%, the highest in three years and among the fastest in Asia, after +6.8% in 2012. It is slightly above the government's target of 6%-7% for the year and already way above the average of +4.7% posted from 1999 to 2012.

In terms of industrial origin, major factors that contributed to the faster Philippine economic growth in 2013 are: Industry (32.7% of GDP) at +9.5%, after +6.8% in 2012 due to stronger growth in manufacturing; services (56.8% of GDP) at 7.1%, slower against +7.6% in 2012.

In terms of expenditure shares, the major Philippine economic growth contributors in 2013 are: Investments (20.4% of GDP) at +18.2%, after -3.2% in 2012; gov't. spending (10.5% of GDP) +8.6%, vs. +12.2% in 2012; consumer spending (69.4% of GDP) at +5.6%, vs. +6.6% in 2012.

Philippine GNP growth (2013): +7.5%, after +6.5% in 2012.

Despite huge natural calamities in 2013 (earthquake and Super Typhoon Yolanda that both hit Central Philippines), Philippine economic growth remained resilient, partly supported by the continued growth in OFW remittances, sustained strong growth in business process outsourcing (BPO) industry, interest rates that posted new record lows for the year and reduced borrowing/financing costs, continued growth in tourism, increased infrastructure spending.

The global economic growth remained on a recovery mode. The recent pick up in the US economy, the world's largest, warranted the reduction of the Federal Reserve's asset purchases/economic stimulus. The Euro zone already exited from recession. China, the world's second biggest economy, posted a GDP growth of 7.7% in 2013, the slowest since 1999, but remained relatively higher compared to other major global economies. Japan, the world's third largest economy, picked up after coming up with a record economic stimulus package.

Inflation averaged 3.0% in 2013, slightly slower vs. 3.2% in 2012, considered relatively low/benign and at the lower range of the 3%-5% target of the Bangko Sentral ng Pilipinas (BSP).

The 91-Day Treasury Bill Rate ended 2013 at a record low of 0.001%, vs. 0.198% in end-2012. Philippine interest rates mostly reached new record lows again in 2013 amid huge amounts of excess peso liquidity in the financial system partly driven by increased foreign portfolio investments/hot money, stronger economic growth, and relatively benign inflation.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, also reached new record lows in 2013, with short-term tenors ending the year below 1% (near zero) for the second straight year. The 3-month PDST-F yield was steady at 0.49% as of end-2013.

The BSP kept its key overnight interest rate at record low in 2013: 3.50% for its key overnight borrowing rate. The BSP cut its SDA rate in 2013 by a total of -1.50 percentage points to 2.00%.

The low interest rate environment was also supported by relatively narrow Budget Deficit, which stood at –PHP111.5 billion from Jan.-Nov. 2013, after –PHP242.8 billion (or -2.3% of GDP) in 2012 due to higher government revenues despite some pick up in government spending compared to 2012.

National government debt (as of end-2013): +4.5% to PHP5.681 trillion (49.2% of GDP, better vs. 51.5% in 2012), reflecting the country's improved fiscal performance and credit ratings.

The Peso Exchange Rate depreciated vs. the US dollar in 2013, by 3.345 pesos or 8.1% to close at 44.395 in end-2013, among the weakest in more than three years, vs. 41.05 in end-2012.

Gross International Reserves (GIR) as of end-2013: -US$0.6bn or -0.8% to US$83.2 billion or equivalent to 11.9 months worth of imports or nearly three times the international standard of four months.

OFW remittances (2013): +6.4% to US$22.8 billion (8.4% of GDP), after +6.3% growth in 2012.

BPO revenues (2013): +15% to US$13.3 billion (4.9% of GDP).

Net foreign portfolio investments (2013): +US$4.2 billion, after +US$4.7 billion in 2012.

Balance of payments surplus (2013): +US$5.1 billion (+1.9% of GDP), lowest since 2009, narrower vs. +US$9.2 billion in 2012.

OFW remittances, BPO revenues and foreign tourist revenues continued to support consumer spending, which accounted for about 69.4% of the Philippine economy in 2013. Additional OFW, BPO, and tourism jobs partly caused unemployment rate in 2013 to improve to 6.5% from 7.0% in 2012.

Exports (2013): +3.6% to US$54 billion, slower vs. +7.9% in 2012. Imports (2013): -0.7% to US$61.7 billion, vs. +2.7% in 2012. Consequently, Trade Deficit in 2013 narrowed to –US$7.7 billion, vs. –US$10 billion for 2012.

Foreign tourist arrivals in 2013: +9.6% to 4.680 million, after +9.1% growth in 2012. Foreign tourist revenues (2013): +15.1% to US$4.4 billion, after +27.5% growth in 2012.

Net foreign direct investments (Jan.-Nov. 2013): +36.6% year-on-year to US$3.6bn.

Universal/Commercial bank loans (as of end-2013): +16.4% year-on-year to PHP3.777 trillion, slightly faster vs. +16.2% as of end-2012.

Gross non-performing loan (NPL) ratio of universal/commercial banks (as of end-2013): 2.1%.

Domestic liquidity/M3 growth (as of end-2013): +32.7% to PHP6.9tn, more than three times compared to +8.9% in 2012, after the BSP required Investment Management Accounts (IMAs) to exit from its SDA facility by end-Nov. 2013.

The Philippine Stock Exchange Composite Index (PSEi) went up by +1.3% in 2013, to close at 5,889.83, after +33% in 2012.

The major global credit rating agencies have given the Philippines investment grade rating for the first time ever in 2013: Moody's Investors Service on Oct. 3 (with positive outlook, which indicates possible credit rating upgrade for the country), S&P on May 2 (with stable outlook), and Fitch on Mar. 27 (with stable outlook). Consequently, this reflects strong vote of confidence on the Philippines, as a testament to the country's improved economic fundamentals.

Financial and Operating Highlights

RCBC's Total Assets expanded by 16.11% or P58.530 billion to P421.869 billion while Total Capital Funds went up by 6.28% or P2.646 billion to P44.808 billion. Loans and Receivables, net grew robustly by 24.65% or P47.057 billion from P190.903 billion to P237.960 billion. Net Income reached P5.321 billion while Gross Operating Income reached P23.121 billion. Non-Interest Income declined by 13.51% or P1.532 billion from P11.342 billion to P9.810 billion mainly due to lower trading and securities gains. Operating expenses growth was controlled at 6.76% or P917 million from P13.557 billion to P14.474 billion. Despite pressures on margins due to intense pricing competition and low interest rate environment, Net Interest Income rose by 16.74% or P1.909 billion to P13.311 billion resulting to a NIM of 4.22%, one of the highest in the sector.

BALANCE SHEET			
In Million Pesos	**2013**	**2012***	**2011***
Total Assets	421,869	363,339	343,786
Investment Securities	92,700	95,179	87,728
Loans and Receivables (Net)	237,960	190,903	186,192
Capital Funds	44,808	42,162	36,146

*As Restated

Aside from loans and receivables, the increase in total assets was also driven by the growth in due from other banks, bank premises, furniture, fixtures, & equipment, other resources, and due from Bangko Sentral ng Pilipinas.

Cash and other cash items increased by 4.75% or P446 million from P9.380 billion to P9.826 billion. Due from Bangko Sentral ng Pilipinas, representing 12.44% of total resources, went up by 43.34% or P15.871 billion from P36.620 billion to P52.491 billion. Due from other banks,

likewise, increased by 28.20% or P1.658 billion from P5.879 billion to P7.537 billion. Total investment securities reached P92.700 billion and represented 21.97% of total resources.
Total net loans and other receivables stood at P237.960 billion accounting for 56.41% of total resources.

Investments in associates, dropped significantly by 91.56% or P3.613 billion from P3.946 billion to P333 million mainly due to the sale of the Bank's 25% and 49% stakes in RCBC Realty and RCBC Land, respectively.

Bank premises, furniture, fixtures and equipment posted a 17.41% increase or P1.307 billion from P7.507 billion to P8.814 billion due to investments in computer equipment and in the core banking technology, construction cost of RSB Corporate Center building, and branch expansion.

In 2013, the Bank opened fifteen (15) new business centers and extension offices and deployed one hundred forty (140) new ATMs.

Investment properties (net) decreased by 32.50% or P2.205 billion from P6.784 billion to P4.579 billion mainly as a result of the sale of non-performing assets to Phil. Asset Growth One, Inc. in February 2013. Other resources (net) increased by 6.83% or P488 million from P7.141 billion to P7.629 billion due to margin deposits on derivative transactions and acquisition of software.

Deposit liabilities expanded by 20.71% or P51.096 billion from P246.757 billion to P297.853 billion and accounted for 70.60% of total resources. Demand deposits rose significantly by 169.19% or P17.880 billion from P10.568 billion to P28.448 billion while savings deposits increased by 20.54% or P26.763 billion from P130.302 billion to P157.065 and accounted for 37.23% of total resources. Time deposits, likewise, increased modestly by 6.09% or P6.453 billion from P105.887 billion to P112.340 billion and represented 26.63% of total resources.

Owing to higher foreign currency denominated borrowings for this period, bills payable climbed 51.19% or P13.508 billion from P26.387 billion to P39.895 billion and accounted for 9.46% of total resources. Bonds payable, on the other hand, which represented 5.53% of total resources, increased by 8.18% or P1.764 billion from P21.553 billion to P23.317 billion due to revaluation of US dollar denominated Senior Notes. The peso dollar exchange rate closed at P44.40 at end-December 2013, 8.16% weaker than the P41.05 at end-December 2012.

Other liabilities were at P11.459 billion from P10.980 billion brought about by increases in accounts payable, bills purchase-contra account, and import bills under usance.

Subordinated debt was fully paid as a result of the exercise of the Call Option in February 2013 on the P7.0 billion Unsecured Subordinated Notes with an original maturity date of February 22, 2018 and the exercise of the Call Option in December 2013 on the P4.0 billion Unsecured Subordinated Notes with an original maturity date of May 15, 2019.

Total liabilities amounted to P377.061 billion, 17.40% or P55.884 billion higher from P321.177 billion in 2012 and accounted for 89.38% of total resources.

Common stock increased by 11.82% or P1.348 billion from P11.409 billion to P12.757 billion arising from the top-up share placement of 63.65 million shares and IFC capital infusion of 71.15 million shares. Consequently, Capital paid in excess of par also increased by 71.84% or P6.751 billion from P9.397 billion to P16.148 billion.

Fair value losses on AFS amounted to P5.005 billion from fair value gains of 3.145 billion primarily due to the sharp increase in interest rates leading to the depreciation of AFS securities.

Accumulated translation adjustment increased by 5.56% or P4 million from P72 million to P76 million while reserve for trust business also went up 5.78% or P19 million from P329 million to

P348 million. Other reserves rose 14.55% or P48 million from negative P330 million to negative P282 million as a result of the disposition of investment in Bankard, Inc. and redemption of RSB's investments in various Special Purpose Companies (SPCs). Retained earnings grew 26.87% or P3.406 billion from P12.676 billion to P16.082 billion driven by the P5.321 billion net profits generated for the year partially offset by dividends paid. Non-controlling interest declined by 23.33% or P7 million from P30 million to P23 million. The Bank's capital, excluding non-controlling interest, reached P44.808 billion, 6.28% or P2.646 billion higher from P42.162 billion in 2012 and accounted for 10.62% of total resources.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2013**	**2012***	**2011***
Interest Income	18,824	18,757	17,020
Interest Expense	5,513	7,355	6,176
Net Interest Income	13,311	11,402	10,844
Other Operating Income	9,810	11,342	10,092
Impairment Losses	2,054	2,486	2,538
Operating Expenses	14,474	13,557	12,396
Net Income attributable to Parent Company Shareholders	5,321	5,949	5,061

**As restated*

Total interest income reached P18.824 billion and accounted for 81.42% of total operating income. Interest income from loans and receivables amounted to P14.302 billion and accounted for 61.86% of total operating income. Other interest income increased by 47.75% or P85 million from P178 million to P263 million primarily due to higher interest income from SDA. Interest income from investment securities went down by 10.07% or P477 million from P4.736 billion to P4.259 billion and accounted for 18.42% of total operating income.

Total interest expense decreased by 25.04% or P1.842 billion from P7.355 billion to P5.513 billion owing to lower cost of deposits, which went down by 37.54% or P1.612 billion from P4.294 billion to P2.682 billion. Interest expense from bills payable and other borrowings also went down by 7.51% or P230 million from P3.061 billion to P2.831 billion. As a result, net interest income grew 16.74% or P1.909 billion from P11.402 billion to P13.311 billion and accounted for 57.57% of total operating income.

Provisioning for impairment losses declined by 17.38% or P432 million from P2.486 billion to P2.054 billion and represented 8.88% of total operating income.

Other operating income of P9.810 billion accounted for 42.43% of total operating income and is broken down as follows:

- Trading and securities gain-net was lower by 61.79% or P4.204 billion from P6.804 billion to P2.600 billion due to volatility in global financial markets caused by signals from the US Federal Reserve about the possibility of tapering its bond purchases / economic stimulus.
- Trust fees reached P304 million
- Service fees and commissions expanded by 15.29% or P318 million from P2.080 billion to P2.398 billion
- Foreign exchange gains net went up by 34.69% or P68 million from P196 million to P264 million
- Miscellaneous income increased dramatically by 115.54% or P2.275 billion from P1.969 billion to P4.244 billion due to gains on asset disposal and sale of equity investments and higher income from Bancassurance and other fees.

Operating expenses modestly increased by 6.76% or P917 million from P13.557 billion to P14.474 billion and consumed 62.60% of total operating income.

- Depreciation and amortization increased by 18.31% or P204 million from P1.114 billion to P1.318 billion as a result of the Bank's investments in technology and the setting up of additional and renovation of existing banking channels
- Miscellaneous expenses stood at P5.172 billion, up by 10.16% or P477 million from P4.695 billion mainly due to business expansion
- Occupancy and equipment-related costs grew 5.33% or P121 million from P2.269 billion to P2.390 billion due to the opening of new branches, deployment of offsite ATMs and escalation on rental of existing branches and offices.
- Taxes and licenses went up by 4.91% or P80 million from P1.628 billion to P1.708 billion owing to GRT on the gain realized on sale of RCBC Realty and RCBC Land, and on higher services fees and commissions
- Manpower costs reached P3.886 billion and accounted for 16.81% of total operating income

Provision for tax expense climbed 68.99% or P504 million from P745 million to P1.259 billion mainly due to the final tax related to the sale of RCBC Realty and RCBC Land.

Income attributable to non-controlling interest reached P13 million from P7 million posted during the same period last year.

Despite the drop in Net Income, RCBC still posted a remarkable performance in 2013 as Gross Income, excluding the cyclical trading gains, increased by 28.74% to P20.521 billion. This just reflects management's firm commitment to its strategic objectives of strengthening the core businesses as the primary source of recurring income.

Riding on this thrust, the Bank aims to continue growing its client base by a million a year through expansion in the Bank's distribution and electronic banking channels, brand-building, and introduction of innovative products and services. The Bank will continue to cater to the country's middle class and overseas Filipino workers in the remittance business and give special focus on the growing micro, small, and medium enterprises (MSMEs), and consumer segment. The Bank will also leverage on its tie-ups with various Japanese and other Asian banks to support the business expansion of their SMEs operating here in the country. It will continue to hire more young, dedicated, and competent people and train its existing personnel.

RCBC continues to be in the market for well-managed mid-sized commercial banks and thrift banks which will enable it to increase its asset base, distribution network, and customer reach in a more cost-efficient manner.

For 2013, there were no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having within the next twelve (12) months any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		**Parent**	
	2013	**2012***	**2013**	**2012***
Return on Average Assets (ROA)	1.39%	1.70%	1.49%	1.59%
Return on Average Equity (ROE)	12.18%	16.07%	12.96%	15.64%

BIS Capital Adequacy Ratio (CAR)	16.52%	17.61%	15.10%	15.99%
Non-Performing Loans (NPL) Ratio	1.07%	1.85%	0.51%	0.98%
Non-Performing Assets (NPA) Ratio	2.17%	3.53%	0.98%	2.00%
Net Interest Margin (NIM)	4.22%	3.93%	3.75%	3.44%
Cost-to-Income Ratio	61.21%	59.61%	57.22%	58.14%
Loans-to-Deposit Ratio	72.21%	77.20%	68.55%	75.39%
Current Ratio	0.42	0.45	0.50	0.46
Liquid Assets-to-Total Assets Ratio	0.43	0.42	0.46	0.43
Debt-to-Equity Ratio	8.42	7.62	8.07	7.40
Asset-to- Equity Ratio	9.42	8.62	9.07	8.40
Asset -to- Liability Ratio	1.12	1.13	1.12	1.14
Interest Rate Coverage Ratio	2.20	1.91	2.26	1.85
Earnings per Share (EPS)				
Basic	Php 3.95	Php 4.85	Php 3.52	Php 3.77
Diluted	Php 3.95	Php 4.85	Php 3.52	Php 3.77

**As restated*

Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK In Php 000s	**Audited**	
	2013	**2012**
Net Income	Php 1,212,543	Php 1,137,192
Return on Average Assets (ROA)	1.88%	1.92%
Return on Average Equity (ROE)	16.06%	15.10%
BIS Capital Adequacy Ratio (CAR)	16.63%	14.94%
Non-Performing Loans (NPL) Ratio	2.17%	3.97%
Non-Performing Assets (NPA) Ratio	7.06%	9.64%
Earnings per Share (EPS)	Php 39.28	Php 36.84

MERCHANTS BANK In Php 000s	**Audited**	
	2013	**2012**
Net Loss	Php (56,319)	Php (125,004)
Return on Average Assets (ROA)	(6.51%)	(13.51%)
Return on Average Equity (ROE)	(10.65%)	(19.85%)
BIS Capital Adequacy Ratio (CAR)	69.79%	98.57%
Non-Performing Loans (NPL) Ratio	(0.15%)	0.22%
Non-Performing Assets (NPA) Ratio	1.49%	3.62%
Earnings per Share (EPS)	Php (6.43)	Php (14.26)

RCBC CAPITAL CORPORATION and Subsidiary In Php 000s	**Audited**	
	2013	**2012**
Net Income	Php 438,637	Php 432,942
Return on Average Assets (ROA)	8.29%	9.14%
Return on Average Equity (ROE)	11.02%	12.10%
BIS Capital Adequacy Ratio (CAR)	49.00%	50.79%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.21%	0.18%
Earnings per Share (EPS)	Php 3.71	Php 3.66

RCBC FOREX BROKERS CORPORATION In Php 000s	**Audited**	
	2013	**2012**
Net Income	Php 76,829	Php 98,020

Return on Average Assets (ROA)	16.98%	20.75%
Return on Average Equity (ROE)	34.14%	39.45%
Capital to Total Assets	42.47%	72.58%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 153.66	Php 196.04

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary In Php 000s	**Unaudited**	
	2013	**2012**
Net Loss	Php (5,384)	Php (10,634)
Return on Average Assets (ROA)	(3.97%)	(7.09%)
Return on Average Equity (ROE)	(4.09%)	(7.82%)
Capital to Total Assets	100.87%	91.37%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php (2.15)	Php (4.25)

RCBC NORTH AMERICA, INC. In Php 000s	**Unaudited**	
	2013	**2012**
Net Income (Loss)	Php (22,198)	Php 12,086
Return on Average Assets (ROA)	(18.94%)	7.70%
Return on Average Equity (ROE)	(64.33%)	35.31%
Capital to Total Assets	39.36%	27.96%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share	Php (507.66)	Php 276.40

RCBC TELEMONEY EUROPE S.P.A In Php 000s	**Unaudited**	
	2013	**2012**
Net Income (Loss)	Php (15,317)	Php (61,592)
Return on Average Assets (ROA)	(4.99%)	(27.36%)
Return on Average Equity (ROE)	(135.93%)	(530.67%)
Capital to Total Assets	13.04%	(15.60%)
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings (Loss) per Share (EPS)	Php (25.53)	Php (102.65)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	**Audited**	
	2013	**2012**
Net Loss	Php 2,873	Php (92,540)
Return on Average Assets (ROA)	1.10%	(25.88%)
Return on Average Equity (ROE)	(2.52%)	(160.13%)
Capital to Total Assets	(47.64%)	(44.49%)
Non-Performing Loans (NPL) Ratio	40.03%	99.49%
Non-Performing Assets (NPA) Ratio	59.72%	113.31%
Loss per Share (EPS)	Php 2.59	Php (83.40)

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	**Audited**	
	2013	**2012**
Net Income	Php 20,391	Php 29,154
Return on Average Assets (ROA)	5.88%	8.60%
Return on Average Equity (ROE)	6.00%	8.92%

Capital to Total Assets	98.97%	98.11%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 14.66	Php 20.96

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	**Audited**	
	2013	**2012**
Net Income (Loss)	Php 17,147	Php (92,279)
Return on Average Assets (ROA)	0.45%	(0.11%)
Return on Average Equity (ROE)	3.24%	(0.91%)
Capital to Total Assets	13.31%	16.48%
Non-Performing Loans (NPL) Ratio	22.92%	25.56%
Non-Performing Assets (NPA) Ratio	17.79%	19.46%
Earnings (Loss) per Share (EPS)	Php 0.06	Php (0.32)

Notes to the Computations:

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

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

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

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

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

2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Philippine Stock Exchange Composite Index (PSEi): +22.8% in 2014, to close at 7,230.57, significantly better than +1.3% in 2013. It reached a record high of 7,413.62 on September 25, 2014. This reflects the country's improved economic fundamentals that resulted to better corporate earnings amid relatively low interest rates.
The foreign tourist arrivals growth in 2014 slowed down at 3.2% to 4.833 million, compared to the 9.6% growth in 2013. Foreign tourist revenues grew by 10% to US$4.84 billion.

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

Financial and Operating Highlights

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

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

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

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

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

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

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

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

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

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

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

Income Statement

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

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

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

The Bank boosted its reserve cover with impairment losses higher by 22.15% or P455 million from P2.054 billion to P2.509 billion and represented 11.37% of total operating income.
Other operating income of P7.102 billion accounted for 32.18% of total operating income and is broken down as follows:

- Trading and securities gain-net reached P2.545 billion and accounted for 11.53% of total operating income
- Service fees and commissions reached P2.297 billion and accounted for 10.41% of total operating income
- Foreign exchange gains reached P237 million while Trust fees reached P297 million

- Miscellaneous income decreased by 59.33% or P2.518 billion from P4.244 billion to P1.726 billion mainly due to the extra-ordinary gains on sale of NPAs and equity investments recorded in 2013

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

- Depreciation and amortization increased by 19.65% or P259 million from P1.318 billion to P1.577 billion as a result of the Bank's investments in technology and setting up of additional and renovation of existing banking channels as well as the depreciation of the RSB Corporate Center
- Taxes and licenses went down by 14.34% or P245 million from P1.708 billion to P1.463 billion due to lower gross income and higher taxes and license in 2013 coming from the GRT on the gains realized on the sale of RCBC Realty and RCBC Land
- Miscellaneous expenses decreased by 10.98% or P568 million from P5.172 billion to P4.604 billion due to lower litigation expenses related to foreclosed assets, stationery and office supplies expense, advertising expense, and other credit card-related expenses
- Occupancy and equipment-related costs increased by 5.77% or P138 million from P2.390 billion to P2.528 billion due to the opening of new branches, deployment of offsite ATMs and escalation on rental of existing branches and offices.
- Manpower costs reached P4.064 billion and consumed 18.41% of total operating income

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

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

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

For 2015, there are no known trends, demands, commitments, events or uncertainties that would have a material impact on the Bank's liquidity. The Bank does not anticipate having any cash flow or liquidity problems within the next twelve (12) months. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. Further, there are no trade payables that have not been paid within the stated terms.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		**Parent**	
	2014	**2013**	**2014**	**2013**
Return on Average Assets (ROA)	1.04%	1.39%	1.27%	1.49%
Return on Average Equity (ROE)	9.23%	12.18%	10.80%	12.96%

BIS Capital Adequacy Ratio (CAR)	15.37%	16.52%	14.93%	15.10%
Non-Performing Loans (NPL) Ratio	0.90%	1.07%	0.24%	0.51%
Non-Performing Assets (NPA) Ratio	1.72%	2.10%	0.47%	1.02%
Net Interest Margin (NIM)	4.30%	4.22%	3.71%	3.75%
Cost-to-Income Ratio	64.51%	61.21%	59.70%	57.22%
Loans-to-Deposit Ratio	82.19%	72.21%	82.09%	68.55%
Current Ratio	0.49	0.42	0.48	0.50
Liquid Assets-to-Total Assets Ratio	0.21	0.43	0.21	0.46
Debt-to-Equity Ratio	7.62	8.42	7.07	8.07
Asset-to- Equity Ratio	8.62	9.42	8.07	9.07
Asset -to- Liability Ratio	1.13	1.12	1.14	1.12
Interest Rate Coverage Ratio	2.02	2.20	2.16	2.27
Earnings per Share (EPS)				
Basic	Php 3.11	Php 3.95	Php 3.17	Php 3.52
Diluted	Php 3.11	Php 3.95	Php 3.17	Php 3.52

Wholly-Owned/Majority Owned Subsidiaries

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

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

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

RCBC FOREX BROKERS CORPORATION In Php 000s	**Audited**	
	2014	**2013**
Net Income	Php 76,149	Php 76,829
Return on Average Assets (ROA)	16.15%	16.98%

Return on Average Equity (ROE)	33.94%	34.14%
Capital to Total Assets	62.32%	42.47%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 152.30	Php 153.66

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

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

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

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

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	**Audited**	
	2014	**2013**
Net Income	Php 27,309	Php 20,391
Return on Average Assets (ROA)	3.36%	5.88%
Return on Average Equity (ROE)	3.45%	6.00%
Capital to Total Assets	94.63%	98.97%

Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 19.63	Php 14.66

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

Notes to the Computations:

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

2. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used. BIS Capital Adequacy Ratio as of December 31, 2013 was computed based on Basel 2 while BIS Capital Adequacy Ratio as of December 31, 2014 is based on Basel 3.*

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

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

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

<u>Key Variable and Other Qualitative and Quantitative Factors</u>

Plans for 2015

Expanding the core business lines will continue to be the main thrust of the Bank for 2015. SME and consumer loans will remain as the main drivers of loan growth while corporate loans are expected to get a boost from the infrastructure and power projects of the Philippine government. Microfinance lending will continue to grow especially in the Mindanao region.

The Bank aims to increase its fee-based income from corporate, consumer and investment banking businesses; wealth management; trust; retail banking; remittance; cash management and bancassurance products; and credit card business. The Bank plans to increase deposit volume by growing its number of customers through various initiatives across different segments. Specifically, the Bank aims to increase customers transacting through electronic channels, aggressively target retail depositors by offering ATM-based products, and offer cash management products and services to business enterprises. Moreover, the BSP granted the

Bank 50 licenses to open new branches in previously restricted zones in Metro Manila which will further aid in expanding customer reach.

The Bank intends to capitalize on the various alliances forged with several Japanese and Chinese banks by offering products and services to multinational corporate clients while expanding capabilities with the transfer of technologies and best practices. The expected entry of Cathay Life Insurance as a strategic investor hopes to contribute significant value-add to the Bank in the areas of capital, consumer banking, wealth management, digital banking, cross-selling, and corporate relationships across Cathay Financial's network across Taiwan, Greater China, and ASEAN.

Lastly, strong focus will be given to building a strong consumer franchise inclusive of a large consumer credit portfolio by capitalizing on the branch network through a much refined branch referral incentive program.

Notes to Financial Statements of March 31, 2014

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

In compliance with SEC Memorandum Circular No. 6 Series of 2013, starting with the period ended June 30, 2013, the Bank has recognized in its financial statements the impact of the following applicable Philippine Reporting Financial Standards (PFRS) enumerated in the Memorandum Circular.

PAS 27 (Amended): *Separate Financial Statements*
PAS 28 (Amended): *Investments in Associates and Joint Ventures*
Amendment to PFRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*
PFRS 10: *Consolidated Financial Statements*
PFRS 11: *Joint Arrangements*
PFRS 12: *Disclosure of Interests in Other Entities*
PFRS 13: *Fair Value Measurement*

Early Adoption of PFRS 9. On July 28, 2014, RCBC's Board of Directors (BOD) approved the early adoption of PFRS 9 *Financial Instruments* (2009, 2010 and 2013 versions) subject to favorable outcome of an in-depth analysis. After completion of such analysis, the BOD, in its meeting held last October 27, 2014, gave its approval to finally proceed with the early adoption of PFRS 9. The BOD also approved the Business Models developed by the Bank to document the strategies in managing its portfolio of financial instruments.

The Bank's subsidiaries aligned their policies with the Parent Bank and also early adopted PFRS 9. The Bank and its subsidiaries (the Group) chose January 1, 2014 as the date of initial application.

The actual entries on PFRS 9 adoption were reflected in December 2014 as required by BSP Circular No. 708 and amended by BSP Circular Nos. 733 and 761. As required by PAS 34 *Interim Financial Reporting*, the comparative 2014 financial statements have been restated to reflect the balances under PFRS 9.

In February 2015, the Bank sold certain dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of Php 35.04 billion. The disposal resulted in a gain of Php1.48 billion, which is presented under Trading and securities gain in the statement of profit or loss. The sale was made in order to fund capital expenditures related to the Bank's purchase of branch licenses this year and to immediately replenish regulatory capital as the purchase will result to a reduction in the Bank's capital position. The Bank concluded that the sale is permitted by PFRS 9 and BSP Circular 708 and that there are no changes in its business models for managing financial assets to collect contractual cash flows.

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

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

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

Issuances, Repurchases and Repayments of Debt and Equity Securities. On January 21, 2015, the Bank successfully raised $200 million worth of 5-year senior unsecured fixed-rate notes off its $1.0 billion EMTN Programme. The notes carried a coupon and yield of 4.25% and maturity of January 22, 2020. On February 10,2015, the Bank issued another $43 million with a coupon and yield of 4.25% under the same EMTN Programme.

Dividends Paid for Ordinary or Other Shares. In its meeting held on April 27,2015, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.05667 per share, or a total of approximately P19 thousand payable to holders of Preferred Class shares, subject to the approval by the Bangko Sentral ng Pilipinas.

In its meeting held on March 30, 2015, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.60 per share, or a total of approximately P840.14 million payable to holders of Common Class shares, and a total of approximately P203 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral on May 13, 2015 and to be paid on June 10, 2015.

In its meeting held on January 26, 2015, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.05630 per share, or a total of approximately P18 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral on March 20, 2015 and paid on March 27, 2015.

In its meeting held on October 27, 2014, the Board of Directors approved the declaration and payment of cash dividends, which was approved by Bangko Sentral on March 20, 2014, amounting to P218.608 million to holders of Hybrid Tier 1 securities and paid on April 27, 2015. The Board also approved the declaration and payment of cash dividends amounting to P215.570 million to be paid to holders of Hybrid Tier 1 securities on October 27, 2015, subject to the final approval by the Bangko Sentral ng Pilipinas. The Board also approved the declaration and payment of cash dividends to holders of Preferred Class shares amounting to P0.05640 per share or P19 thousand which was approved by the Bangko Sentral on December 19, 2014 and paid on January 28, 2015.

The details of the 2015 cash dividend approvals and distributions for the first quarter of 2015 are as follows (amounts in Thousand Php except per share figures):

Date Declared	Dividend		Date Approved by the BSP	Date Paid / Payable	Nature of Securities
	Per Share	Total Amount			
October 29, 2013	P 0.05686	P 19	January 13, 2014	January 15, 2014	Preferred stock
October 29, 2013	*	P 224,014	February 25, 2014	April 27, 2014	Hybrid Tier 1
October 29, 2013	*	P 215,000	pending	October 27, 2014	Hybrid Tier 1
January 27, 2014	P 0.05615	P 19	February 25, 2014	March 27, 2014	Preferred Stock

March 31, 2014	P 1.00	P 1,275,659	May 23, 2014	June 16, 2014	Common Stock
March 31, 2014	P 1.00	P 342	May 23, 2014	June 16, 2014	Preferred Stock
April 28, 2014	P 0.05700	P 19	July 25, 2014	July 30, 2014	Preferred Stock
July 28, 2014	P 0.05364	P 19	September 15, 2014	October 10, 2014	Preferred Stock
October 27, 2014	P 0.05640	P 19	December 19, 2014	January 28, 2015	Preferred Stock
October 27, 2014	*	P 218,608	March 20, 2015	April 27, 2015	Hybrid Tier 1
October 27, 2014	*	P 215,570	Pending	October 27, 2015	Hybrid Tier 1
January 26, 2015	P0.05630	P 18	March 20, 2015	March 27, 2015	Preferred Stock
March 30, 2015	P 0.60	P 840,144	May 13, 2015	June 10, 2015	Common Stock
March 30, 2015	P 0.60	P 203	May 13, 2015	June 10, 2015	Preferred Stock
April 27, 2015	P 0.05667	P 19	Pending	Pending	Preferred Stock

Segment Information. The following table presents revenues and expenses of the Parent Company that are directly attributable to primary business segments for the period ended March 31, 2015 (in millions).

RESULTS OF OPERATIONS					
	Retail Banking Group	**Corporate Banking Group**	**Treasury / Trust**	**Others**	**Total**
Net interest income	1,212	1,526	(121)	(320)	2,297
Non-interest income	600	391	1,641	36	2,669
Total revenue	1,812	1,917	1,520	(284)	4,966
Non-interest expense	1,514	805	205	711	3,235
Income tax	298	1,112	1,315	(995)	1,731
Income tax provision				128	128
Net income (loss)	298	1,112	1,315	(1,123)	1,602

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements. Rizal Commercial Banking Corporation and Cathay Life Insurance Corp, a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. closed the equity investment deal for a 20% stake in RCBC on April 20, 2015.

The key terms of the transaction involves the subscription of primary shares (124,242,272) and the purchase of shares from CVC (119,033,590 shares) and IFC (36,724,138) all at Php 64.00 per share.

The strategic investment by Cathay Life, raises Php 7.95 billion of new Core Equity Tier 1 ("CET 1") capital for the Bank, is part of RCBC's current capital raising strategy in order to comply with the more stringent capital adequacy rules under the new Basel III framework and is expected to enable RCBC to be comfortably above the minimum CET1 requirements of the BSP. In addition, the proceeds from the investment will continue to support the continued growth of RCBC's loan book and increased expansion into the SME and Consumer segments to improve margins and risk diversification/actuarialization. The transaction is also in-line with Cathay's strategy to expand its business in ASEAN.

Changes in Composition of the Issuer During the Interim Period. During the interim period, there were no changes in the composition of the issuer including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations.

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

Material Contingencies and Any Other Events or Transactions. The Board of Directors, in its meeting held on 30 March 2015, approved the early redemption of the Bank's USD 100 Million 9.875% Non-Cumulative Step-up Perpetual Securities ("the Hybrid Tier 1 Notes") callable beginning 27 October 2016 under the exercise of a Regulatory Event Redemption. The early redemption is subject to Bangko Sentral ng Pilipinas approval and the terms and conditions of the Hybrid Tier 1 Notes.

Performance Indicators

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

	Consolidated		**Parent**	
	Unaudited	**Audited**	**Unaudited**	**Audited**
	March 31, 2015	**December 31, 2014**	**March 31, 2015**	**December 31, 2014**
Return on Average Assets (ROA)* [1/]	1.45%	1.04%	1.37%	1.27%
Return on Average Equity (ROE) *[2/]	12.43%	9.23%	10.93%	10.80%
BIS Capital Adequacy Ratio	15.38%	15.37%	14.95%	14.93%
Non-Performing Loans (NPL) Ratio [3/]	0.88%	0.90%	0.19%	0.24%
Non-Performing Assets (NPA) Ratio [4/]	1.71%	1.72%	0.38%	0.47%
Net Interest Margin (NIM)*	4.15%	4.30%	3.56%	3.71%
Cost-to-Income Ratio	57.20%	64.51%	55.57%	59.70%
Loans-to-Deposit Ratio	85.12%	82.19%	84.75%	82.09%
Current Ratio	0.42	0.49	0.45	0.48
Liquid Assets -to-Total Assets Ratio	0.21	0.21	0.22	0.21
Debt-to-Equity Ratio	7.13	7.62	6.62	7.07
Asset-to- Equity Ratio	8.13	8.62	7.62	8.07
Asset -to- Liability Ratio	1.14	1.13	1.15	1.14
Interest Rate Coverage Ratio	2.29	2.02	2.20	2.16
Earnings per share (EPS)* [5/]				
Basic and Diluted	Php 4.75	Php 3.11	Php 3.60	Php 3.17

** Annualized*

[1/] Average assets for the consolidated and parent ratios were computed based on the 4-month average of end of month balances of total assets. Unaudited net income for the 3-month period ended March 31, 2015 in the amount of P1.602 billion and P1.242 billion represented the consolidated and parent, respectively.

[2/] Average equity for the consolidated and parent ratios were, likewise, computed based on the 4-month average of end of month balances. Unaudited net income for the 3-month period ended March 31, 2015 in the amount of P1.602 billion and P1.242 billion represented the consolidated and parent, respectively.

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

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

[5/] Total weighted average number of issued and outstanding common shares (diluted) as of March 31, 2015 – 1,275,740,849 shares; as of December 31, 2014 – 1,275,740,796 shares.

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK **In Php 000s**	**Unaudited** **March 31, 2015**	**Audited** **December 31, 2014**
Net Income (Loss)	Php 194,063	Php 1,040,096
Return on Average Assets (ROA)*	0.98%	1.42%
Return on Average Equity (ROE)*	9.11%	13.80%
BIS Capital Adequacy Ratio (CAR)	14.56%	14.73%
Non-Performing Loans (NPL) Ratio	2.59%	2.57%
Non-Performing Assets (NPA) Ratio	6.71%	6.35%
Earnings per Share (EPS)*	Php 25.49	Php 33.69

RIZAL MICROBANK **In Php 000s**	**Unaudited** **March 31, 2015**	**Audited** **December 31, 2014**
Net Income (Loss)	Php (18,886)	Php (74,772)
Return on Average Assets (ROA)*	(9.07%)	(9.12%)
Return on Average Equity (ROE)*	(18.15%)	(16.47%)
BIS Capital Adequacy Ratio (CAR)	51.95%	56.99%
Non-Performing Loans (NPL) Ratio	0.89%	(0.61%)
Non-Performing Assets (NPA) Ratio	1.68%	1.19%
Loss per Share (EPS)*	Php (8.74)	Php (8.53)

RCBC CAPITAL CORPORATION and Subsidiaries **In Php 000s**	**Unaudited** **March 31, 2015**	**Audited** **December 31, 2014**
Net Income (Loss)	Php 155,632	Php 464,604
Return on Average Assets (ROA)*	13.87%	9.78%
Return on Average Equity (ROE)*	16.11%	11.79%
BIS Capital Adequacy Ratio (CAR)	30.16%	41.41%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.04%	0.05%
Earnings per Share (EPS)*	Php 5.34	Php 3.93

RCBC FOREX BROKERS CORPORATION **In Php 000s**	**Unaudited** **March 31, 2015**	**Audited** **December 31, 2014**
Net Income (Loss)	Php 19,155	Php 76,149
Return on Average Assets (ROA)*	16.23%	16.15%
Return on Average Equity (ROE)*	31.41%	33.94%
Capital to Total Assets Ratio	88.80%	62.32%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)*	Php 155.37	Php 152.30

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary **In Php 000s**	**Unaudited** **March 31, 2015**	**Audited** **December 31, 2014**
Net Income (Loss)	Php (767)	Php (4,367)
Return on Average Assets (ROA)*	(2.39%)	(3.25%)
Return on Average Equity (ROE)*	(2.48%)	(3.35%)
Capital to Total Assets Ratio	94.98%	97.24%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share (EPS)*	Php (1.24)	Php (1.75)

**Annualized*

RCBC NORTH AMERICA, INC. In Php 000s	Unaudited March 31, 2015	Audited December 31, 2014
Net Income (Loss)	Php (1,005)	Php (13,697)
Return on Average Assets (ROA)*	(59.99%)	(29.56%)
Return on Average Equity (ROE)*	(716.52%)	(133.52%)
Capital to Total Assets Ratio	(16.77)	(0.75%)
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share (EPS)*	Php (93.21)	Php (313.24)

RCBC TELEMONEY EUROPE S.P.A In Php 000s	Unaudited March 31, 2015	Audited December 31, 2014
Net Income (Loss)	Php (5,378)	Php 15,513
Return on Average Assets (ROA)*	(10.59%)	4.84%
Return on Average Equity (ROE)*	(523.90%)	500.92%
Capital to Total Assets Ratio	19.74%	(1.09%)
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share (EPS)*	Php (218.10)	Php 155.13

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	Unaudited March 31, 2015	Audited December 31, 2014
Net Income (Loss)	Php 897	Php 1,332
Return on Average Assets (ROA)*	1.57%	0.54%
Return on Average Equity (ROE)*	(3.26%)	(1.19%)
Capital to Total Assets Ratio	(48.91%)	(45.73%)
Non-Performing Loans (NPL) Ratio	39.39%	42.56%
Non-Performing Assets (NPA) Ratio	64.55%	58.02%
Earnings per Share (EPS)*	Php 0.02	Php 0.01

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Unaudited March 31, 2015	Audited December 31, 2014
Net Income (Loss)	Php 2,062	Php 27,309
Return on Average Assets (ROA)*	1.00%	3.36%
Return on Average Equity (ROE)*	1.06%	3.45%
Capital to Total Assets Ratio	93.92%	94.63%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)*	Php 6.01	Php 19.63

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Unaudited March 31, 2015	Audited December 31, 2014
Net Income (Loss)	Php 6,948	Php 24,456
Return on Average Assets (ROA)*	0.75%	0.63%
Return on Average Equity (ROE)*	5.29%	4.65%
Capital to Total Assets Ratio	13.97%	14.05%
Non-Performing Loans (NPL) Ratio	19.26%	19.70%
Non-Performing Assets (NPA) Ratio	17.66%	16.77%
Earnings per Share (EPS)*	Php 0.06	Php 0.05

** Annualized*

(C) Financial Statements

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

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)		(Unaudited) March 31 2015		(Audited) December 31, 2014
ASSETS				
Cash and Other Cash Items	**P**	**9,358**	P	13,085
Due From Bangko Sentral ng Pilipinas		**43,151**		46,099
Due From Other Banks		**22,923**		16,600
Investment Securities				
Financial Assets at Fair Value Through Profit or Loss		**12,569**		16,458
Financial Assets at Fair Value Through Other Comprehensive Income		**4,092**		4,537
Investment Securities At Amortized Cost		**64,410**		79,795
Loans and Receivables, net		**270,155**		261,574
Investments in Associates, net		**366**		321
Bank Premises, Furniture, Fixtures & Equipment, net		**6,986**		7,031
Investment Properties, net		**5,266**		5,355
Deferred Tax Assets, net		**64**		86
Other Resources, net		**7,852**		6,964
TOTAL RESOURCES	**P**	**447,192**	P	457,905
LIABILITIES AND CAPITAL FUNDS				
Deposit Liabilities				
Demand Deposits	**P**	**34,160**		32,197
Savings Deposits		**165,609**		164,269
Time Deposits		**116,093**		119,295
Total Deposit Liabilities		**315,862**		315,761
Bills Payable		**28,340**		39,799
Bonds Payable		**23,119**		23,486
Accrued Taxes, Interest and Other Expenses Payable		**4,298**		4,671
Other Liabilities		**10,632**		11,136
Subordinated Debt		**9,925**		9,921
TOTAL LIABILITIES		**392,176**		404,774
Capital Funds				

Attributable to Parent Company Shareholders:				
Preferred Stock		**3**		3
Common Stock		**12,757**		12,757
Hybrid Perpetual Securities		**4,883**		4,883
Capital Paid in Excess of Par		**16,147**		16,148
Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income		**1,114**		835
Remeasurement of Net Defined Benefits		**(227)**		(224)
Cumulative Translation Adjustment		**78**		71
Reserve for Trust Business		**366**		366
Other Reserves		**(97)**		(97)
Surplus		**19,969**		18,367
		54,993		53,109
Non-controlling Interest		**23**		22
TOTAL CAPITAL FUNDS		**55,016**		53,131
TOTAL LIABILITIES & CAPITAL	**P**	**447,192**	P	457,905

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions except for earnings per share)

		(Unaudited) Jan. 1 to Mar. 31 2015		(Unaudited - Restated)* Jan. 1 to Mar. 31 2014
INTEREST INCOME ON				
Loans and receivables	**P**	**4,135**	P	**3,970**
Investment securities		**841**		**1,066**
Others		**41**		**87**
		5,017		**5,123**
INTEREST EXPENSE ON				
Deposit liabilities		**735**		**610**
Bills payable and other borrowings		**669**		**668**
		1,404		**1,278**
NET INTEREST INCOME		**3,613**		**3,845**
IMPAIRMENT LOSSES		**1,003**		**622**
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**2,610**		**3,223**
OTHER OPERATING INCOME				
Trading and securities gain-net		**1,723**		**1,633**
Service fees & commissions		**717**		**540**
Foreign exchange gains (losses)-net		**69**		**69**

Trust fees	(4)	124
Miscellaneous	444	438
	2,949	2,805
OTHER OPERATING EXPENSES		
Employee benefits	1,183	1,004
Occupancy & equipment-related	645	630
Taxes & Licenses	402	366
Depreciation and amortization	378	338
Miscellaneous	1,146	974
	3,754	3,312
INCOME BEFORE TAX	1,804	2,716
TAX EXPENSE	203	187
NET INCOME	1,601	2,529
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST		
NET INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	P 1,601	P 2,529
Earnings per Share (Annualized)		
Basic	P 4.75	P 7.68
Diluted	P 4.75	P 7.68

* Restated to reflect the impact of PFRS 9 as required by PAS 34 Interim Financial Reporting

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)	Unaudited Jan. 1 to Mar. 31 2015 (03.31.15 vs. 12.31.14)	(Unaudited - Restated)* Jan. 1 to Mar. 31 2014 (03.31.14 vs. 12.31.13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 1,805	P 2,716
Adjustments for:		
Interest income	(5,017)	(5,122)
Interest expense	1,404	1,278
Impairment losses	1,003	622
Depreciation and amortization	442	397
Amortization of deferred charges		
Dividend income	(16)	(1)
Equity in net earnings of associates	(20)	(28)

Operating income before working capital changes	(399)	(138)
Decrease (Increase) in financial assets at fair value through profit and loss	3,889	3,858
Decrease (increase) in Financial Assets at FVOCI	725	(1,476)
Decrease (Increase) in loans and receivables	(9,917)	(8,674)
Decrease (Increase) in investment property	89	(213)
Decrease (Increase) in other resources	(868)	775
Increase (Decrease) in deposit liabilities	100	2,415
Increase (Decrease) in accrued taxes, interest and other expenses	(193)	(242)
Increase (Decrease) in other liabilities	(508)	(234)
Cash generated from (used in) operations	(7,081)	(3,928)
Interest received	5,350	5,657
Interest paid	(1,734)	(1,726)
Cash paid for taxes	(53)	(32)
Net Cash From (Used in) Operating Activities	(3,518)	(30)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investment securities at amortized cost	15,385	(6,958)
Acquisitions of bank premises, furniture, fixtures and equipment (net)	(333)	(350)
Cash dividends received	16	(1,053)
Decrease (increase) in investments in subsidiaries and associates	(19)	1,058
Acquisitions of software	(57)	(78)
Net Cash From (Used in) Investing Activities	14,991	(7,381)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from (payments of) bills payable	(11,459)	(7,720)
Dividends paid	(0)	(224)
Redemption of bonds payable	(367)	-
Net Cash From (Used in) Financing Activities	(11,826)	(7,945)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(352)	(15,356)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	13,085	9,826
Due from Bangko Sentral ng Pilipinas	46,099	52,491
Due from other banks	16,600	7,537
	75,784	69,854
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**9,358**	**9,076**
Due from Bangko Sentral ng Pilipinas	**43,151**	**37,348**
Due from other banks	**22,923**	**8,074**
	P 75,432	**P 54,498**

* Restated to reflect the balances under PFRS 9 as required by PAS 34 Interim Financial Reporting.

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

	Unaudited Jan. 1 to Mar. 31 2015	(Unaudited - Restated) Jan. 1 to Mar. 31 2014
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
PREFERRED STOCK		
Balance, beginning	P 3	3
Issuance (Conversion) of preferred stock	-	-
Balance,end	3	3
COMMON STOCK		
Balance, beginning	12,757	12,757
Conversion of preferred stock to common stock		
Issuance of common stock		

Balance,end	12,757	12,757
HYBRID PERPETUAL SECURITIES	4,883	4,883
CAPITAL PAID IN EXCESS OF PAR		
Balance, beginning	16,147	16,148
Conversion of preferred stock to common stock	-	-
Excess of consideration given over cost of common shares issued	-	-
Balance,end	16,147	16,148
REVALUATION RESERVE ON FINANCIAL ASSETS AT FVOCI		
Balance, beginning as previously reported	835	(5,154)
Effect of adoption of PFRS 9	-	5,694
Balance, beginning as restated	835	540
Fair value gains (losses) during the period	279	978
Balance, end	1,114	1,518
ACCUMULATED TRANSLATION ADJUSTMENTS		
Balance, beginning	71	75
Translation adjustment during the period	7	1
Balance, end	78	76
OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN		
Balance, beginning	(224)	(225)
Remeasurement of the defined benefits during the priod	(3)	0
Balance, end	(227)	(225)
RESERVE FOR TRUST BUSINESS		
Balance, beginning	366	348
Transfer from surplus free	-	-
Balance, end	366	348
OTHER RESERVES	(97)	(281)
SURPLUS FREE		
Beginning balance, as previously reported	18,367	16,082
Effect of adoption of PFRS 9	-	(177)

Beginning balance, as restated		18,367	15,904
Net income		1,602	2,529
Cash dividends on common shares		-	-
Cash dividends on preferred shares		(0)	(0)
Dividends on Hybrid Capital Securities			(224)
Transfer to reserves for trust business		-	-
Balance, end		19,969	18,209
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**54,995**	**53,437**
NON-CONTROLLING INTEREST			
Balance, beginning		22	23
Prior period adjustments		-	-
Fair value gains (losses) on available-for-sale securities, net of tax		1	2
Net Income (loss) for the year		0	0
Balance, end		23	25
TOTAL CAPITAL FUNDS	**P**	**55,018**	**53,461**

* Restated to reflect the balances under PFRS 9 as required by PAS 34 Interim Financial Reporting.

If material;

(i) Commitments and Contingent Liabilities

For the year, the Bank has budgeted P1.333 billion for capital expenditures.

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

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

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased the Iligan Plant assets of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Bank and RCBC Capital, to deliver the Plant assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US$80,000,000.00, as and by way of lost opportunity to make profits and (b) P1,403,000,000.00, representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI filed an appeal on 1 September 2014. In the meantime, the secured creditors' application for the issuance of consequential orders relating to the discharge of the injunction, costs and other matters, the purpose of which is to allow the secured creditors to obtain complete relief from the SIAC Partial Award, was heard and granted by the Singapore High Court on 17 November 2014. In particular, the Singapore High Court confirmed that the injunctions issued in 2008 and that embodied in the Partial Award have been discharged, so that the secured creditors may now compel GSPI and GIHI to comply with their obligations under the Omnibus Agreement/Asset Purchase Agreement and take legal action upon GSPI's and GIHI's failure to do so. The Singapore High Court likewise granted the secured creditors' claim for the payment of legal costs, the amount of which shall be subject to further submissions. As a result of the ruling of the Singapore High Court that the injunctions previously issued have been discharged, the secured creditors, applying the principle of legal set-off, directed the release of GSPI and GIHI's installment payment by the Facility Agent. Accordingly, the Bank and RCBC Capital received their respective share in the funds previously held in escrow.

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

The Bank's exposure is approximately P245.8 million in terms of estimated property taxes and transfer costs due on the Iligan Plant assets, while it has a receivable from Global Steel of P534.8 million. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as UDSCL with zero net book value. In February 2015, the Bank received the amount of P49.3 million as installment payment recently released from escrow. The Bank's exposure, however, may be varied depending on should Iligan City agree to enter into another tax agreement with NSC on its outstanding tax obligation.

In 2011, Verotel Merchant Services B.V. ("VMS"), a Netherlands corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation civilly sued the Bank, 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.

While the court ruled that jurisdiction was obtained over the Bank and Bankard despite the fact that none of the Bank, Bankard or any of the plaintiffs do business in California, the Bank and Bankard believe that the case is without merit and will be ruled in their favor since:

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

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

3. There is no accounting of the claim of US$1.5 million, and no basis for the same. Based on Bankard's records of this claim (which was remitted to Mercarse), only US$ 500 thousand belonged to VII and US $1 million belonged to another merchant.

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

On 4 December 2014, Judge Bruguera of the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive/clearance from her court. The aforementioned plaintiffs' counsel likewise did not confer with the Bank's US counsel for the said setting. Consequently, the court issued an Order to Show Cause upon the plaintiffs' counsel as to why the matter should not be referred to the California State Bar for misconduct, especially after the counsel issued a declaration casting aspersions on the court and her staff and the veracity of the Minute Order denying that the court ordered the parties to proceed to mandatory settlement conference. The matter was heard on March 30, 2015, at which occasion Judge Bruguera immediately discharged the Order to Show Cause after the plaintiff's counsel admitted to using inappropriate language in his explanation.

The case was eventually raffled to Judge Mitchell Beckloff, who heard and denied the Bank and Bankard's Motion to Vacate the orders of Judge Bruguera, who had earlier denied the Bank and Bankard's motions for summary judgment. Judge Beckloff ruled that there are material facts in dispute which will require a full-blown trial. As such, trial previously scheduled for January 2016 will push through.

In December 2011, RCBC Securities initiated the filing of a criminal case for falsification against a former agent who carried out certain questionable transactions with her own personal clients. Since then, RCBC Securities has filed additional criminal and civil cases, including charges of BP 22, against the aforesaid former agent. These cases are now pending with the Regional Trial Court and Metropolitan Trial Court of Makati City. There is also an investigation before the Capital Markets Integrity Corporation ("CMIC") of the Philippine Stock Exchange initiated in May 2012 requesting for an investigation on the operations of RSEC in relation to the accounts handled by the former agent and requesting the CMIC to take appropriate action. The CMIC, in its letter dated 4 December 2014, dismissed the complaint on the ground of prescription and res judicata. The complainants may seek reconsideration of the CMIC decision or action to the CMIC Board within 10 business days from receipt of such decision or action. There is also a complaint filed in December 2013 before the Securities and Exchange Commission ("SEC") for alleged violations by RSEC of the Securities Regulation Code for improperly accounting for shares handled by the former agent. The complaints sought for penalties against RSEC, including the suspension or revocation of RSEC's license. The complaint is still pending before the SEC.

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

On 13 January 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return the 20% final withholding tax it withheld on the PEACe Bonds on 18 October 2011. On 16 March 2015, RCBC 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. RCBC also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital / Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed. RCBC 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 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.

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

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

In Million Php	**Consolidated**		**Parent**	
	Unaudited	**Audited**	**Unaudited**	**Audited**
	March 31, 2015	**December 31, 2014**	**March 31, 2015**	**December 31, 2014**
Derivative liabilities	26,023	22,154	26,023	22,154
Derivative assets	21,324	23,432	21,324	23,432
Trust department accounts	84,245	82,552	66,322	66,156
Outstanding guarantees issued	25,741	25,328	25,741	25,328
Spot foreign exchange bought	11,114	6,055	11,114	6,055
Spot foreign exchange sold	11,278	6,514	11,122	6,062
Unused commercial letters of credit	10,248	12,095	10,201	12,038
Inward bills for collection	1,709	724	1,709	724
Late deposits/payments received	598	630	547	581
Outward bills for collection	109	147	107	146

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

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

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

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

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

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

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

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

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

31 March 2015 vs. 31 December 2014

Consolidated total resources for the period ended March 31, 2015 reached P447.192 billion, P10.713 billion lower than 2014 year-end's P457.905 billion mainly due to the decline in investment securities.

Cash and other cash items decreased by 28.49% or P3.727 billion from P13.085 billion to P9.358 billion. Due from BSP declined by 6.39% or P2.948 billion from P46.099 to P43.151 billion while Due from other banks increased by 38.09% or P6.323 billion from P16.600 billion to P22.923 billion.

Investment securities at amortized cost declined by 19.28% or P15.385 billion from P79.795 billion to P64.410 billion mainly due to the sale of securities in order to fund capital expenditures related to the Bank's purchase of branch licenses this year and to immediately replenish regulatory capital as the purchase will result in the reduction of the Bank's capital position. Financial assets at fair value through other comprehensive income decreased by 9.81% or P445 million from P4.537 billion to P4.092 billion as a result of disposals and fair value losses. Financial assets at fair value through profit or loss decreased by 23.63% or P3.889 billion from P16.458 billion to P12.569 billion. Total investment securities accounted for 18.13% of total resources and totaled P81.072 billion.

Loans and receivables-net which accounted for 60.41% of total resources reached P270.155 billion.

Investments in associates-net increased by 14.13% or P45 million from P321 million to P366 million due to the recognition of the share in equity income of associates..

Deferred tax assets (DTA), net decreased by 25.21% or P22 million from P86 million to P64 million mainly due to the utilization of the DTA by subsidiaries. Other resources, increased by 12.75% or P888 million from P6.964 billion to P7.852 billion mainly due to the acquisition of branch licenses and increases in assets held-for-sale which are offset by the decline in inter-office float items.

Total deposit liabilities, which accounted for 70.63% of total resources, reached P315.862 billion. Savings deposits stood at P165.609 billion and accounted for 37.03% of total resources. Demand deposits accounted for 7.64% of total resources and stood at P34.160 billion while the highercosting time deposits reached P116.093 billion and accounted for 25.96% of total resources. CASA Ratio improved to 63.25% as of end-March 2015 vs. 62.22% as of end-2014.

Bills payable decreased by 28.79% or P11.459 billion from P39.799 billion to P28.340 billion due to settlements of foreign currency denominated borrowings for this period. Bonds payable stood at P23.119 billion and represented 5.17% of total resources. Accrued taxes, interest, and other expenses payable declined by 7.98% or P373 million from P4.671 billion to P4.298 billion.

Total liabilities reached P392.176 billion and accounted for 87.70% of total resources.

Retained earnings grew by 8.72% or P1.602 billion higher from P18.367 billion to P19.969 billion driven by the P1.602 billion net profits generated for the first quarter. Non-controlling interest went up by 5.07% or P1 million from P22 million to P23 million due to the profitable operations of the subsidiaries not wholly owned during the first quarter of the year. The Bank's capital, excluding non-controlling interest, grew to P54.994 billion and accounted for 12.30% of total resources.

Finally, there are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's liquidity.

31 March 2015 vs. 31 March 2014

RCBC posted a net income of P1.602 billion for the first quarter of 2015, P927 million or 36.65% lower than the P2.529 billion restated net income for the same period last year. As required by PAS 34 Interim Financial Reporting, the comparative 2014 financial statements have been restated to reflect the balances under PFRS 9. Without such restatement, net income for the period would have registered an increase of 20.59%.

Net income of P1.602 billion accounted for 24.42% of total operating income during the period.

Net interest income reached P3.613 billion and represented 55.06% of total operating income. Interest income of P5.017 billion, representing 76.46% of total operating income, mainly consisted of interest income from loans and receivables and investment securities that accounted for 63.03% and 12.81% of total operating income, respectively. Other interest income decreased by 53.04% or P46 million from P87 million to P41 million mainly due to lower average volume of Reserve Deposit Account and Special Deposit Account for the period.

Total interest expense, making up 21.40% of total operating income, consisted of interest on deposit liabilities and interest on bills payable and other borrowings which accounted for 11.20% and 10.19% of total operating income, respectively. Total interest expense went up by 9.85% or P126 million from P1.278 billion to P1.404 billion, with interest expense on deposit liabilities rising by 20.50% or P125 million from P610 million to P735 million mainly due to the increase in the average volume of deposits.

Provisioning for impairment losses this period went up by 61.35% or P381 million from P622 million to P1.003 billion as the Bank boosted its reserve cover.

Accounting for 44.94% of total operating income, other operating income reached P2.949 billion contributed by the following:

- Trading and securities gain-net increased by 5.50% or P90 million from P1.633 billion to P1.723 billion and accounted for 26.26% of total operating income
- Service fees and commissions increased by 32.70% or P177 million from P540 million to P717 million and accounted for 10.93% of total operating income
- Foreign exchange losses-net amounted to P4 million
- Trust fees reached P69 million

- Miscellaneous income reached P444 million and accounted for 6.76% of total operating income

Other operating expenses at P3.754 billion, representing 57.21% of total operating income, were 13.32% or P441 million higher year on year due to the following:

- Miscellaneous expenses increased by 17.61% or P172 million from P974 million to P1.146 billion due to higher litigation expenses related to foreclosed assets, IT-related expenses, advertising expense, and other credit card-related expenses
- Manpower costs increased by 17.87% or P179 million from P1.004 billion to P1.183 billion mainly due to the additional headcount as a result of branch expansion, annual increase in employee salaries, and an enhanced compensation and rewards system in order to provide competitive pay
- Depreciation and amortization increased by 11.80% or P40 million from P338 million to P378 million primarily as a result of the Bank's investments in technology and software and setting up of additional banking channels and renovation of existing branches
- Taxes and licenses at P402 million consumed 6.12% of total operating income
- Occupancy and equipment-related costs at P645 million consumed 9.83% of total operating income

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

(E) External Audit Fees

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

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of pocket expenses, by its independent accountant amounts/amounted to P9.665 and P9.338 million for 2014 and 2013, respectively. Additionally, approximately P4.990 million was paid for other services rendered by the independent accountant in 2014.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2014 and 2013, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

The Members of the Audit Committee are as follows: Armando M. Medina as Chairman and Medel T. Nera, Francisco C. Eizmendi, Jr. as Members.

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

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

Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. It has total resources of P457.9 billion and total networth of P53.1 billion, including minority interest, as of end-December 2014. The Bank ranked sixth (6th) in terms of assets among private local banks. In terms of business centers, the Bank, excluding government-owned and foreign banks, ranked sixth (6th) with a consolidated network of 449 business centers inclusive of 35 extension offices and supplemented by 1,202 ATMs as of December 31, 2014.

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

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

RCBC's common shares are 45.2% directly and indirectly owned by Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions comprising the Yuchengco Group of Companies (YGC) and other investments. Other significant investors include the World Bank's International Finance Corporation and CVC Capital partners, one of the largest private equity funds in the world.

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

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

The Bank's subsidiaries are as follows:

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

RCBC Savings Bank, Inc. (RSB), a wholly-owned subsidiary of the Bank, was established in 1996 as the Bank's consumer banking arm. RSB provides deposit products, real estate loans, auto loans and personal loans. As of end-December 2014, RSB had 149 business centers and 390 ATMs nationwide.

RCBC Forex Brokers Corporation (RCBC Forex), a wholly-owned subsidiary of the Bank, was incorporated in 1998. RCBC Forex is primarily engaged in dealing and brokering currencies in foreign exchange contracts with local and international clients.

RCBC International Finance Limited (RCBC IFL) is a wholly-owned subsidiary of the Bank, was established in July 31, 1962 and is the Bank's overseas branch in Hong Kong. ***RCBC Investment Ltd. (RCBC IL)*** is a 100% owned subsidiary of RCBC IFL established on August 1, 1980 to engage in the business of remittance, money exchange, retail lending and investment.

RCBC IL was placed under dormant status in May 2009 and RCBC IFL took over its businesses using the Money Service Operator's (MSO) and Money Lender's (ML) Licenses.

RCBC North America, Inc. (formerly RCBC California International, Inc.), a wholly-owned subsidiary of the Bank (83.97% owned by RCBC; 16.03% indirectly owned through RCBC IFL), was established in 1991 as a foreign exchange remittance office in California to meet the needs of Filipinos in the United States for a faster and more reliable means of sending funds to their beneficiaries in the Philippines. The company ceased its operations in March 2014.

RCBC TeleMoney Europe S.p.a., a wholly-owned subsidiary of the Bank, was established in 1995 in Rome, Italy to engage in the remittance business.

Merchants Savings and Loan Association, Inc. (now operating under the name & style - Rizal Microbank, a thrift bank), a 97.47% owned subsidiary, was acquired on May 15, 2008 to engage in microfinancing and development of small businesses. Rizal Microbank has 18 branches and 5 microbanking offices with operations in Southern Luzon and Mindanao. Rizal Microbank moved its Head Office (HO) and branch from Makati City to Davao City in April 2011.

RCBC Leasing and Finance Corporation (formely First Malayan Leasing and Finance Corporation) (RCBC LFC), a 97.79% owned subsidiary of the Bank, acquired in March 2012***,*** is a pioneer in the leasing and financing industry in the Philippines as the company started its operations in 1957. RCBC Leasing is a non-bank financial institution with a quasi-banking license granted by the Bangko Sentral ng Pilipinas. It serves the requirements of corporate, commercial and consumer markets through its innovative loans, leases and investment products. ***RCBC Rental Corp.*** is a wholly-owned subsidiary of RCBC LFC engaged in renting and leasing business machines, transport vehicles and heavy equipment under an operating lease arrangement.
Niyog Property Holdings, Inc. (NPHI), a wholly-owned subsidiary of the Bank, was incorporated on September 13, 2005 to purchase, subscribe for or otherwise dispose of real and personal property of every kind and description but not as an investment company. It is 48.11% owned by the Bank and 51.89% indirectly owned through RSB.

RCBC-JPL Holding Company, Inc. (formerly Pres. Jose P. Laurel Rural Bank, Inc.) (RCBC-JPL), 99.39% owned, was formed by the Bank in September 2012 out of what remained of the former JPL Rural Bank. It is primarily engaged in the disposition of the remaining assets of the former JPL Rural Bank. In April 1, 2012 JPL Rural Bank was merged with Merchants Savings Bank.

(G) Directors and Executive Officers

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

Name	Age	Position	Inclusive Dates	Citizenship
Sec. Alfonso T. Yuchengco	92	Honorary Chairman	May 27, 2002 to present	Filipino
		Director	June 30, 2003 to present	
Ms. Helen Y. Dee	71	Director	March 28, 2005 to present	Filipino
		Chairperson of the Board	June 27, 2005 to present	Filipino
Mr. Cesar E. A. Virata	84	Director	1995 to present	Filipino
		Corporate Vice-Chairman	June 22, 2000 to present	

		Acting Chief Executive Officer	January 28, 2002 to June 29, 2003	
		Chief Executive Officer	June 30, 2003 to June 28, 2004	
Mr. Lorenzo V. Tan	53	Director	April 1, 2007 to present	Filipino
		EVC/CEO	February 1,2007 to March 31, 2007	
		President and CEO	April 1, 2007 to present	
Atty. Teodoro D. Regala	81	Director	June 28, 1999 to present	Filipino
Atty. Wilfrido E. Sanchez	78	Director	March 27, 2006 to present	Filipino
Atty. Maria Celia H. Fernandez-Estavillo	43	Corporate Secretary	March 1, 2005 to present	Filipino
		Director	June 27, 2005 to present	
		Executive Vice President, Head of Legal and Regulatory Affairs Group	July 19, 2006 to present	
Mr. Medel T. Nera	59	Director	July 25, 2011 to present	Filipino
Mr. Tze Ching Chan	58	Director	November 28, 2011 to present	Chinese
Mr. Richard G.A. Westlake	53	Director	October 1, 2014 to present	New Zealand
Mr. John Law	64	Director	April 27, 2015 to present	Taiwanese
Mr. Yuh-Shing Peng	43	Director	April 27, 2015 to present	French & Taiwanese (dual citizen)
Mr. Armando M. Medina	65	Independent Director	Feb. 26, 2003 to present	Filipino
Mr. Francisco C. Eizmendi, Jr.	79	Independent Director	May 29, 2006 to present	Filipino
Mr. Antonino L. Alindogan, Jr.	76	Independent Director	June 25, 2007 to present	Filipino

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

<u>Senior Executive Vice Presidents</u>

Redentor C. Bancod, 51, Filipino, Senior Executive Vice-President, is the Head of the IT Shared Services Group and the Operations Group. Previously, he was Vice-President & General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice-President and Chief Technology Officer of Sun Life Of Canada (Philippines) Inc. from October 2003 to 2007; Senior Vice- President & Chief Information Officer of Equitable Bank from July 1996 to September 2003; Assistant Vice-President and Head of Applications Development in Far East Bank from October 1993 to June 1996; Assistant Vice-President of Regional Operations (Asia Pacific) of Sequel Concepts, Inc. U.S.A/Ayala Systems Technology Inc. from November 1992 to September 1993; Project Manager in Union Bank of Switzerland, NA from April 1988 to November 1992; and Chief Designer and Technical Adviser in Computer Information System Inc. from March 1984 to April 1998. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines and is a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University.

<u>Executive Vice Presidents</u>

Michelangelo R. Aguilar, 58, Filipino, Executive Vice-President, is the Head of Conglomerates and Global Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and Corporate Banking Segment 1 Head from September to November 2012. Prior to joining the Bank, Mr. Aguilar was Managing Director of Standard

Chartered Bank and Head, Origination and Client Coverage and Co-Head, Wholesale Banking (2004 to 2011) and Country Head, Global Markets (1997 to 2004). He obtained his Bachelor of Science degree in Mechanical Engineering from De La Salle University and his Masters in Business Management from the Asian Institute of Management. He is a registered Mechanical Engineer granted by the Board of Mechanical Engineers, Professional Regulatory Commission.

John Thomas G. Deveras, 52, Filipino, Executive Vice-President, is the Head of Strategic Initiatives. Prior to joining the Bank in May 2007, he was an Investment Officer at International Finance Corporation. He also worked for PNB Capital and Investment Corporation as President and PNB Corporate Finance as Senior Vice-President. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and earned his Masters in Business Administration from the University of Chicago.

Atty. Maria Celia H. Fernandez-Estavillo, 43, Filipino, Executive Vice-President, is the Bank's Director, Corporate Secretary and Head of the Legal and Regulatory Affairs Group. She holds positions as Director and/or Corporate Secretary in Luisita Industrial Park Corp., Philippine Integrated Advertising Agency, Inc., RCBC Capital Corporation, and Niyog Property Holdings, Inc. She is also a member of the Board of Trustees of Yuchengco Center. She graduated from the University of the Philippines with degrees in Bachelor of Science in Business Economics (Summa Cum Laude) and Bachelor of Laws (Cum Laude). She completed her Master of Laws (LL.M) in Corporate Law (Cum Laude) at the New York University School of Law. She received the highest score in the 1997 Philippine Bar examinations.

Michael O. de Jesus, 55, Filipino, Executive Vice-President, is the Head of National Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and the Corporate Banking Segment 2 Head from July 2007 to November 2012. He has a Bachelor of Arts degree in Economics from Union College in Schenectady, New York and a Masters in Business Administration (Finance) from The Wharton School, University of Pennsylvania.

Rommel S. Latinazo, 55, Filipino, Executive Vice-President, is the President and Chief Executive Officer of RSB. Prior to this, he was the Head of Corporate Banking Segment 1 under the Corporate Banking Group. He joined the Bank in 2000 as First Vice-President. Previously, he held various positions in Solidbank Corporation, Standard Chartered Bank, CityTrust Banking Corporation, First Pacific Capital Corporation and Philamlife Insurance Company. Mr. Latinazo obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and his Masters in Business Administration from the University of the Philippines.

Alfredo S. Del Rosario Jr., 59, Filipino, Executive Vice-President, is the Head of the Asset Management and Remedial Group and concurrently the Chairman and President of the RCBC-JPL Holdings, Inc. and Vice President of Niyog Property Holdings, Inc. He also headed the Overseas Filipino Banking Group and the Commercial Banking Group. Prior to joining the Bank, Mr. Del Rosario worked for AB Capital and Investment Corporation as Senior Vice-President, Trust and Investment Division Head and Information Technology Division Head. He also held various positions in Asian Bank, Bank of America NT & SA Manila, Philippine Airlines, and Ayala Investment and Development Corporation, and served as director at the Araullo University, a Phinma subsidiary, in 2005. He graduated from the Ateneo de Manila University with a Bachelor of Science degree in Management. He has taken up units towards an MBA degree at the Ateneo Graduate School and law subjects leading to a Juris Doctor degree at the Ateneo Law School.

Edgar Anthony B. Villanueva, 53, Filipino, Executive Vice-President, is the Head of Global Transaction Banking Group. Prior to this, he held various senior executive positions with Bank of America (La Salle Bank N.A.) and ABN Amro Bank N.V. His in-depth experience in corporate banking includes involvement in treasury management, global custody and institutional trust, in a variety of challenging roles such as relationship management, business development, product management, operations, change management and client services, across a broad range of business environments in cash management, trade services, corporate trust and capital markets. He earned his Bachelor of Science degree in Business Economics from De La Salle University and his Masters in Business Administration from J.L. Kellog Graduate School of Management, Northwestern University, Illinois.

First Senior Vice Presidents

Manuel G. Ahyong Jr., 54, Filipino, First Senior Vice-President, is the Head of Wealth Management Group. He was also the Head of Wealth Management Segment 2 (Makati) from October 2006 to August 2014. Prior to joining the Bank in 2006, he was Senior Vice-President of Pramerica Financial, Director in Societe Generale, Vice-President of Deutsche Bank, AG, Deputy Manager and Head of Private Banking of Banque Indosuez, and Director for Private Banking of American Express Bank. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and obtained his Masters in Business Management from the Asian Institute of Management.

Rafael Aloysius M. Dayrit, 58, Filipino, First Senior Vice-President, is the Head of Credit Management Group. He was the Credit Risk Division Head from May 2006 to January 2013, Head of Small and Medium Enterprises Division from January 2002 to February 2006 and the Head of Corporate Division III from September 2000 to December 2001. He obtained his Bachelor of Science degree in Agri. Business from the University of the Philippines, his Masters in Business Administration from the same university and his Masters in Agricultural Economics from the University of California, Davis.

Rogelio P. Dayrit, 59, Filipino, First Senior Vice-President, is the Head of Japanese and Ecozone Banking Segment. Prior to occupying this position, Mr. Dayrit was the Japan Desk Division Head (June 1999 to February 2002), Account Officer for Institutional Banking Division (March 1996 to June 1999) and Account Officer for AMD (May 1984 to March 1996). He started in RCBC as an EDP Trainee in 1982. He obtained his Bachelor of Science degree in Industrial Engineering from the University of the Philippines.

Lourdes Bernadette M. Ferrer, 56, Filipino, First Senior Vice-President, is the Head of the Trust and Investments Group. Prior to joining the Bank in September 2000, she held various related positions in Solidbank Corporation and the International Corporate Bank. She graduated from the University of the Philippines with a Bachelor of Science degree in Statistics and likewise obtained her Master's Degree in Business Administration from the same university.

Gerald O. Florentino, 46, Filipino, First Senior Vice-President, is the President of RCBC Securities. He held the position of Group Head and Deputy Group Head of Corporate Planning in RCBC prior to assuming his current position. Before joining the Bank, he was Senior Vice-President for the Investment Banking Group of Investment and Capital Corporation of the Philippines. He gained his corporate planning expertise from AXA Philippines as Vice-President and Head of Strategic Planning, Project Management and Business Development and AXA Way from 2007 to 2009. He also held various positions in UCPB for seven years during which his last appointment was the Head of Cash Management Products for the Working Capital Products Group. Mr. Florentino graduated from the Loyola University of Chicago, Illinois with a degree in Bachelor of Business Administration majoring in Finance and obtained his Masters in Business Management from the Asian Institute of Management.

John P. Go, 46, Filipino, First Senior Vice-President, is the Head of Chinese Banking Segment 2. Prior to joining the Bank, Mr. Go was the Vice-President/Chief Finance Officer/Assistant to the Chairman of Liwayway Marketing Corporation (March 2002 to January 2008), Assistant Vice-President of UCPB (August 1996 to February 2002) and Manager/Business Development Department Head of Monte Piedad Savings Bank (January 1996 to July 1996). He holds a Bachelor of Science degree in Marketing from the Philippine School of Business Administration.

Eli D. Lao, 58, Filipino, First Senior Vice-President, has been the Head of the Chinese Banking Segment 1 under the Corporate Banking Group since 2000. He has been with the Bank since 1978, holding various positions. Mr. Lao holds a Bachelor of Science degree in Commerce majoring in Accounting from De La Salle College

Ana Luisa S. Lim, 55, Filipino, First Senior Vice-President, is the Head of the Internal Audit Group. She is also a Director and Corporate Secretary of BEAMExchange, Inc. She joined the Bank in 2000 primarily to implement the risk-based audit approach under a shared-services set-up in conformity with the Bank's strategic risk management initiatives. Ms. Lim obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor.

Regino V. Magno, 57, Filipino, First Senior Vice-President, is the Bank's Chief Risk Officer and the Head of Corporate Risk Management Services (CRISMS). Prior to joining the Bank, he was the Chief Risk Officer of Sterling Bank of Asia from August 2007 to December 2008. He was a Market Risk Consultant of Chase Cooper, a London-based consulting firm, Chief Risk Officer of Philippine National Bank for four years, a Consultant of Philippine Deposit Insurance Corporation for one year, and a Senior Risk Manager at the Bank of the Philippine Islands for four years. He also held various positions in CityTrust Banking Corporation. Mr. Magno obtained his Bachelor of Science degree in Industrial Management Engineering from De La Salle University and his Masters in Business Administration from the University of the Philippines.

Remedios M. Maranan, 55, Filipino, First Senior Vice-President, is the National Service Head of Retail Banking Group. Ms. Maranan started as a BOTP Trainee in 1989 after which she assumed various positions in branch operations. Her noteworthy stints include being the Regional Operations Head for Metro Manila in December 1998 to April 2004, BC Services Division Head in May 2004 to May 2008 and Regional Service Head for Metro Manila in June 2008 to February 2010 and Deputy Group Head of BC Services from March 2010 to September 2013. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the Polytechnic University of the Philippines.

Yasuhiro Matsumoto, 55, Japanese, First Senior Vice-President, is the Head of the Japanese Business Relationship Office since April 2006. Prior to this, he worked for The Bank of Tokyo-Mitsubishi UFJ, Ltd. since 1984, when the bank was named The Sanwa Bank, Ltd. He has also previously served as a director of the Bank. He obtained his Bachelor of Economics degree from Waseda University, Japan.

Reynaldo P. Orsolino, 54, Filipino, First Senior Vice-President, is the Segment Head of Emerging Corporates. He was also the Head of Commercial & Medium Enterprises Division before assuming his current position. Prior to joining the Bank, he served as Senior Vice-President of Philippine National Bank from June 2003 to July 2007, and previously held senior positions at the Planters Development Bank, Asian Banking Corporation, and the Land Bank of the Philippines. He holds a Bachelor of Arts degree in Economics from the University of the Philippines.

Lizette Margaret Mary J. Racela, 49, Filipino, First Senior Vice-President, is the Consumer Lending Group Head of RSB. She joined RCBC in 2008 as Small and Medium Enterprise Head for Provincial Business before she was seconded to RSB in December 2010. Previously, she worked for Philippine National Bank as First Vice-President/Group Head of Provincial Commercial Lending Group (February 2005 to February 2008) and Vice-President/Division Head of Provincial Business Division-Luzon (November 2002 to February 2005). She also worked for several local banks assuming the following positions: Assistant Vice-President /Department Head for Branch Credit Administrative (May 1999 to August 2002) and Senior Manager/ Department Head for Personal Loans (November 1996 to April 1999) in UCPB, Senior Manager/ Branch Head in East West Banking Corp. (February 1996 to October 1996), Manager/ Branch Head (May 1991 to

January 1996) and Senior Assistant Manager/ Private Banking Officer Savings (March 1989 to 1991) in UCPB Savings Bank and Marketing Assistant in Urban Development Bank (February 1988 to June 1988). Ms. Racela obtained her Bachelor of Science Degree in Business Administration from the University of the Philippines. She also took up Bachelor of Law in the same university and has completed the academic requirements up to 3rd year.

Rowena F. Subido, 48, Filipino, First Senior Vice-President, is the Group Head of Human Resources. She was also the Deputy Group Head of Human Resources before assuming her current position. Prior to joining the Bank, she worked with Citibank, N.A. as Country Lead Human Resources Generalist/Senior Vice-President, prior to which she was Head of Human Resources for the Institutional Clients Group for almost two years. She has also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Human Resources Head for four years. She also has HR experience in retail, distribution and manufacturing industries, having worked for California Clothing Inc. where she was Human Resources Head, International Marketing Corporation as Division Manager for Human Resources & Operations, Tricom Systems (Philippines), Inc. as a Personnel and Administration Officer and Seamark Enterprises, Inc. as a Personnel Officer. Ms. Subido obtained her Bachelor of Science degree majoring in Psychology from the University of Santo Tomas and her Masters in Psychology majoring in Organisational/Industrial Psychology at De La Salle University.

Raul Victor B. Tan, 55, Filipino, First Senior Vice-President, is the Head of Retail Banking Group and acting Treasurer effective March 1, 2015. He was the Head of Treasury's Balance Sheet Management Segment from November 2008 to August 2013. Prior to joining the Bank, he was FVP and Treasurer of RCBC Capital from July to November 2008. He also held various Treasury positions in UCPB from 2004 to 2008, where his last appointment was FVP and Chief Dealer for Treasury Banking. He obtained his Master's degree in Business Administration from Fordham University and finished his Bachelor of Science degree in Management from the Ateneo de Manila University.

Senior Vice Presidents

Ma. Felisa R. Banzon, 58, Filipino, Senior Vice-President, is the Head of Local Corporate Segment and the concurrent head of Corporate Banking Division 1. Prior to this appointment, she held various positions in the Bank such as Account Officer for Corporate and Institutional Banking (January 1984 to August 2004), Platform Officer for Retail Banking (July 1982 to December 1983) and EDP Trainee (July 1981 to July 1982). Ms. Banzon started her career in the banking industry when she joined the Bank of the Philippine Islands as Junior Analyst in 1978. She obtained her Bachelor of Arts degree majoring in Economics from the Assumption College and her Master's degree in Business Administration from the Ateneo de Manila University.

Enrique C. Buenaflor, 44, Filipino, Senior Vice President, is the Head of Business Development Division. Prior to joining RCBC, he was the Group Head/Vice-President of Structure Products for Philippine Bank of Communications (August 2005 to March 2010), Operations Head of Central Verification Unit for Citifinancial Corporation (July 2004 to July 2005), Sales Head/Assistant Vice-President of Corporate Cash Management Services (2001 to 2004) and Product Manager (1999 to 2001) for ABN AMRO Bank. He also worked for Philippine Global Communications Corporation as Senior Manager for Corporate Planning (July 1999 to November 1999) and Capitol Wireless, Inc as Business Development Director/Marketing and Sales Manager (March 1997 to May 1999). He started his career in Citibank N.A. as Operations Staff in 1992 and then as Management Associate in 1996. Mr. Buenaflor earned his undergraduate degree, Bachelor of Science in Business Management from Ateneo de Manila University and finished his Masters in Business Management at Asian Institute of Management.

Brigitte B. Capina, 54, Filipino, Senior Vice-President, is the Regional Sales Director of South Metro Manila. Prior to occupying this position, she was the Marketing and Sales Director of Makati Central Business District in 2013, the Regional Sales Manager of South Metro Manila in

2012, Regional Sales Manager of Corporate Headquarters in 2009 and Business Manager for various branches such as RCBC Plaza in 2005, Buendia in 2004 and Makati Avenue in 2003. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the University of San Agustin, Iloilo City and her Masters in Business Management from the University of the Philippines, Visayas.

Arsenio L. Chua, 54, Filipino, Senior Vice-President, is the Regional Sales Director of North Metro Manila. Prior to occupying this position, he was the Marketing and Sales Director of Ortigas Central Business District in 2013, Regional Sales Manager of North Metro Manila in 2012, Regional Sales Manager of Central Metro Manila in 2010, District Sales Manager of Southern Metro Manila in 2009 and Business Manager of Caloocan Branch in 2007. He obtained his Bachelor of Science degree in Management and Industrial Engineering from the Mapua Institute of Technology.

Claro Patricio L. Contreras, 54, Filipino, Senior Vice-President, is the Head of Remedial Management Division. Prior to joining RCBC, he was the AVP for Special Accounts Management Services Group at BPI (April 2000 to June 2000), AVP for Credit Mgmt. Services Group at FEBTC (January 1997 to March 2000), and Manager for Credit Management Services Group at FEBTC (October 1995 to December 1996). He completed his Bachelor of Science degree in Commerce majoring in Business Management from San Beda College.

Elizabeth E. Coronel, 46, Filipino, Senior Vice-President, is the Head of Conglomerate Segment. She joined RCBC in June 2013 as Senior Banker and Head of Conglomerate Banking Division. Previously, she was the Senior Vice-President and Chief Operations Officer of Equicom Savings Bank, a position she held for more than five years. She also held various positions in local and foreign banks namely Mizuho Corporate Bank as Vice President and Co-Head of Corporate Finance Department (January 2007 to February 2008), Equitable PCIBank as Vice-President and Head of Corporate Banking Division 4 (1996 to 2007) and Citibank as Relationship Manager of Global Consumer Bank (1993 to 1996). She started her career in the banking industry when she joined RCBC in 1989 as Marketing Assistant for Corporate Banking. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizuho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

Sabino Maximiano O. Eco, 46, Filipino, Senior Vice-President, is the Deputy Group Head of Operations and the concurrent head of Branch Banking Services Division. Prior to this appointment, he held various positions in the Bank such as Retail and Channels Division Head (November 2008 to January 2014), BC Operations Division Head (May 2004 to October 2008), Cash Management Operations Department Head (January 2001 to April 2004), CASA Recon & Verification Head (August 1999 to January 2001), Branch Operations Head (January 1996 to August 1999), Branch Accountant (November 1994 to January 1996), Branch Officer At Large (July to November 1994), BOTP Trainee (April to July 1994), CASA Bookkeeper (February 1992 to April 1994) and GL/SL Bookkeeper (April 1991 to February 1992). Mr. Eco graduated from Far Eastern University with a Bachelor of Science degree in Commerce majoring in Accounting.

Edwin R. Ermita, 52, Filipino, Senior Vice-President, is the Bank Security Officer. He was also the Corporate Services Division Head prior to assuming his current position. Previously, Mr. Ermita worked for CTK Incorporated as Consultant, Solidbank as Security and Safety Department Head and UCPB as Security and Safety Department Head. He started his career in UCPB as Teller in 1983 before moving to Branch Marketing in 1985. Mr. Ermita earned his Bachelor of Science in Management from Ateneo de Manila University. He finished his Masters in Business Administration with specialization in Industrial Security Management from the Philippine Women's University.

Jennie F. Lansang, 48, Filipino, Senior Vice-President, is the Deputy Group Head / Chief Technology Officer. She joined RCBC in July 2010 and held the position of IT Head for the Shared Technology Services Division. Before assuming this role, she worked for Banco de Oro as the Applications Unit Head for Trust, Treasury and Trade (August 2007 to June 2010) and for Equitable-PCIBank as Official Representative to the BDO-EPCI Branch Merger/Integration Committee (April to October 2007), Retail Applications Division Head (2001 to 2007), Centre Head (1999 to 2000) and Project Leader (1996 to 1998). She also worked for Far East and Trust Companies where she held various IT-related positions from 1990 to 1996. She started her career with the International Center for Computer Studies as a Computer Instructor in 1986. Ms. Lansang obtained her degree in AB Communication Arts majoring in Speech Communication from the University of the Philippines, Los Baños.

Vivien I. Lugo-Macasaet, 55, Filipino, Senior Vice-President, is the Head of Management Services Division. She was also the Head of the HO Operations Division from November 2008 to January 2014. Prior to joining the Bank, she served as Vice-President of Financial Markets Operations at Citibank (May 2006 to June 2008), Senior Vice-President and Group Head of the International Processing Group at PNB (December 2002 to April 2006) and Vice-President and Business Manager for Institutional Equities at JP Morgan Equities (July 2001 to October 2002). Ms. Lugo-Macasaet graduated from the University of the Philippines with a Bachelor of Arts degree in Economics.

Florentino M. Madonza, 44, Filipino, Senior Vice-President, is the Group Head of Controllership effective October 14, 2014. He was the Deputy Group Head of Controllership from August 2014 to October 2014, General Accounting and Services Division Head from July 2004 to July 2014, General Accounting Department Head from September 2001 to July 2004, Assistant to the Department Head of General Accounting from January 1998 to September 2001, Asset Management and Sundry Section Head from September 1997 to December 1997 and Corporate Disbursement and Payroll Section Head from June 1996 to September 1997. Prior to joining the Bank, he worked for Sycip, Gorres, Velayo and Co. from July 1993 to May 1996 as Auditor. Mr. Madonza completed his Bachelor of Science in Commerce major in Accounting (Cum Laude) from the Araullo University, and is a Certified Public Accountant.

Jane N. Manago, 50, Filipino, Senior Vice-President, is the Segment Head of Wealth Management 1. Prior to this appointment, she was the Division 2 Head of Wealth Management from December 2006 to August 2014 and Relationship Manager for Division 2 from April 2006 to December 2006. She also worked for YGC Corporate Services Inc. as Officer-In-Charge and Marketing Head. Prior to joining the Bank, she worked with Citibank as Cash Product Manager for Global Transaction Services (September 1998 to January 1999), Account Manager (April to August 1998) and Head of Corporate Banking for Chinatown Branch (November 1996 to March 1998) and at Equitable Banking Corporation from May 1986 to October 1996, where her last appointment was the Head of the Research and Special Projects Unit. She obtained her Bachelor of Science degree in Commerce degree majoring in Business Administration and her Bachelor of Arts degree majoring in Behavioural Science from the University of Santo Tomas.

Carlos Cesar B. Mercado, 49, Filipino, Senior Vice-President, is the Head of Balance Sheet Management Segment. He joined the Bank in June 2009 and held the position of Trading Segment Head. Prior to joining RCBC, he was the Managing Director/Senior Vice-President of Basic Capital Investments Corp. in 2001, a Treasurer/First Vice-President of Treasury of United Overseas Bank Philippines in 2000 and a Division Head of Domestic Funds and Liquidity Management of Equitable-PCI Bank in 1994. Mr. Mercado earned his Japan-focused Executive Masters in Business Administration with highest distinction from the University of Hawaii and the Japan-America Institute of Management Science in December 1993, under the Fujitsu Asia-Pacific Scholarship. He obtained his Bachelor of Arts degree majoring in Electrical Engineering from the University of the Philippines.

Evelyn Nolasco, 54, Filipino, Senior Vice-President, is the Head of the Asset Disposition Division. Before she joined the Bank, she was the Senior Vice-President and Treasury Head of the AGSB Group of Companies in 1995 and Manager for Corporate Finance for SGV & Company from 1994 to 1995. She graduated from De La Salle University with a Bachelor of Science degree in Commerce majoring in International Marketing and obtained her Master's degree in Business Management from the Asian Institute of Management.

Koji Onozawa, 50, Japanese, Senior Vice-President, is the Japanese Liaison Officer of the Japanese Business Relationship Office. He was formerly the Senior Manager of the International Credit Administration Department of The Sanwa Bank, Ltd., Tokyo in 1999. He also served in other capacities such as Manager of the Planning and Administration Department in 1997 and Manager of Tameike Branch of the Business Promotion Department in 1993. He earned his Bachelor of Law degree from Meiji University, Tokyo.

Matias L. Paloso, 57, Filipino, Senior Vice-President, is the Head of RBG Products, Support & Systems Segment. Mr. Paloso was seconded to RSB as Deputy Group Head of Retail Banking from April 2012 to July 2014. Prior to this, he was the Regional Sales Manager of North Metro Manila in 2011, Regional Sales Manager of Southern Luzon in 2009, District Sales Manager of South West Luzon in 2002 and Business Center Manager of Camelray Branch in 1999. He obtained his Bachelor of Science degree in Commerce majoring in Accounting from Divine Word College, Tagbilaran City.

Loida C. Papilla, 53, Filipino, Senior Vice-President, is the Asset Management Support Division Head. She joined RCBC in 2006 as Operations Support Division Head. She worked for various institutions in the following capacities : Assistant Vice-President / Head of Billing and Collections Section in PNB (April 2004 to February 2006), Assistant Vice-President/OIC in UCPB Securities Inc. (August 1999 to January 2004), Operations Finance Manager in Guoco Securities Inc. (January 1994 to August 1999), Media Consultant in the Office of the Senate President (October 1992 to December 1993), Research Director in Philippine Newsday (June 1989 to June 1992), Research Head in Business Star (June 1987 to June 1989) and Researcher in Business Day Corp. (November 1981 to June 1987). Ms. Papilla graduated from the University of the East in 1981 with a Bachelor of Science in Business Administration major in Accounting. She is also a Certified Public Accountant.

Alberto N. Pedrosa, 45, Filipino, Senior Vice-President, is the Head of Investment Portfolio Management Division. Prior to joining the Bank, he was the Chief Trader for Uniworks, Inc. (April 2009 to July 2009), Vice-President and Head of Global Liquid Products Trading for JG Summit Capital Markets (2000 to 2008), Assistant Vice-President of Asset, Liquidity Management and Investment Trading for PCIBank (1995 to 2000) and Senior Assistant Manager and Junior FX Trader for the Bank of the Philippine Islands (1993 to 1995). Mr. Pedrosa started his career when he joined BPI's Officer Training Program in 1993. He completed his Bachelor of Science degree in Commerce majoring in Philosophy at the London School of Economics.

Arsilito A. Pejo, 53, Filipino, Senior Vice-President, is the Regional Sales Director of Eastern Visayas since January 1, 2015. Mr. Pejo joined RCBC in 1982. His noteworthy stints include being the Regional Service Head of Visayas from June 2008 to December 2014 and Area Service Head of Visayas from May 2004 to May 2008, Regional Operations Head from October 2002 to April 2004 and Cebu Operations Center Head from June 1998 to September 2002. He obtained his Bachelor of Science degree in Commerce major in Accounting from Colegio de San Jose – Recoletos in 1982.

Ma. Lourdes Jocelyn S. Pineda, 58, Filipino, Senior Vice-President, is the Head of Microfinance and President of Rizal Microbank. She has over 15 years of experience in the microfinance business. Prior to joining the Bank, she was the Principal Microfinance Adviser/Senior Director of Accion International/Accion Technical Advisors India. Before this, she was the Regional Manager/Coordinator of Chemonics International, a U.S.-AID project in partnership with the Rural

Bankers Association of the Philippines, where she provided technical assistance and advice to rural banks on the implementation of microenterprise access to banking approach in individual lending methodology for microfinance. From 1998 to 2004, she was with the Rural Bank of Sto. Tomas where she last served as Managing Director and the Executive Director of the said bank's Training Institute. She also worked for UNDP Upland Development Programme and spent four years working as Regional Chief for the Livelihood and Investment Division of the Ministry of Human Settlement in Davao. She started her career with Bancom Development Corporation. She obtained her Bachelor of Science degree in Business Administration majoring in Business Management from Ateneo de Davao University and her Masters Degree in Business (Magna Cum Laude) from the University of the Philippines.

Nancy J. Quiogue, 46, Filipino, Senior Vice-President, is the Regional Service Head of North and Central Metro Manila. Prior to assuming her current position, she was the Regional Service Head for Metro Manila from April 2010 to December 2014 and District Service Head for Metro Manila from May 2004 to April 2010. She also held various positions at the Bank since 1991. Ms. Quiogue graduated from the Philippine School of Business Administration with a Bachelor of Science degree in Business Administration majoring in Accounting.

Elsie S. Ramos, 49, Filipino, Senior Vice-President, is the Legal Affairs Division Head. She joined the Bank in 2006 and assumed the position of Litigation Department Head. Prior to joining RCBC, she was the Corporate Lawyer and Head of Legal and Corporate Affairs Division for Empire East/Land Holdings (2004 to 2006), Senior Associate and Lawyer-In-Charge of the Docket/Records Section for Ponce Enrile Reyes and Manalastas (2003 to 2004), Senior Associate for Martinez and Mendoza (2001 to 2002), Senior/Junior Associate for Ponce Enrile Reyes and Manalastas (1996 to 2000) and Legal Consultant for Companero Y Companera (1997 to 1998). She held various positions in the University of the Philippines, Department of History such as Assistant Professor (1994 to 1998), Assistant to the Chairman (1992 to 1993) and Instructor (1988 to 1994). She was also a Part-Time Instructor at the St. Scholastica's College, Manila from 1987 to 1989. She obtained her Bachelor of Arts and Master of Arts degree in History from the University of the Philippines, Diliman. She also finished her Bachelor of Law in the same university.

Ismael S. Reyes, 48, Filipino, Senior Vice-President, is the National Sales Director of Retail Banking Group. Prior to joining RCBC, he assumed various positions in Philippine Savings Bank as First Vice-President/ Head of the Loans Operations Group (October 2012 to October 2013), First Vice President/Branch Banking Group Head (January 2011 to October 2012), Vice-President/Deputy Branch Banking Group Head (June 2010 to December 2010) and Vice-President/ Business Development Unit Head (October 2008 to May 2010). He worked for iRemit Inc where he handled roles such as Division Head for Market Management (January 2004 to September 2008) and Deputy Head for the Global Sales and Marketing Division (August 2001 to December 2003). He also worked with Bank of the Philippine Islands where he was assigned as Operations Manager /Section Head for Funds Transfer Department from 1999 to 2001. His banking career started in Far East Bank in 1987 when he was hired as Staff for International Operations Division. By 1990 he was promoted to a supervisory rank in the same division and as an officer in 1993. He held the position of Department Head in International Operations in 1995 and became a Project Officer for the Remittance Center in 1996. Mr. Reyes earned his Bachelor of Science degree in Commerce major in Economics at the University of Santo Tomas.

Steven Michael T. Reyes, 43, Filipino, Senior Vice-President, is the Head of Trading Segment. Previously, he was First Vice President of Global Markets for Australian & New Zealand Banking Group (March 2009 to January 2014), Vice President / Head of Capital Markets for Banco De Oro (October 2006 to March 2009), Assistant Vice President /Debt and Interest Rate Trader for Citibank, Singapore (January 2006 to October 2006) and Assistant Vice President/Bonds Trader for Citibank, Manila (January 2002 to December 2005). He also worked for Equitable PCIBank from July 1999 to December 2001 and PCIBank from May 1996 to July 1999 and held the following positions : Senior Manager/Head of Capital Markets Desk (July 2000 to December

2001), Manager /Global Fixed Income Proprietary Trader (July 1999 to July 2000), Assistant Manager / Fixed Income Proprietary Bond Trader (July 1997 to July 1999) and Proprietary Bond Trader (May 1996 to July 1997). Mr. Reyes started his banking career when he joined Bank of the Philippine Islands in 1993 as Position Analyst. He completed his Bachelor of Science in Tourism Management at the University of the Philippines in 1993.

Raoul V. Santos, 48, Filipino, Senior Vice-President, is the Investment Services Division Head. He joined RCBC in 2001 as Portfolio Management Section Head before assuming the Investment Services Department Head position in 2008. He also worked for Metropolitan Bank and Trust Company (2000 to 2001), Solidbank Corporation (1999 to 2000). Phinma, Inc. (1991 to 1999) and SGV & Co. (1990 to 1991). Mr. Santos obtained his Bachelor of Science degree in Management of Financial Institutions and Bachelor of Arts degree in Asian Studies from the De La Salle University.

Johan C. So, 44, Filipino, Senior Vice-President, is the Head of Chinese Banking Division I. Prior to assuming current position, he was the Head of Kaloocan Division from July 2013 to January 2014 and Head of Chinese Banking Division III from June 2008 to June 2013. From August 2005 to May 2008, he worked for Philippine Bank of Communications in which the last position he assumed was as Vice-President/Unit Head of Corporate Banking Group 5. He also worked for Standard Chartered Bank from May 1999 to May 2002, T.A. Bank of the Philippines, Inc. from February 1997 to May 1999 and China Banking Corporation from 1993 to 1997. Mr. So graduated from De La Salle University in 1992 with a degree in Bachelor of Science in Applied Economics and Bachelor of Science in Commerce major in Marketing Management. He obtained his Masters degree in Business Administration from the Ateneo Graduate School of Business in 1999.

Ma. Angela V. Tinio, 52, Filipino, Senior Vice-President, is the Head of Commercial and Small Medium Enterprises Banking Segment. She has been with the Bank since 2000, holding various positions in Corporate Banking such as VisMin Lending Region Head (December 2010 to June 2013), Metro Manila-Luzon Region Head (April 2006 to November 2010) and Account Management Department Head (July 2000 to April 2006). She worked with Bank of the Philippine Islands as Special Business Unit/Corporate Banking II Manager and Market Head in April 2000. She also held various positions in Far East Bank and Trust Company from June 1997 to April 2000, PDB Leasing and Finance Corporation from February 1996 to April 1997 and Traders Royal Bank from January 1985 to January 1996. Ms. Tinio obtained her Bachelor of Arts degree in Economics from the University of the Philippines and her Master's degree in Business Administration from the De La Salle University.

Teodoro Eric D. Valena, Jr., 56, Filipino, Senior Vice-President, is the Head of Retail E-Channels Division. Previously, he was the Finacle Division Head from January 2008 to December 2014, Applications Development & Management Division Head from September 2006 to December 2007 and the Application System Services Department Head from April 2001 to September 2006. Prior to joining the Bank, he held various IT-related positions in several institutions such as Citibank (January 1987 to March 2001), MANCOMTECH (July 1986 to November 1986), Revenue Information Systems Services Inc. (October 1983 to May 1986), Trans-Union Corp. (June 1983 to October 1983), Mini-Systems Inc. (October 1981 to March 1983) and United Computer Programming Center (April 1981 to October 1981). Mr. Valena started his career as a Programmer/ Trainee at Mini-Systems Inc. in 1980. He graduated from the University of the Philippines with a Bachelor of Arts in Social Sciences major in Economics in 1983.

Executive officers with the rank of Assistant Vice President and above are appointed annually by the Board of Directors in its Organisational Board Meeting right after the shareholders meeting which is held annually every last Monday of June. There are no binding contracts or arrangements with regards to the tenure of the Bank’s executive officers. All of the officers identified above are Filipino citizens, except for Mr. Yasuhiro Matsumoto and Koji Onozawa who are citizens of Japan.

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

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

(H) Market Price and Dividends

(1) Market Price of Bank's Common Equity

The common shares of the Bank are listed in the Philippine Stock Exchange. As of June 2, 2015 the market price of RCBC's common shares closed at 41.00 per share. The trading prices of said shares for the different quarters of the years 2015, 2014, 2013 and 2012 are as follows:

		Q1		Q2		Q3		Q4	
		Last Practicable Trading Date		**Last Practicable Trading Date**		**Last Practicable Trading Date**		**Last Practicable Trading Date**	
2015	High	48.50	01.19.15	46.90	04.23.15				
	Low	45.15	03.31.15	41.00	05.29.15 06.02.15 06.3.15				
2014	High	50.00	03.12.14	57.70	05.19.14	56.00	07.30.14	54.60	10.07.14
	Low	42.25	01.15.14	46.70	04.04.14	51.80	08.18.14	46.00	12.15.14
2013	High	70.00	03.27.13	74.00	05.15.13	59.10	07.02.13	47.00	10.31.13
	Low	58.00	01.07.13	52.00	06.25.13	41.00	08.28.13	41.50	12.16.13
2012	High	42.25	03.16.12	45.50	05.09.12	45.55	09.28.12	60.00	12.28.12
	Low	29.75	01.17.12	40.70	04.11.12	43.00	08.29.12	45.45	10.05.12

Source: Philippine Stock Exchange

(2) Number of Stockholders as of April 30, 2015 — 786 stockholders (common)
— 81 stockholders (preferred)

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

RCBC and Cathay Life Insurance Corp (Cathay Life), a wholly owned subsidiary of Cathay Financial Holding Co., Ltd. (Cathay Financial) closed, last April 20, 2015, an equity investment deal for the subscription of primary shares 124,242,272 shares of RCBC at Php 64.00 per share, which involved unregistered securities constituting an exempt transaction.

(4) Top 20 Stockholders of RCBC as of April 30, 2015

<u>Common stockholders</u>

stockholder name	**shares**	**Percentage of Ownership**
PCD NOMINEE CORP.(NON-FILIPINO)	497,204,335	35.517%
PAN MALAYAN MANAGEMENT	473,963,632	33.857%
PCD NOMINEE CORPORATION (FILIPINO)	267,909,791	19.138%
CATHAY LIFE INSURANCE CO., LTD.	124,242,272	8.875%

SYBASE EQUITY INVESTMENTS CORPORATION	23,528,800	1.681%
A. T. YUCHENGCO, INC.	3,243,871	0.232%
ABOITIZ & COMPANY, INC.	3,103,530	0.222%
HYDEE MANAGEMENT & RESOURCE CORPORATION	2,044,349	0.146%
LON, FRANCISCO GENARO OZAMIZ	580,500	0.041%
ROSARIO, RODOLFO P. DEL	574,724	0.041%
NAVARRO, RIZALINO S.	260,866	0.019%
CONCEPCION, CARMENCITA DE LAS ALAS	224,490	0.016%
VERANO, MARIA LUISA L.	207,069	0.015%
ALAS, CARLOS DE LAS	114,298	0.008%
ALAS, CORNELIO DE LAS	114,195	0.008%
CHAN, FREDERICK	107,959	0.008%
YANG JIN LIANG	100,000	0.007%
RUFINO, JOSIE PADILLA	92,865	0.007%
LOMBOS, MANUEL C. &/OR MEYRICK J.	68,574	0.005%
ERESE, HENRY	61,969	0.004%

<u>Preferred stockholders</u>

Name	No of Shares	% to Total
ROSARIO, RODOLFO P. DEL	81,521	24.10%
GO, HOMER	46,355	13.70%
CAMPOS LANUZA & CO. INC.	44,179	13.06%
CONCEPCION, CARMENCITA	31,842	9.41%
OPTIMUM SECURITIES CORP.	16,666	4.93%
CHAN, FREDERICK	16,158	4.78%
BDO SECURITIES CORP.	9,304	2.75%
ERESE, HENRY	8,790	2.60%
NGO, LORETA	8,600	2.54%
MANDARIN SECURITIES CORPORATION	7,583	2.24%
TAN, LUCIANO H.	7,309	2.16%
ABACUS SECURITIES CORP.	6,021	1.78%
HWANG, HANS YAP	5,558	1.64%
ANG, TONY ANG &/OR ROSEMARIE	5,372	1.59%
SIA, JOHNSON CHUA	5,000	1.48%
ACERO, NICASIO MARIN JR., &/OR ARNOLFO O.	3,371	1.00%
CO, JUSTINA DY	3,258	0.96%
CHENG, SUSAN	2,665	0.79%
GLOBALINKS SEC. & STOCKS	2,454	0.73%
BEDAN CORPORATION	2,100	0.62%

Security Ownership of Foreigners (as of April 30, 2015)

Title of Class	Shares	% of Total
Common	621,661,054	44.41
Preferred	416	0.00

(5) Cash Dividends

Date Declared	Dividend		Date Approved	Date Paid / Payable	Nature of Securities
	Per Share	Total Amount Php (in Thousand Php)			
January 30, 2012	P 0.0649	P 26	February 24, 2012	March 27, 2012	Preferred stock
March 26, 2012	P 0.9000	P 1,026,771	April 19, 2012	June 4, 2012	Common stock
March 26, 2012	P 0.9000	P 308	April 19, 2012	June 4, 2012	Preferred stock
May 28, 2012	P 0.0632	P 22	June 26, 2012	July 3, 2012	Preferred stock
July 30, 2012	P 0.0624	P21	September 6, 2012	September 28, 2012	Preferred stock
November 26, 2012	P0.0593	P20	December 18, 2012	January 2, 2013	Preferred stock
November 26, 2012	*	P203,524	March 4, 2013	April 27, 2013	Hybrid Tier 1
November 26, 2012	*	P212,559	September 6, 2013	October 25, 2013	Hybrid Tier 1
January 28, 2013	P0.0578	P20	March 4, 2013	March 26, 2013	Preferred stock
March 25, 2013	P1.00	P 1,275,659	April 29, 2013	May 27, 2013	Common stock
March 25, 2013	P1.00	P 342	April 29, 2013	May 27, 2013	Preferred stock
April 29, 2013	P 0.05774	P 20	June 10, 2013	June 27, 2013	Preferred stock
July 29, 2013	P 0.05745	P 20	September 6, 2013	September 26, 2013	Preferred stock
October 29, 2013	P 0.05686	P 19	January 13, 2014	January 15, 2014	Preferred stock
October 29, 2013	*	P 224,014	February 25, 2014	April 27, 2014	Hybrid Tier 1
October 29, 2013	*	P 215,000	September 15, 2014	October 27, 2014	Hybrid Tier 1
January 27, 2014	P 0.05615	P 19	February 25, 2014	March 27, 2014	Preferred Stock
March 31, 2014	P 1.00	1,275,659	May 23, 2014	June 16, 2014	Common Stock
March 31, 2014	P 1.00	P342	May 23, 2014	June 16, 2014	Preferred Stock
April 28, 2014	P 0.05700	P19	July 25, 2014	July 30, 2014	Preferred Stock
July 28, 2014	P 0.05364	P19	September 15, 2014	October 10, 2014	Preferred Stock
October 27, 2014	P 0.05640	P19	December 19, 2014	January 28, 2015	Preferred Stock
October 27, 2014	*	P218,608	March 20, 2015	April 27, 2015	Hybrid Tier 1
October 27, 2014	*	P221,570	Pending	October 27, 2015	Hybrid Tier 1
January 26, 2015	P0.05630	P18	March 20, 2015	March 27, 2015	Preferred Stock
March 30, 2015	P0.60	P840,144	May 13, 2015	June 10, 2015	Common Stock
March 30, 2015	P0.60	P203	May 13, 2015	June 10, 2015	Preferred Stock
April 27, 2015	P0.056670	P19	Pending	Pending	Preferred Stock

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

(I) Compliance with leading practices on Corporate Governance

RCBC adheres to the basic principles of good corporate governance, namely: transparency, accountability and fairness.

The Bank's corporate governance policies and rules are embodied in the board-approved Corporate Governance Manual which is reviewed annually, with the objective of continually aligning the Bank's policies with the BSP and SEC issuances as well as international best practices on corporate governance. This also ensures that the interests of stockholders and other stakeholders are always taken into account, the directors, officers, and associates/employees are aware of their responsibilities and the business of the Bank is conducted in a safe and sound manner. To improve governance structures and processes through benchmarking against local and international leading practices, the Corporate Governance Manual incorporates best practices set by the (i) Basel Committee on Banking Supervision's Principles for Enhancing Corporate Governance and the (ii) Maharlika Board of the PSE.

The Bank fully complies with the SEC's Revised Code of Corporate Governance, as amended. The Bank likewise complies with the guidelines and respective best practices under the PSE Corporate Governance Guidelines Disclosure Template and the ASEAN Corporate Governance Scorecard, thereby promoting greater transparency through more disclosures which gives clients/investors the confidence that the bank they are dealing with adheres to the highest standards of good corporate governance. The Bank is further strengthening the Bank's corporate governance policies and procedures in accordance with the BSP and SEC guidelines.

The members of the Board conduct an annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees. The self-assessment includes an evaluation of the independent judgment, objectivity and balanced perspectives of each member of the Board as a whole. The Audit Committee's self-assessment complies with SEC Memorandum Circular No. 4, s. 2012 entitled "Guidelines for the Assessment of the Performance of Audit Committees Listed in the Exchange." Additionally, the independent directors conduct an annual assessment of the Chairperson of the Board and in 2015, the non-executive directors will conduct an assessment of the CEO for the year 2014.

The self-assessment forms are based on the Bank's Revised Corporate Governance Manual, SEC and BSP rules and regulations. Results of the assessment are submitted to the Corporate Governance Committee and the results are considered in making the recommendations on the directors to be nominated to the Board and appointed to the board committees for the following year. Criteria used in the assessment are disclosed in the SEC Annual Corporate Governance Report (SEC ACGR) under Board, Director, Committee and CEO Appraisal. Criteria for the assessment of the Chairperson by the independent directors are based on the duties and responsibilities of the Chairperson under the Corporate Governance Manual, BSP and SEC issuances. The Related Party Transactions Committee (RPT) Committee, a committee created in the latter part of 2014, will conduct the self-assessment next year.

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

To reinforce the pivotal role they play in the implementation of corporate governance in the Bank, the Board of Directors and senior management participate in corporate governance and AMLA training seminars on an annual basis. These seminars, which are provided by regulators, external advisors and professional trainers, are viewed as augmenting the knowledge of Board members for a more effective contribution and ensure that the Board is kept abreast of relevant regulatory and legislative developments and changes. Further, new directors are briefed by senior management on the different aspects of operation handled by each group upon election. On a regular basis, directors request and meet with key officers of the Bank on various topics.

The Board is composed of both executive and non-executive directors, with a sufficient number of qualified non-executive members elected to promote the independence of the board from the views of senior management. It has a sufficient number of independent directors that gives the assurance of independent views and perspectives. Currently, the Bank has 3 independent directors. All 3 of them are active in various committees of the Bank and participate extensively in Board discussions. Likewise, independent functions of internal audit, the compliance office, and the risk management unit lend comfort to stakeholders, including the regulators, of Bank's commitment to the principles and practices of good corporate governance.

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

In order to strengthen and improve the Bank's Compliance Program, the Compliance Office was reorganized in May 2011 and expanded into three departments, namely: the Anti-Money Laundering Department, the Testing and Monitoring Department and the Corporate Governance Department under the direct control and supervision of the Compliance Officer. In December 2013, the Foreign Account Tax Compliance Act (FATCA) Compliance Department was created, also under the direct control and supervision of the Compliance Officer. The compliance function also covers oversight of the activities of Bank's domestic subsidiaries which are under BSP supervision, such as RCBC Savings Bank, RCBC Capital Corporation, RCBC Securities, Inc., RCBC Forex Brokers Corporation, Merchants Savings and Loan Association/Rizal Microbank, and RCBC Leasing and Finance Corporation, as well as its foreign subsidiaries, such as RCBC International Finance Ltd., RCBC Investments Ltd., and RCBC Telemoney Europe SpA. This ensures consistent and uniform implementation of the requirements of the BSP and other regulatory agencies. This also involves monitoring of inter-company transactions to ensure that these are done at arm's length and in the regular course of business.

In 2014, the Board approved the revised Policy on Related Party Transactions (RPT) and the establishment of the RPT Committee to ensure more effective monitoring and reporting of related party transactions. Under the revised Policy, review of RPT's to ensure compliance with regulatory requirements and internal policies became part of the compliance testing program. Under the RPT Committee Charter, the Corporate Governance Department was tasked to perform secretariat functions of the Committee.

The bank's Consolidated Changes in the Annual Corporate Governance Report (SEC Form ACGR) for the year 2014 was submitted to the Securities and Exchange Commission (SEC) on March 5, 2015, and the Philippine Stock Exchange (PSE) and the Philippine Dealing and Exchange Corporation (PDEx) on March 6, 2015.

Policy on Related Party Transactions

Under the said Policy, transactions directly or indirectly involving a related party, where the amount involved is at least PhP 1Million, is a reportable related party transaction. The Bank adopted an expanded definition of related parties to include not only directors, officers, stockholders and related interests (DOSRI) as defined under the General Banking Law and related issuances and related parties as defined under International Accounting Standards 24 (IAS 24), but also second degree relatives by consanguinity or affinity of directors, officers, or stockholders. The expanded definition also includes advisory board members and consultants of the Bank, and directors and key officers of subsidiaries and affiliates of the Bank, among others.

Related parties, through the account officers, are required to notify the Related Party Transactions (RPT) Committee of any potential related party transaction as soon as they become aware of it. If a transaction is determined to be a Related Party Transaction, such transaction, including all of the relevant details regarding such transaction, shall be submitted for analysis and evaluation to the RPT Committee to determine whether or not the Related Party Transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The RPT Committee is a board committee composed of at least three (3) members of the Board of Directors, including the chairman who is an independent director and who is not a member of the Audit Committee.

The transaction shall thereafter be presented to the Board for approval. Any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction.

Mergers and acquisitions, divestitures and transactions of a similar nature which are not in the normal course of business as may be determined by the RPT Committee and where the amount involved is at least one percent (1%) of the unimpaired capital of the Bank, which are presented to the Board for approval, shall be accompanied by a fairness opinion issued by an independent adviser as well as other reports as the RPT Committee may deem necessary.

Pursuant to BSP Circular No. 749 as amended and the Bank's Corporate Governance Manual, the Bank's stockholders confirmed by majority vote, in the last annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties. Review of related party transactions is part of compliance testing of the Compliance Office as well as audit work program of the Internal Audit Group.

Details of the Bank's major related party transactions in 2014 are described below:

- The Group's significant transactions with its related parties as of end December 2014 include loans and receivables and deposit liabilities. Total amount of loans outstanding was at P5,412 and deposit liabilities was at P5,462 as of end December 2014, where related parties are defined according to PAS 24. (Notes 28.1 and 28.2, Notes to Financial Statements)

  The total amount of DOSRI loans was at P5,412 as of end December 2014. (Note 28.1, Notes to Financial Statements)

- RCBC and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RCBC Realty). Related rental expense are included as part of Occupancy and Equipment-related account in the statement of income. RCBC's lease contract with RCBC Realty is until December 31, 2015. (Note 28.5, Notes to Financial Statements)

- The Bank's and certain subsidiaries' retirement funds covered under their defined post-employment benefit plan for qualified employees are administered by the Bank's and RSB's Trust Department in accordance with their respective trust agreements. The Group's retirement fund has transactions directly and indirectly with the Group and the Bank which consist of investment in common shares of the Bank, other securities and debt instruments, trading gain and dividend income. 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. (Note 28.4, Notes to Financial Statements)

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

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

- The law firm of Angara Abello Concepcion Regala & Cruz (ACCRA) Law Office is among the firms engaged by the Bank to render legal services. Atty. Teodoro Dy-Liaco Regala, Director, is a Senior Partner of ACCRA Law Office. During the year, the Company paid ACCRA legal fees that the Company believes to be reasonable for the services provided.

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

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

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

(J) Undertaking to Provide Annual Report

The Bank undertakes to provide each stockholder without charge a copy of the annual report on SEC Form 17-A upon the written request to the Bank addressed to:

Atty. Maria Celia H. Fernandez-Estavillo
Corporate Secretary
Rizal Commercial Banking Corporation
46/F, Yuchengco Tower, RCBC Plaza
6819 Ayala Ave. cor. Sen. Gil J. Puyat Ave.
Makati City

NOTICE OF MEETING

Dear Stockholder:

Please be advised that the Annual Stockholders' Meeting of the Bank will be held on **June 29, 2015** at the Alfonso Sycip Executive Lounge, 47th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City at 4:00 P. M., for the purpose of considering and acting on the following matters:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 30, 2014
2. Approval of the Annual Report and the Audited Financial Statement for 2014
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2014

    3.1. Ratification of the actions and proceedings of the Board of Directors on 29 October 2014

4. Confirmation of significant transactions with DOSRI and related parties
5. Election of Directors
6. Appointment of External Auditor
7. Such other matters as may properly come before the meeting
8. Open Forum

Enclosed is a copy of the Information Statement pursuant to Section 20-IS of the Securities Regulation Code.

Only stockholders of record at close of business on May 29, 2014 will be entitled to vote at the meeting or any adjournment thereof.

May 22, 2015 Makati City, Metro Manila, Philippines.

MARIA CELIA H. FERNANDEZ-ESTAVILLO
Corporate Secretary

RIZAL COMMERCIAL BANKING CORPORATION

AGENDA

ANNUAL MEETING OF THE STOCKHOLDERS

D A T E	*:*	***29 June 2015***
T I M E	*:*	*4:00 P. M.*
PLACE	*:*	*Alfonso Sycip Executive Lounge* *47th Floor, Yuchengco Tower* *RCBC Plaza, 6819 Ayala Ave.* *cor. Sen. Gil J. Puyat Avenue, Makati City*

1. Proof of the Due Notice of the Meeting

2. Determination of the presence of a Quorum

3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 30, 2014

4. Approval of the Annual Report and the Audited Financial Statement for 2014

5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2014

   5.1. Ratification of the actions and proceedings of the Board of Directors on 29 October 2014

6. Confirmation of significant transactions with DOSRI and related parties

7. Election of Directors

8. Appointment of External Auditor

9. Other Matters

10. Open Forum

11. Adjournment

RATIONALE AND EXPLANATION FOR AGENDA ITEMS REQUIRING SHAREHOLDERS' APPROVAL

1. Proof of the Due Notice of the Meeting

Rationale/ Explanation: Only stockholders of record as of May 29, 2015 shall be entitled to notice and vote at the meeting. The notice of the meeting, which shall contain, in addition to the date, hour and place of such meeting, a statement of the matters to be taken up at such meeting, shall be delivered personally or by registered mail, with return card, postage prepaid, at least fifteen (15) days prior to the date thereof, addressed to each stockholder at his address appearing on the books of the Corporation in accordance with Article IV, Section 1 (c) of the Amended By-Laws of the Corporation.

2. Determination of the presence of a Quorum

Rationale/ Explanation: Quorum shall consist of stockholders owning the majority of the subscribed capital stock represented in person or by proxy. The Corporate Secretary shall declare whether or not a quorum exists for the Annual Stockholders Meeting.

3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 30, 2014

Rationale/ Explanation: Approval of the June 30, 2014 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, such as, (a) 2013 annual report and audited financial statements, (b) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2013, (c) election of directors, (d) confirmation of significant transactions with DOSRI and related parties, (e) appointment of external auditor, and (f) Amendment of Article Third of the Amended Articles of Incorporation on Principal Office Address.

A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

4. Approval of the Annual Report and the Audited Financial Statements for 2014

Rationale/ Explanation: Approval of the Annual Report constitutes a ratification of the Bank's performance during the previous fiscal years as contained in the Annual Report. The Annual Report will contain the results of the operation of the Company during the year 2014. The financial statements as of December 31, 2014 will also be presented and endorsed for approval by the Board of Directors and the Audit Committee. The Audited Financial Statements for 2014 will be attached to the Definitive Information Statement and is incorporated in the Bank's SEC 17-A Report submitted to the SEC and available in the Bank's website.

A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2014

Rationale/ Explanation: The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (June 30, 2014) up to the date of the meeting (June 29, 2015). These include, among others, those that involve day-to-day operation, administration and management of the corporate affairs such as approval of loans, restructuring of past due accounts, sale of ROPOAs, appointment/resignation of directors/officers, sanctions/disciplinary measures imposed to erring officers/employees, authority to file criminal/civil complaints.

A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

5.1. Ratification of the actions and proceedings of the Board of Directors on 29 October 2014

Rationale/ Explanation: The Board confirmed and ratified its approval and the terms of the sale of RCBC's 34.8% stake in RCBC Realty Corporation (RRC) to three related companies, namely: Pan Malayan Management and Investment Corporation, House of Investments, Inc. and RCBC Land, Inc. at the price of PhP 4.547 Billion. The sale had been previously ratified by the stockholders in its meeting last 27 June 2014, but as part of the measures undertaken by the Board to improve and further strengthen the handling of related party transactions, the Board constituted a Special Committee to review the transaction. On the basis of the committee report and upon due consideration, the Board confirmed and ratified its approval of the transaction at the special Board meeting held last 29 October 2014; hence, this requirement of ratification by the stockholders.

The Board also:

- Determined the selling price to be fair given the CBRE, KPMG and Reyes Tacandong & Co. reports and confirmed the reliance by the Board on the independent valuations of CBRE and KPMG;
- Confirmed the authority of Mr. John G. Deveras to negotiate the selling price within the price range;
- Approved and confirmed the change in valuation to accommodate planned capital expenditures and lease expiry.

In accordance with BSP Circular 749 dated February 27 2012 which requires the Bank's stockholders to confirm by majority vote, and pursuant to the BSP's directive in its regular examination as mentioned, the Bank's significant transactions with related parties, the results of the review of the sale of the shares of the Bank in RRC by the Special Committee as approved by the Board on October 29, 2014 is presented to the stockholders for confirmation.

6. Confirmation of Significant Transactions with DOSRI and Related Parties

Rationale/ Explanation: Significant transactions with DOSRI and related parties for the year 2014 include loans and deposit liabilities, lease with RCBC Realty Corporation (RRC), and transactions of the Group's respective retirement funds with the Group and the Bank consisting of investment in common shares of the Bank, other securities and debt instruments, trading gain and dividend income. Details of said related party transactions are disclosed in the Bank's SEC 17-A Report which is also available in the Bank's website.

In accordance with BSP Circular 749 dated February 27 2012 which requires the Bank's stockholders to confirm by majority vote, the Bank's significant transactions with DOSRI and related parties, the above-mentioned significant transactions are presented to the stockholders for confirmation.

7. Election of Directors

Rationale/ Explanation:	The By-Laws of the Bank allows to all shareholders, including minority stockholders, the right to nominate candidates for the Board of Directors. Nominees for election as members of the Board of Directors of RCBC, including nominees for election as independent Directors, as well as their profiles will be provided in the Definitive Information Statement. A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

8. Appointment of External Auditor

Rationale/ Explanation:	The Audit Committee will screen and endorse to the stockholders the appointment of selected qualified SEC-accredited auditing firm as external auditor of RCBC for the year 2015, including their proposed remuneration. The profile of the external auditor will be provided in the Definitive Information Statement. A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

9. Other Matters

Rationale/ Explanation:	Other matters that may have arisen after the Notice of Meeting and Agenda have been sent out or raised throughout the meeting may be presented to the stockholders for consideration. Stockholders may also propose to consider such other relevant matters or issues.

10. Open Forum

Rationale/ Explanation:	The Chairman shall also open the floor for comments and questions by stockholders.

11. Adjournment

RCBC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Rizal Commercial Banking Corporation and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Financial Reporting Standards in the Philippines for Banks (FRSPB).

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

RCBC

HELEN Y. DEE
Chairperson, Board of Directors

LORENZO V. TAN
President & Chief Executive Officer

RAUL B. TAN
FSVP, Acting Head-Treasury Group

FLORENTINO M. MADONZA
SVP, Head-Controllership Group

APR 14 2015

SUBSCRIBED AND SWORN TO BEFORE ME, this ___ day of ________, 2015 at Makati City, Philippines, affiants exhibited to me their valid identifications, to wit:

Name	*ID No.*	*Date/Place of Issue*
Helen Y. Dee	Passport No. EB9694250	11/27/2013, Manila
Lorenzo V. Tan	CTC No. 02444383	01/14/2015, Makati
Raul B. Tan	CTC No. 10051877	01/22/2015, Makati
Florentino M. Madonza	CTC No. 02422463	01/14/2015, Makati

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-80 (2015-2016)
Until 31 December 2016
PTR No. 4753340; 01-06-15; Makati City
IBP No. 0983781; 01-06-15; Makati City
ROLL No. 40145
21st Floor Yuchengco Tower II, RCBC Plaza
Ayala Avenue, Makati City

DOC. NO. 3
PAGE NO. 2
BOOK NO. 246
SERIES OF 2015

Punongbayan & Araullo

An instinct for growth™

Financial Statements and Independent Auditors' Report

Rizal Commercial Banking Corporation and Subsidiaries

December 31, 2014, 2013 and 2012

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
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1200 Makati City
Philippines

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

We have audited the accompanying financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company) which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

APR 14 2015

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rizal Commercial Banking Corporation and subsidiaries and of Rizal Commercial Banking Corporation as of December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with Financial Reporting Standards in the Philippines for Banks, as described in Note 2 to the financial statements.

Emphasis of a Matter

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

PUNONGBAYAN & ARAULLO

Ma. Isabel Comedia

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 4748308, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-2 (until Oct. 2, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-21-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 30, 2015

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

		GROUP		PARENT COMPANY	
	Notes	2014	2013	2014	2013
RESOURCES					
CASH AND OTHER CASH ITEMS	9	P 13,085	P 9,826	P 9,539	P [illegible]
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	46,099	52,491	37,763	[illegible]
DUE FROM OTHER BANKS	9	16,600	7,537	15,535	[illegible]
TRADING AND INVESTMENT SECURITIES - Net	10	100,790	92,700	87,540	[illegible]
LOANS AND RECEIVABLES - Net	11	261,574	237,960	205,614	[illegible]
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	321	333	7,999	[illegible]
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	7,031	8,814	4,487	[illegible]
INVESTMENT PROPERTIES - Net	14	5,355	4,579	3,426	[illegible]
OTHER RESOURCES - Net	15	7,050	7,629	5,027	[illegible]
TOTAL RESOURCES		P 457,905	P 421,869	P 376,930	P [illegible]

LIABILITIES AND EQUITY

	Notes	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 201
DEPOSIT LIABILITIES	17	**P 315,761**	P 297,853	**P 248,022**	P :
BILLS PAYABLE	18	**39,799**	39,895	**36,837**	
BONDS PAYABLE	19	**23,486**	23,317	**23,486**	
SUBORDINATED DEBT	20	**9,921**	-	**9,921**	-
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**4,671**	4,537	**3,498**	
OTHER LIABILITIES	22	**11,136**	11,459	**8,474**	
Total Liabilities		**404,774**	377,061	**330,238**	3
EQUITY	23	**53,131**	44,808	**46,692**	
TOTAL LIABILITIES AND EQUITY		**P 457,905**	P 421,869	**P 376,930**	P 3:

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		GROUP			PARENT COMPANY		
	Notes	**2014**	2013	2012	**2014**	2013	201
INTEREST INCOME							
Loans and receivables	11	**P 15,961**	P 14,302	P 13,843	**P 11,143**	P 10,138	P
Trading and investment securities	10	**4,026**	4,259	4,736	**3,578**	3,762	
Others	9, 24	**213**	263	178	**190**	246	
		20,200	18,824	18,757	**14,911**	14,146	
INTEREST EXPENSE							
Deposit liabilities	17	**2,581**	2,682	4,294	**1,849**	1,855	
Bills payable and other borrowings	18, 19, 20, 24	**2,652**	2,831	3,061	**2,519**	2,698	
		5,233	5,513	7,355	**4,368**	4,553	
NET INTEREST INCOME		**14,967**	13,311	11,402	**10,543**	9,593	
IMPAIRMENT LOSSES - Net	16	**2,509**	2,054	2,486	**1,663**	1,380	
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**12,458**	11,257	8,916	**8,880**	8,213	
OTHER OPERATING INCOME							
Trading and securities gains - net	2, 10	**2,545**	2,600	6,804	**1,869**	1,762	
Service fees and commissions	2	**2,297**	2,398	2,080	**1,166**	1,375	
Trust fees	27	**297**	304	293	**255**	257	
Foreign exchange gains - net	2, 19	**237**	264	196	**199**	221	
Miscellaneous	25	**1,726**	4,244	1,969	**2,668**	4,208	
		7,102	9,810	11,342	**6,157**	7,823	
TOTAL OPERATING INCOME		**P 19,560**	P 21,067	P 20,258	**P 15,037**	P 16,036	P 1

Forward

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2014	GROUP 2013	GROUP 2012	PARENT COMPANY 2014	PARENT COMPANY 2013	PARENT COMPANY 2012
NET PROFIT		**P 4,410**	P 5,334	P 5,956	**P 4,479**	P 4,782	P 4
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Fair value gains on financial assets at fair value through other comprehensive income	10, 23	**118**	-	-	**56**	-	-
Actuarial gains (losses) on defined benefit plan	23	**1**	(773)	1,160	**80**	(755)	1
		119	(773)	1,160	**136**	(755)	1
Items that will be reclassified subsequently to profit or loss							
Translation adjustments on foreign operations	23	**(5)**	4	(2)	**-**	-	-
Fair value gains (losses) on available-for-sale securities	10	**-**	(8,150)	863	**-**	(6,982)	
Excess of cost of investment over net assets of an acquired subsidiary	23	**-**	-	(87)	**-**	-	-
		(5)	(8,146)	774	**-**	(6,982)	
Total Other Comprehensive Income (Loss)	23	**114**	(8,919)	1,934	**136**	(7,737)	1
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**P 4,524**	(P 3,585)	P 7,890	**P 4,615**	(P 2,955)	P 6
ATTRIBUTABLE TO:							
PARENT COMPANY SHAREHOLDERS		**P 4,525**	(P 3,598)	P 7,883			
NON-CONTROLLING INTERESTS		**(1)**	13	7			
		P 4,524	(P 3,585)	P 7,890			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos)

		GROUP										
		ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS										
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TO EQ
Balance at January 1, 2014, as previously stated		P 12,757	P 3	P 16,148	P 4,883	(P 5,154)	P 348	(P 282)	P 16,082	P 44,785	P 23	P
Effect of adoption of PFRS 9, *Financial Instruments*	2	-	-	-	-	5,694	-	-	(177)	5,517	-	
Balance at January 1, 2014, as restated		12,757	3	16,148	4,883	540	348	(282)	15,905	50,302	23	
Transactions with owners	23											
Effect of retirement of preferred shares		-	-	-	-	-	-	185	(185)	-	-	
Cash dividends		-	-	-	-	-	-	-	(1,718)	(1,718)	-	(
Total transactions with owners		-	-	-	-	-	-	185	(1,903)	(1,718)	-	(
Total comprehensive income (loss) for the year	23	-	-	-	-	114	-	-	4,411	4,525	(1)	
Transfer of fair value losses on financial assets at fair value through other comprehensive income to surplus	23	-	-	-	-	28	-	-	(28)	-	-	
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	18	-	(18)	-	-	
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P
Balance at January 1, 2013		P 11,409	P 3	P 9,397	P 4,883	P 3,765	P 329	(P 330)	P 12,676	P 42,132	P 30	P
Transactions with owners	23											
Issuance of common shares during the year		1,348	-	6,751	-	-	-	-	-	8,099	-	
Effect of disposal and change in percentage ownership over subsidiaries		-	-	-	-	-	-	48	(204)	(156)	(20)	(
Cash dividends		-	-	-	-	-	-	-	(1,692)	(1,692)	-	(
Total transactions with owners		1,348	-	6,751	-	-	-	48	(1,896)	6,251	(20)	
Total comprehensive income (loss) for the year	23	-	-	-	-	(8,919)	-	-	5,321	(3,598)	13	(
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	19	-	(19)	-	-	
Balance at December 31, 2013		P 12,757	P 3	P 16,148	P 4,883	(P 5,154)	P 348	(P 282)	P 16,082	P 44,785	P 23	P
Balance at January 1, 2012		P 11,401	P 26	P 9,382	P 4,883	P 1,744	P 313	(P 102)	P 8,304	P 35,951	P 195	P
Transactions with owners	23											
Conversion of preferred stock to common stock		8	(23)	15	-	-	-	-	-	-	-	
Effect of change in percentage ownership over subsidiaries		-	-	-	-	-	-	(141)	(120)	(261)	(172)	(
Cash dividends		-	-	-	-	-	-	-	(1,441)	(1,441)	-	(
Total transactions with owners		8	(23)	15	-	-	-	(141)	(1,561)	(1,702)	(172)	(
Total comprehensive income (loss) for the year	23	-	-	-	-	2,021	-	(87)	5,949	7,883	7	
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	16	-	(16)	-	-	
Balance at December 31, 2012		P 11,409	P 3	P 9,397	P 4,883	P 3,765	P 329	(P 330)	P 12,676	P 42,132	P 30	P

PARENT COMPANY

	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	SURPLUS	TOTAL EQUITY
Balance at January 1, 2014, as previously stated		P 12,757	P 3	P 16,148	P 4,883	(P 4,489)	P 327	P 9,521	P 39,15
Effect of adoption of PFRS 9, *Financial Instruments*	2	-	-	-	-	5,102	-	(457)	4,64
Balance at January 1, 2014, as restated		12,757	3	16,148	4,883	613	327	9,064	43,79
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,718)	(1,71
Total comprehensive income for the year	23	-	-	-	-	136	-	4,479	4,61
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	14	(14)	-
Balance at December 31, 2014		P 12,757	P 3	P 16,148	P 4,883	P 749	P 341	P 11,811	P 46,69
Balance at January 1, 2013		P 11,409	P 3	P 9,397	P 4,883	P 3,248	P 312	P 6,446	P 35,69
Transactions with owners	23								
Issuance of common shares during the year		1,348	-	6,751	-	-	-	-	8,09
Cash dividends		-	-	-	-	-	-	(1,692)	(1,69
Total transactions with owners		1,348	-	6,751	-		-	(1,692)	6,40
Total comprehensive income (loss) for the year	23	-	-	-	-	(7,737)	-	4,782	(2,95
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
Balance at December 31, 2013		P 12,757	P 3	P 16,148	P 4,883	(P 4,489)	P 327	P 9,521	P 39,15
Balance at January 1, 2012		P 11,401	P 26	P 9,382	P 4,883	P 1,308	P 299	P 3,184	P 30,48
Transactions with owners	23								
Conversion of preferred stock to common stock		8	(23)	15	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(1,441)	(1,44
Total transactions with owners		8	(23)	15	-	-	-	(1,441)	(1,44
Total comprehensive income for the year	23	-	-	-	-	1,940	-	4,716	6,65
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	13	(13)	-
Balance at December 31, 2012		P 11,409	P 3	P 9,397	P 4,883	P 3,248	P 312	P 6,446	P 35,69

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	2014	2013	2012	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 5,324	P 6,593	P 6,701	P 5,067	P 5,749	P
Adjustments for:							
Interest income		(20,200)	(18,824)	(18,757)	(14,911)	(14,146)	(
Interest received		19,980	19,106	18,604	14,757	14,433	
Interest expense		5,233	5,513	7,355	4,368	4,553	
Interest paid		(5,162)	(5,637)	(7,188)	(4,412)	(4,658)	(
Impairment losses	16	2,509	2,054	2,486	1,663	1,380	
Depreciation and amortization	13, 14, 15	1,577	1,318	1,114	860	772	
Dividend income	25	(285)	(182)	(298)	(1,682)	(1,000)	(
Share in net earnings of associates	12	(24)	(243)	(357)	-	-	-
Gain from disposals of investments in subsidiary and associates	12	-	(1,380)	-	-	(1,787)	-
Operating profit before working capital changes		8,952	8,318	9,660	5,710	5,296	
Decrease in financial assets at fair value through profit and loss		21,018	8,204	326	19,381	6,688	
Increase in financial assets at fair value through other comprehensive income		(76)	-	-	-	-	-
Decrease (increase) in loans and receivables		(28,046)	(50,531)	(6,247)	(17,819)	(40,680)	
Decrease in investment properties		242	2,905	297	657	1,674	
Decrease (increase) in other resources		468	(1,110)	(1,959)	(252)	(492)	(
Increase (decrease) in deposit liabilities		17,908	51,096	(8,526)	4,402	47,185	(
Increase (decrease) in accrued interest, taxes and other expenses		(59)	(502)	1,352	(2)	235	
Increase (decrease) in other liabilities		(119)	2,287	2,682	337	1,568	
Cash generated from (used in) operations		20,288	20,667	(2,415)	12,414	21,474	
Cash paid for taxes		(792)	(1,382)	(719)	(593)	(955)	(
Net Cash From (Used in) Operating Activities		19,496	19,285	(3,134)	11,821	20,519	
CASH FLOWS FROM INVESTING ACTIVITIES							
Increase in investment securities at amortized cost		(20,993)	-	-	(20,577)	-	-
Acquisitions of bank premises, furniture and fixtures, and equipment	13	(912)	(2,751)	(2,217)	(573)	(3,319)	(
Cash dividends received	12, 25	285	466	322	1,682	1,000	
Acquisitions of software	15	(147)	(304)	(217)	(124)	(249)	(
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	98	362	291	185	52	
Additional investments in subsidiaries and associates		(4)	-	-	(4)	-	(
Increase in available-for-sale securities		-	(12,783)	(6,938)	-	(13,570)	(
Proceeds from disposals of investments in subsidiary and associates	12	-	4,772	-	-	5,344	-
Net Cash Used in Investing Activities		(21,673)	(10,238)	(8,759)	(19,411)	(10,742)	(
CASH FLOWS FROM FINANCING ACTIVITIES							
Net proceeds from issuance of subordinated debt	20	9,921	-	-	9,921	-	-
Dividends paid	23	(1,718)	(1,692)	(1,441)	(1,718)	(1,692)	(
Proceeds from (payments of) bills payable	18	(96)	13,508	8,350	(230)	13,096	
Redemption of subordinated debt	20	-	(10,987)	-	-	(10,987)	-
Issuance of common shares	23	-	8,099	-	-	8,099	-
Net proceeds from issuance of bonds payable	19	-	-	10,648	-	-	
Net Cash From Financing Activities		8,107	8,928	17,557	7,973	8,516	
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Balance Carried Forward)*		P 5,930	P 17,975	P 5,664	P 383	P 18,293	P

	Note	GROUP 2014	GROUP 2013	GROUP 2012	PARENT COMPANY 2014	PARENT COMPANY 2013	PARENT COMPANY 2012
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Balance Brought Forward)*		P 5,930	P 17,975	P 5,664	P 383	P 18,293	P
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	9,826	9,380	8,163	7,563	7,432	
Due from Bangko Sentral ng Pilipinas	9	52,491	36,620	34,283	48,679	31,590	
Due from other banks	9	7,537	5,879	3,769	6,212	5,139	
		69,854	51,879	46,215	62,454	44,161	
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	13,085	9,826	9,380	9,539	7,563	
Due from Bangko Sentral ng Pilipinas	9	46,099	52,491	36,620	37,763	48,679	
Due from other banks	9	16,600	7,537	5,879	15,535	6,212	
		P 75,784	P 69,854	P 51,879	P 62,837	P 62,454	P

Supplemental Information on Noncash Operating, Investing and Financing Activities:

1. On January 1, 2014, as a result of the adoption of Philippine Financial Reporting Standards 9, *Financial Instruments (2009, 2010 and 2013 versions)*, the Group and the Parent Company reclassified a portfolio of AFS securities amounting to P53,996 and P45,827, respectively, to financial assets at amortized cost; P31,910 and P29,547, respectively, to financial assets at FVPL; P3,245 and P1,247, respectively, to financial assets at FVOCI; and, both for P261 to loans and receivables (see Note 2).

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

3. In 2014, the Parent Company reclassified a portion of RSB Corporate Center including the land where it is located with carrying amount of P1,985 and P419, respectively, from Bank Premises, Furniture and Fixtures, and Equipment to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is classified as part of the Investment Properties account in the 2014 statement of financial position (see Note 13).

4. In 2013, the Group received a 10-year note from Philippine Asset Growth One with a face amount of P731 which formed part of the consideration received in relation to the Parent Company's disposal of non-performing assets (see Note 10).

5. The Group and the Parent Company foreclosed real and other properties totalling to P834 and P18, respectively, in 2014, P690 and P16, respectively, in 2013, and P579 and P96, respectively, in 2012 in settlement of certain loan accounts (see Note 14).

6. In 2012, preferred shares amounting to P23 or 2,242,674 shares with a par value of P10 were converted into 722,012 common shares with the same par value (see Note 23).

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
Date APR 14 2015
RECEIVED

(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. It also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans and mortgage/housing loans), remittance, leasing and stock brokering.

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

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

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

	Group		Parent Company	
	2014	2013	**2014**	2013
Automated teller machines (ATMs)	**1,202**	1,150	**812**	807
Branches	**414**	407	**252**	251
Extension offices	**35**	27	**25**	23
Foreign exchange booths	**-**	1	**-**	1

The Parent Company is a 45.20% owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address located at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

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

1.2 Subsidiaries and Associates

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

Subsidiaries	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2014	2013
RCBC Savings Bank, Inc. (RSB)	Consumer and retail banking		**100.00**	100.00
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC North America, Inc. (RCBC North America)	Remittance	(a)	**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(b)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.39**	99.39
Merchants Savings and Loan Association, Inc. (Rizal Microbank)	Thrift banking		**97.47**	97.47
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**97.79**	97.79
RCBC Rental Corporation	Property leasing	(d)	**97.79**	97.79
Special Purpose Companies (SPCs):	Real estate buying and selling	(e)		
Best Value Property and Development Corporation (Best Value)			**100.00**	100.00
Cajel Realty Corporation (Cajel)			**100.00**	100.00
Crescent Park Property and Development Corporation (Crescent Park)			**100.00**	100.00
Crestview Properties Development Corporation (Crestview)			**100.00**	100.00
Eight Hills Property and Development Corporation (Eight Hills)			**100.00**	100.00
Fairplace Property and Development Corporation			**100.00**	100.00
Gold Place Properties Development Corporation (Gold Place)			**100.00**	100.00
Goldpath Properties Development Corporation (Goldpath)			**100.00**	100.00
Greatwings Properties Development Corporation (Greatwings)			**100.00**	100.00
Happyville Property and Development Corporation			**100.00**	100.00
Landview Property and Development Corporation			**100.00**	100.00
Lifeway Property and Development Corporation (Lifeway)			**100.00**	100.00
Niceview Property and Development Corporation (Niceview)			**100.00**	100.00
Niyog Property Holdings, Inc. (NPHI)		(f)	**100.00**	100.00

Subsidiaries/Associates	Line of Business	Effective Percentage of Ownership 2014	2013
SPCs:			
Princeway Properties Development Corporation (Princeway)		**100.00**	100.00
Stockton Realty Development Corporation		**100.00**	100.00
Top Place Properties Development Corporation (Top Place)		**100.00**	100.00
Associates:			
YGC Corporate Services, Inc. (YCS)	Support services for YGC	**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	**12.88**	12.88

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

Explanatory Notes:

(a) The Parent Company has 83.97% direct ownership and 16.03% indirect ownership through RCBC IFL. RCBC North America was operational only until March 31, 2014.
(b) A wholly-owned subsidiary of RCBC IFL
(c) Wholly-owned subsidiaries of RCBC Capital
(d) A wholly-owned subsidiary of RCBC LFC
(e) Except for NPHI, the SPCs are wholly-owned subsidiaries of RSB; the SPCs except for NPHI and Cajel, will be liquidated in 2015 pursuant to BSP recommendation (see Note 15.1).
(f) The Parent Company has 48.11% direct ownership and 51.89% indirect ownership through RSB.

1.3 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the financial statements of RCBC as of and for the year ended December 31, 2014 (including the comparatives as of December 31, 2013 and for the years ended December 31, 2013 and 2012) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on March 30, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated [see Note 2.2(b)].

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Financial Reporting Standards in the Philippines for Banks

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

FRSPB are similar to Philippine Financial Reporting Standards (PFRS), which are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy (BOA), except for the following accounting treatments for certain financial instruments which are not allowed under PFRS, but were allowed under FRSPB as permitted by the BSP for prudential reporting, and by the Securities and Exchange Commission (SEC) for financial reporting purposes: (i) the non-separation of the embedded derivatives in credit-linked notes (CLNs) and other similar instruments that are linked to Republic of the Philippines (ROP) bonds to their host instruments and reclassification of ROP bonds together with the embedded derivatives in CLNs from the fair value through profit or loss (FVPL) classification to loans and receivables and available-for-sale (AFS) securities classifications; and (ii) the reclassification of certain financial assets previously classified under AFS Securities category back to held-to-maturity (HTM) category due to the tainting of HTM investments portfolio. The effects of the reclassifications to certain accounts in the statement of financial position as of December 31, 2013 and net profit for the year then ended under FRSPB are discussed fully in Note 11.3. However, these reclassifications were no longer applicable upon the adoption of PFRS 9 effective January 1, 2014 [see Note 2.2 (b)].

These financial statements have been prepared using the measurement bases specified by FRSPB for each type of resource, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.20). All amounts are in millions, except per share data or when otherwise indicated.

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for financial statements for the annual periods beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Separate Financial Statements – Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.* The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions.

The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets.* The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less costs of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment resulted in additional disclosures in the financial statements since the recoverable amounts of the Group's certain non-financial assets where impairment losses have been recognized were determined based on fair value less costs of disposal which have been disclosed in accordance with PAS 36 (see Notes 7.3 and 14.3).

(iii) PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities,* PAS 27, *Separate Financial Statements* (Amendments) – *Investment Entities.* The amendment to PFRS 10 defines the term "investment entity" and provides to such an investment entity an exemption from consolidation of particular subsidiaries and instead requires to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39, *Financial Instruments: Recognition and Measurement,* or PFRS 9, *Financial Instruments,* both in its consolidated or separate financial statements, as the case maybe. This amendment also resulted in a consequential amendment to PAS 27 to include investment entity under its scope and in PFRS 12 to require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. These amendments did not have a significant impact on the Group's financial statements since the Group, in its capacity as a banking institution, does not engage into transactions involving investment management services to its investors and its trust operation has no interest in any eligible subsidiary.

(iv) Philippine Interpretation IFRIC 21, *Levies.* This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* for the recognition of a liability for levy imposed by the government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's financial statements since the Group has been recognizing levies at the time the legislation or the government requires or imposes the payment of such.

(b) Effective Subsequent to 2014 but Adopted Early

The IASB, as part of its comprehensive response to the financial crisis, has issued International Financial Reporting Standard (IFRS) 9, *Financial Instruments,* to replace International Accounting Standard (IAS) 39, in its entirety. IASB previously published and issued versions of this standard in 2009 and 2010 that contain and introduced new requirements and guidance on the classification and measurement of financial assets and financial liabilities followed by another version in 2013 that introduced a new hedge accounting model to better link the economics of risk management with its accounting treatment. In July 2014, the IASB issued the final version of IFRS 9, the IFRS 9 (2014) which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. This final version of the standard on financial instruments replaces the earlier versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018 with early application permitted. For a limited period, previous versions of IFRS 9 (i.e., 2009, 2010 and 2013) may be adopted early, provided that the relevant date of initial application is before February 1, 2015.

In view of the issuance of IFRS 9, the IASB also made consequential amendments to PFRS 7, *Financial Instruments – Disclosures,* to provide quantitative and qualitative information to enable users of financial statements understand the entity's first application of IFRS 9, including but not limited to, reasons for early adoption and the impact on the classification and measurement of financial assets and financial liabilities on its financial statements.

The FRSC adopted the earlier versions of IFRS 9 as PFRS 9 as follows, with effective date similar with that of IFRS 9:

- PFRS 9 (2009) - requirements on the classification and measurement of financial assets, in March 2010;

- PFRS 9 (2010) - requirements on accounting for financial liabilities, in November 2010; and,

- PFRS 9 (2013) - new general hedge accounting model and early adoption on the treatment of fair value changes of a liability due to changes in own credit risk, in December 2013.

All versions of the standard prior to the issuance of IFRS 9 (2014) are collectively referred to herein as PFRS 9. IFRS 9 (2014) was adopted by the FRSC as PFRS 9 (2014) in September 2014 [see Note 2.2(c)].

Relative to the issuance of PFRS 9, the SEC provided guidelines on the implementation and early adoption of PFRS 9 on May 16, 2011 under SEC Memorandum Circular No. 3, which was subsequently revised by SEC Memorandum Circular No. 3 on May 28, 2012. Moreover, for banks and other entities regulated by the BSP, the Monetary Board of the BSP approved the guidelines governing the implementation and early adoption of PFRS 9 on December 23, 2010, and issued the implementing guidelines under BSP Circular No. 708 on January 10, 2011, which was subsequently amended by BSP Circular Nos. 733 and 761 on August 5, 2011 and July 20, 2012, respectively.

The Group opted to early adopt PFRS 9 as management believes that the early adoption of the standard will put the Group in a position to manage better its earnings and capital as the business model approach introduced by PFRS 9 aims to align the accounting standards with the Group's risk, capital, asset-liability and liquidity management practices. In addition, this will also benefit the Group for better management of its earnings and profitability in view of changing market conditions and business trends.

PFRS 9 Classification and Measurement Approach

PFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured either at amortized cost or fair value. Debt instruments are measured at amortized cost only if: (i) the asset is held within a business model whose objective is to hold the assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. If either of the two criteria is not met, the debt instrument is classified as at fair value through profit or loss (FVPL). Additionally, even if the asset meets the amortized cost criteria, the Group may choose at initial recognition to designate the debt instrument at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Investments in equity instruments are classified and measured at FVPL, except if the equity investment is not held for trading or is designated by the Group at fair value through other comprehensive income (FVOCI). If the equity investment is designated at FVOCI, all gains and losses, except for dividend income recognized in accordance with PAS 18, *Revenue,* including disposal costs are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, do not require separation from the host contract.

For financial liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

Group's Transition Approaches in Applying PFRS 9

The Group applied PFRS 9 retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* However, as permitted under the transitional provisions of PFRS 9 for early application of this standard for annual periods prior to the mandatory effective date on January 1, 2018, the Group early adopted the standard with January 1, 2014 as the date of initial application. As also allowed under the related transitional disclosure requirements of PFRS 7 for early adoption of PFRS 9, the Group opted not to restate the comparative periods.

Discussed below are the details on how the Group transitioned to PFRS 9.

- The classification of financial assets that the Group held as at January 1, 2014 was based on the facts and circumstances relative to the business model in which the financial assets were held at that date. In connection with this, the Group has made significant judgment to evaluate its business model and to determine the appropriate category of its financial instruments as discussed in Note 3.1(a).

- For any hybrid contract whose fair value had not been measured in the comparative reporting periods, the Group determines the fair value of such hybrid contract in its entirety equivalent to the sum of the fair value of the components (i.e., the non-derivative host and the embedded derivatives) as at January 1, 2014.

- As at January 1, 2014 and based on the facts and circumstances existing as of that date, certain equity securities has been designated by the Group as at FVPL or FVOCI. No designation of financial asset at FVPL has been made by the Group prior to application of PFRS 9.

- For unquoted equity securities which were previously carried at cost as allowed in PAS 39, the Group has determined the fair value of such equity securities as at January 1, 2014 based on acceptable valuation techniques.

- The classification and measurement requirements for financial instruments previously applied in accordance with PAS 39 and disclosures required in PFRS 7 are retained for the comparative period as of December 31, 2013.

- As the comparative information is not restated, the Group has not provided a third statement of financial position at the beginning of the earliest comparative period in accordance with PAS 1. Moreover, the Group disclosed the accounting policies on financial instruments in accordance with PFRS 9 for December 31, 2014 and PAS 39 for December 31, 2013.

- The difference between the carrying amount of the financial instruments as of December 31, 2013 under PAS 39 and their carrying amount as of January 1, 2014 under PFRS 9 is recognized in the opening balance of the Surplus account or Revaluation Reserves account, as appropriate.

Impact of the Group's Early Adoption of PFRS 9

The following table shows the effects of the adoption of PFRS 9 on the carrying amounts and presentation of financial assets categories in the statement of financial position beginning January 1, 2014:

	Group					
Measurement Category	**Carrying Amounts (PAS 39) December 31, 2013**	**Reclassi-fications**	**Remeasure-ments**	**Carrying Amounts (PFRS 9) January 1, 2014**	**Surplus**	**Revaluation Reserves**
Financial Assets at Amortized Cost						
Cash and cash equivalents	P 69,854	P -	P -	P 69,854	P -	P -
Investment securities						
Reclassifications from:						
Financial assets at FVPL	-	103	(7)	96	(7)	-
AFS securities	-	53,996	4,710	58,706	-	4,710
	-	54,099	4,703	58,802	(7)	4,710
Loans and receivables - net	237,960	(2,665)	-	235,295	-	-
Reclassification from:						
AFS securities	-	261	-	261	-	-
	237,960	(2,404)	-	235,556	-	-
Other resources	1,530	-	-	1,530	-	-
Total Financial Assets, at Amortized Cost, Reclassifications and Remeasurements at January 1, 2014	309,344	51,695	4,703	365,742	(7)	4,710
AFS Securities	89,412	-	-	89,412	-	-
Reclassifications to:						
Investment securities at amortized cost	-	(53,996)	-	(53,996)	-	-
Financial assets at FVPL	-	(31,910)	-	(31,910)	-	-
Financial assets at FVOCI	-	(3,245)	-	(3,245)	-	-
Loans and receivables - net	-	(261)	-	(261)	-	-
Total AFS Securities, Reclassifications and Remeasurements at January 1, 2014	89,412	(89,412)	-	-	-	-
Financial Assets at FVPL	3,288	(267)	-	3,021	-	-
Reclassifications from:						
Loans and receivables - net	-	2,665	282	2,947	244	38
AFS securities	-	31,910	(402)	31,508	(462)	60
Total Financial Assets at FVPL, Reclassifications and Remeasurements at January 1, 2014	3,288	34,308	(120)	37,476	(218)	98
Financial Assets at FVOCI	-	-	-	-	-	-
Reclassifications from –						
Financial assets at FVPL	-	164	-	164	26	(26)
AFS securities	-	3,245	934	4,179	22	912
Financial Assets at FVOCI Reclassifications and Remeasurements at January 1, 2014	-	3,409	934	4,343	48	886
Total Financial Assets Balances, Reclassifications and Remeasurements at January 1, 2014	P 402,044	P -	P 5,517	P 407,561	(P 177)	P 5,694

Parent Company						
Measurement Category	Carrying Amounts (PAS 39) December 31, 2013	Reclassifications	Remeasurements	Carrying Amounts (PFRS 9) January 1, 2014	Surplus	Revaluation Reserves
Financial Assets at Amortized Cost						
Cash and cash equivalents	P 62,454	P -	P -	P 62,454	P -	P -
Investment securities						
Reclassification from:						
AFS securities	-	45,827	3,852	49,679	-	3,852
	-	45,827	3,852	49,679	-	3,852
Loans and receivables - net	191,636	(2,665)	-	188,971	-	-
Reclassification from – AFS securities	-	261	-	261	-	-
	191,636	(2,404)	-	189,232	-	-
Other resources	1,510	-	-	1,510	-	-
Total Financial Assets, at Amortized Cost, Reclassifications and Remeasurements at January 1, 2014	255,600	43,423	3,852	302,875	-	3,852
AFS Securities	76,882	-	-	76,882	-	-
Reclassifications to:						
Investment securities at amortized cost	-	(45,827)	-	(45,827)	-	-
Financial assets at FVPL	-	(29,547)	-	(29,547)	-	-
Financial assets at FVOCI	-	(1,247)	-	(1,247)	-	-
Loans and receivables – net	-	(261)	-	(261)	-	-
Total AFS Securities, Reclassifications and Remeasurements at January 1, 2014	76,882	(76,882)	-	-	-	-
Financial Assets at FVPL	2,358	-	-	2,358	-	-
Reclassifications from:						
Loans and receivables - net	-	2,665	282	2,947	244	38
AFS Securities	-	29,547	(408)	29,139	(723)	315
Total Financial Assets, at FVPL, Reclassifications and Remeasurements at January 1, 2014	2,358	32,212	(126)	34,444	(479)	353
Financial Assets at FVOCI	-	-	-	-	-	-
Reclassification from:						
AFS Securities	-	1,247	919	2,166	22	897
Financial Assets at FVOCI Reclassifications and Remeasurements at January 1, 2014	-	1,247	919	2,166	22	897
Total Financial Assets Balances, Reclassifications and Remeasurements at January 1, 2014	P 334,840	P -	P 4,645	P 339,485	(P 457)	P 5,102

The initial application of PFRS 9 had the following impact on the financial assets of the Group and Parent Company:

- The investments in debt instruments previously classified as AFS Securities that met the criteria to be classified as at amortized cost under PFRS 9 were reclassified to Investment securities at amortized cost because the business model is to hold these debt instruments in order to collect contractual cash flows. The accumulated net unrealized fair value losses on AFS securities were adjusted to the opening balance of Revaluation Reserves account amounting to P4,710 (Group) and P3,852 (Parent Company) as of January 1, 2014. The reclassification had no impact on the Group's and Parent Company's Surplus as of January 1, 2014.

- The Group elected to present in other comprehensive income the changes in the fair value of certain equity investments which are not held for trading, previously classified as AFS Securities; now classified as Financial Assets at FVOCI, because the business model is to hold these equity securities for long-term strategic investment rather than for short-term profit taking. The accumulated net unrealized fair value gains on AFS Securities recognized by the Group and the Parent Company amounting to P912 and P897, respectively, were adjusted to the opening balance of Revaluation Reserves account as of January 1, 2014.

- Investments in debt instruments previously classified as AFS Securities that did not meet the criteria to be classified as at amortized cost under PFRS 9 have been classified as Financial Assets at FVPL. Moreover, certain equity investments, previously classified as AFS securities were likewise reclassified to Financial Assets at FVPL as these equity securities are held by the Group for trading purposes or designated by the Group to be held as at FVPL. The accumulated net unrealized loss on AFS securities recognized by the Group and the Parent Company amounting to P462 and P723, respectively, were adjusted to the opening balance of the Surplus account.

- Unquoted CLNs that are linked to ROP bonds previously classified as Loans and Receivables that did not meet the criteria to be classified as at amortized cost under PFRS 9 have been classified as Financial Assets at FVPL. As these CLNs contain embedded features, the assessment of the hybrid financial instrument has been made in its entirety (i.e., no bifurcation of embedded derivatives). The reclassification resulted in the recognition of the accumulated net unrealized gains amounting to P244, P38 of which relates to the outstanding balance of the net unrealized fair value loss previously presented as part of Revaluation Reserves account, which were adjusted to the opening balance of the Surplus account as of January 1, 2014 (see Note 11.3).

The adoption of PFRS 9 has no impact on the classification and measurement of financial liabilities on the Group's and Parent Company's financial statements. As of December 31, 2014, the Group's and Parent Company's financial liabilities are classified and measured at amortized cost, except for derivative financial liabilities which are measured at fair value.

The reclassification between categories of financial assets shown in the preceding pages as a result of the adoption of PFRS 9 resulted in the following changes in the balances of certain affected financial statement accounts as of January 1, 2014:

	Group		
	PAS 39	Effect of Adoption of PFRS 9	PFRS 9
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 3,288	P 34,188	P 37,476
Financial assets at FVOCI	-	4,343	4,343
Investment securities at amortized cost	-	58,802	58,802
AFS securities	89,412	(89,412)	-
Loans and receivables – net	237,960	(2,404)	235,556
Net increase in resources		P 5,517	
Changes in components of equity:			
Surplus	P 16,082	(P 177)	P 15,905
Revaluation reserves	(5,154)	5,694	540
Net increase in equity		P 5,517	

	Parent Company		
	PAS 39	Effect of Adoption of PFRS 9	PFRS 9
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 2,358	P 32,086	P 34,444
Financial assets at FVOCI	-	2,166	2,166
Investment securities at amortized cost	-	49,679	49,679
AFS securities	76,882	(76,882)	-
Loans and receivables – net	191,636	(2,404)	189,232
Net increase in resources		P 4,645	
Changes in components of equity:			
Surplus	P 9,521	(P 457)	P 9,064
Revaluation reserves	(4,489)	5,102	613
Net increase in equity		P 4,645	

Had the Group and the Parent Company not early adopted PFRS 9, certain financial statement accounts as of and for the year ended December 31, 2014 would have been reported under PAS 39 as follows:

	Group		
	PAS 39	Effect of Adoption of PFRS 9	PFRS 9
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 16,458	(P 6,313)	P 10,145
Financial assets at FVOCI	4,537	(4,537)	-
Investment securities at amortized cost	79,795	(79,795)	-
AFS securities	-	87,884	87,884
Loans and receivables	261,574	424	261,998
Net decrease in resources		(P 2,337)	
Changes in components of equity:			
Surplus	P 18,367	(P 568)	P 17,799
Revaluation reserves	682	(1,769)	(1,087)
Net decrease in equity		(P 2,337)	
Changes in profit or loss and other comprehensive income:			
Trading and securities gain	P 2,545	(P 759)	P 1,786
Other comprehensive income	114	3,953	4,067
Net increase in other comprehensive income		P 3,194	

	Parent Company		
	PFRS 9	Effect of Adoption of PFRS 9	PAS 39
Changes in statement of financial position:			
Trading and investment securities:			
Financial assets at FVPL	P 15,062	(P 5,468)	P 9,594
Financial assets at FVOCI	2,222	(2,222)	-
Investment securities at amortized cost	70,256	(70,256)	-
AFS securities	-	75,717	75,717
Loans and receivables	205,614	424	206,038
Net decrease in resources		(P 1,805)	
Changes in components of equity:			
Surplus	P 11,811	P 123	P 11,934
Revaluation reserves	749	(1,682)	(933)
Net decrease in equity		(P 1,805)	
Changes in profit or loss and other comprehensive income:			
Trading and securities gain	P 1,869	(P 580)	P 1,289
Other comprehensive income	136	3,340	3,476
Net increase in other comprehensive income		P 2,760	

Had PFRS 9 not been adopted, the Group and the Parent Company's earnings per share for the year ended December 31, 2014 would have been lower by P0.59 and P0.45, respectively.

(c) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements below in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements.

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

(ii) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

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

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

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

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

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

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

(ix) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities discussed in Note 2.2(b), which were early adopted by the Group on January 1, 2014, PFRS 9 (2014) includes the following major provisions:

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

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

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

(x) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

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

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

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

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

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

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

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

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

Annual Improvements to PFRS (2012-2014 Cycle)

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

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset. In addition, the amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with PAS 34, *Interim Financial Reporting*, when its inclusion would be necessary in order to meet the general principles of PAS 34.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures: Amendment to PFRS 7 to Condensed Interim Financial Statements.* This amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be provided in the condensed interim financial statements that are prepared in accordance with PAS 34, *Interim Financial Reporting*, when its inclusion would be necessary in order to meet the general principles of PAS 34.

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

- PAS 34 (Amendment), *Interim Financial Reporting.* The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

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

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

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Company, using consistent accounting policies. The Group accounts for its investments in subsidiaries and associates, and non-controlling interests as follows:

(a) Investments in Subsidiaries

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

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

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

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

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

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

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

(b) *Transactions with Non-controlling Interests*

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

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

(c) *Investments in Associates*

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

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

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

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

In the Parent Company's financial statements, investments in subsidiaries and associates are accounted for at cost, less any impairment loss (see Note 2.21).

2.4 Segment Reporting

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

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

2.5 Financial Assets

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

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

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

(i) Financial Assets at Amortized Cost

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

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value (see Notes 2.7 and 2.18).

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Investment Securities at Amortized Cost under Trading and Investment Securities, Loans and Receivables and certain Other Resources accounts.

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

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

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

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

A financial asset is considered as held for trading if:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Loans and Receivables

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Loans and Receivables and certain Other Resources accounts in the statement of financial position. Cash and cash equivalents comprise accounts with original maturities of three months or less, including cash and other cash items and non-restricted balances due from BSP and due from other banks.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss is provided when there is an objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables (see Notes 2.7 and 2.18).

(iii) HTM Investments

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

HTM investments are subsequently measured at amortized cost using the effective interest method (see Note 2.18). In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated future cash flows (see Note 2.7). Any changes to the carrying amount of the investment due to impairment are recognized in profit or loss.

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

(iv) AFS Securities

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

All AFS Securities are measured at fair value. Gains and losses are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity, except for interest, dividend income, impairment losses and foreign exchange difference on monetary assets, which are recognized in profit or loss. When the financial asset is disposed of or is determined to be impaired (see Note 2.7), the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserves to profit or loss and is presented as a reclassification adjustment within other comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of profit or loss (see Note 2.18). Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

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

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

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are categorized as Financial Assets at FVPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value, except for the embedded derivatives in CLNs linked to ROP bonds reclassified to Loans and Receivables together with the host contract prior to January 1, 2014 [see Notes 2.2(b) and 11.3]. Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

2.7 Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the Group granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or,

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

The Group recognizes impairment loss based on the category of financial assets as follows:

(a) *Financial Assets Carried at Amortized Cost*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.8 Offsetting Financial Instruments

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

2.9 Derecognition of Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.10 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

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

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

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

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

2.11 Investment Properties

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

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.21). The cost of an investment property comprises its purchases price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

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

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

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

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

2.12 Real Estate Properties for Sale and Assets Held-for-sale

Real estate properties for sale (presented as part of Other Resources) pertain to real properties obtained by the Group through dacion and held by various SPCs for disposal.

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

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell. Assets classified as held-for-sale are not subject to depreciation or amortization.

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

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

2.13 Intangible Assets

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

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

Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but would require an annual test for impairment (see Note 2.21). Goodwill is subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Branch licenses represent the rights given to the Group to establish a certain number of branches in the restricted areas in the country as incentive obtained in relation to the acquisition of Pres. Jose P. Laurel Rural Bank, Inc. (JPL Rural Bank), now operating under the name RCBC JPL (see Note 12).

Branch licenses are amortized over five years, their estimated useful life, starting from the month the branch is opened.

Trading right, included as part of Miscellaneous under Other Resources account represent the right given to RSI which is engaged in stock brokerage to preserve access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in realizable value (see Note 2.21).

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

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

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

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

2.14 Other Resources

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

2.15 Financial Liabilities

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

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

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

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

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

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group and subsequent approval of the BSP.

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

2.16 Provisions and Contingencies

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

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

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

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

2.17 Equity

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

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

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

Revaluation reserves consist of:

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

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

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

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

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

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

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

NCI represents the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statements of profit or loss and comprehensive income and within equity in the consolidated statements of financial position and changes in equity.

2.18 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably.

The following specific recognition criteria must also be met before a revenue or expense is recognized:

(a) *Interest Income and Expenses*

These are recognized in the statement of profit or loss for all financial instruments measured at amortized cost and interest-bearing financial assets at FVPL and AFS securities using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the FCDU estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

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

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

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

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

(c) *Service Fees and Commissions*

These are recognized as follows:

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

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

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

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

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

(d) *Gains on Assets Sold*

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

(e) *Discounts Earned*

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

Costs and expenses are recognized in profit or loss upon utilization of the resources and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.23).

2.19 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

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

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

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

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

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

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

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

2.20 Foreign Currency Transactions and Translations

(a) *Transactions and Balances*

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

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

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

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

(b) *Translation of Financial Statements of Foreign Subsidiaries*

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

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

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

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

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

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

2.21 Impairment of Non-financial Assets

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

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level.

Except for intangible assets with an indefinite useful life (i.e., goodwill) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

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

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

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

2.22 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

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

(b) Post-employment Defined Contribution Plan

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

(c) Termination Benefits

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

(d) Bonus Plans

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

(e) Compensated Absences

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

2.23 Borrowing Costs

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

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

2.24 Income Taxes

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

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

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

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

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

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

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

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

2.25 Related Party Relationships and Transactions

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

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

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

2.26 Earnings per Share

Basic earnings per share is determined by dividing the net profit for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the period, after giving retroactive effect to any stock dividends declared in the current period.

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

2.27 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

2.28 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with FRSPB requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

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

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

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

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

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

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

(c) Classifying Financial Assets as HTM Investments

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

In 2011, the Group and Parent Company disposed of a significant amount of its HTM investments, with carrying values of P6,250 and P3,124, respectively, prior to maturity of the investments. Consequently, the Group and Parent Company reclassified the remaining HTM investments with amortized cost of P19,210 and P19,183, respectively, to AFS securities and carried and measured such investments at fair value until the end of 2013 after the lapse of the two reporting periods after the year of sale and reclassification. With the adoption of PFRS 9, the HTM category and the related provisions on tainting are already omitted.

(d) Evaluating Impairment of AFS Securities

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

Based on management evaluation of information and circumstances affecting the Group's AFS securities as of December 31, 2013, the Group recognized allowance for impairment are recognized for AFS securities amounting to P1,343 and P1,193 as of December 31, 2013 in the Group's and Parent Company's financial statements, respectively.

(e) Distinguishing Investment Properties and Owner-occupied Properties

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

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

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

(f) Distinguishing Operating and Finance Leases

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities. As of December 31, 2014 and 2013, most of the Group's lease arrangements qualify as operating leases except for the various lease agreements of RCBC LFC which are accounted for under finance lease.

(g) Classifying and Determining Fair Value of Acquired Properties

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held-for-sale classified under Other Resources if the Group expects that the properties will be recovered through sale rather than use, as Investment Properties if held for currently undetermined future use and is regarded as held for capital appreciation, or as Financial Assets in accordance with PFRS 9 or PAS 39. At initial recognition, the Group determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property. The Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.3.

(h) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.16 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group's and the Parent Company's legal cases and are based upon the analysis of probable results. Although the Group does not believe that its on-going proceedings as disclosed in Note 29 will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

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

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

Moreover, the Group holds debt securities measured at amortized cost as of December 31, 2014. The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group has evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

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

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

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

(c) Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties and Computer Software

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amount of bank premises, furniture, fixtures and equipment, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively. Based on management's assessment as at December 31, 2014 and 2013, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2014 and 2013 are disclosed in Note 26.1.

(e) Estimating Impairment Losses of Non-financial Assets

Except for intangible assets with indefinite useful lives, FRSPB requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.21. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) Determining Fair Value of Investment Properties

The Group's investment properties are composed of parcels of land, buildings and condominium units which are held for capital appreciation or held-for-lease, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.3 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

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

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

(g) Valuation of Post-employment Defined Benefits

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

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

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

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

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

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

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

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

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

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

The Parent Company established a Corporate Risk Management Services (CRISMS) Group, headed by the Chief Risk Officer, to ensure the consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the risk profile group-wide. CRISMS is independent of all risk-taking business segments and reports directly to the BOD's ROC. It participates in the CRECOL and ALCO meetings.

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

4.1 Group's Strategy in Using Financial Instruments

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

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

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

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

4.2 Liquidity Risk

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

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

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity.

The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses asset and liability maturity *gap analysis.*

The *gap analyses* as of December 31, 2014 and 2013 are presented below.

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

	Group					
	2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 47,795	P 347	P 35	P -	P 21,677	P 69,854
Investments	12,165	1,088	15,386	61,206	3,188	93,033
Loans and receivables-net	20,829	33,279	46,837	74,700	62,315	237,960
Other resources	12,207	278	710	78	7,749	21,022
Total resources	92,996	34,992	62,968	135,984	94,929	421,869
Liabilities:						
Deposit liabilities	34,997	14,279	11,855	4,635	232,087	297,853
Bills payable	25,376	12,969	45	1,505	-	39,895
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	12,295	24	-	-	3,677	15,996
Total liabilities	72,668	27,272	35,217	6,140	235,764	377,061
Equity	-	-	4,883	-	39,925	44,808
Total liabilities and equity	72,668	27,272	40,100	6,140	275,689	421,869
On-book gap	20,328	7,720	22,868	129,844	(180,760)	-
Cumulative on-book gap	20,328	28,048	50,916	180,760	-	-
Contingent resources	36,297	9,453	1,332	-	-	47,082
Contingent liabilities	36,548	9,473	1,332	-	-	47,353
Total gap	(251)	(20)	-	-	-	(271)
Cumulative off-book gap	(251)	(271)	(271)	(271)	(271)	-
Periodic gap	20,077	7,700	22,868	129,844	(180,760)	-
Cumulative total gap	P 20,077	P 27,777	P 50,645	P 180,489	(P 271)	P -

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

	Parent Company					
	2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 45,314	P -	P -	P -	P 17,140	P 62,454
Investments	2,265	1,044	15,033	44,195	24,702	87,239
Loans and receivables-net	15,786	23,577	23,182	68,996	60,095	191,636
Other resources	6,891	9	99	26	6,736	13,761
Total resources	70,256	24,630	38,314	113,217	108,673	355,090
Liabilities:						
Deposit liabilities	24,846	10,829	10,634	4,635	192,676	243,620
Bills payable	23,555	12,007	-	1,505	-	37,067
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	6,739	-	-	-	5,197	11,936
Total liabilities	55,140	22,836	33,951	6,140	197,873	315,940
Equity	-	-	4,883	-	34,267	39,150
Total liabilities and equity	55,140	22,836	38,834	6,140	232,140	355,090
On-book gap	15,116	1,794	(520)	107,077	(123,467)	-
Cumulative on-book gap	15,116	16,910	16,390	123,467	-	-
Contingent resources	36,269	9,453	1,332	-	-	47,054
Contingent liabilities	36,289	9,473	1,332	-	-	47,094
Total gap	(20)	(20)	-	-	-	(40)
Cumulative off-book gap	(20)	(40)	(40)	(40)	(40)	-
Periodic gap	15,096	1,774	(520)	107,077	(123,467)	-
Cumulative total gap	P 15,096	P 16,870	P 16,350	P 123,427	(P 40)	P -

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

4.2.1 Foreign Currency Liquidity Management

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

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

4.2.2 Liquidity Risk Stress

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

4.3 Market Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Group			
	2014			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 2	P 10	P 32	P 2
Interest rate risk	282	163	384	31
Overall	P 284	P 173	P 416	P 33
	2013			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 16	P 14	P 34	P 3
Interest rate risk	188	257	405	123
Overall	P 204	P 271	P 439	P 126

	Parent Company			
	2014			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 2	P 9	P 30	P 2
Interest rate risk	156	82	240	16
Overall	P 158	P 91	P 270	P 18
	2013			
	At December 31	Average	Maximum	Minimum
Foreign currency risk	P 15	P 12	P 31	P 3
Interest rate risk	36	85	192	28
Overall	P 51	P 97	P 223	P 31

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	2014		
	Foreign Currencies	**Philippine Pesos**	**Total**
Resources:			
Cash and other cash items	P 957	P 12,128	P 13,085
Due from BSP	-	46,099	46,099
Due from other banks	15,832	768	16,600
Financial assets at FVPL	12,918	3,540	16,458
Financial assets at FVOCI	25	4,512	4,537
Investment securities at amortized cost	66,196	13,599	79,795
Loans and receivables	38,772	222,802	261,574
Other resources	144	701	845
	P 134,844	P 304,149	P 438,993
Liabilities:			
Deposit liabilities	P 70,002	P 245,759	P 315,761
Bills payable	36,832	2,967	39,799
Bonds payable	23,486	-	23,486
Subordinated debt	-	9,921	9,921
Accrued interest and other expenses	671	3,616	4,287
Other liabilities	969	5,467	6,436
	P 131,960	P 267,730	P 399,690

	2013		
	Foreign Currencies	Philippine Pesos	Total
Resources:			
Cash and other cash items	P 879	P 8,947	P 9,826
Due from BSP	-	52,491	52,491
Due from other banks	7,044	493	7,537
Financial assets at FVPL	909	2,379	3,288
AFS securities	70,462	18,950	89,412
Loans and receivables - net	44,636	193,324	237,960
Other resources	1,391	139	1,530
	P 125,321	P 276,723	P 402,044

	Group		
	2013		
	Foreign Currencies	Philippine Pesos	Total
Liabilities:			
Deposit liabilities	P 62,865	P 234,988	P 297,853
Bills payable	37,542	2,353	39,895
Bonds payable	23,317	-	23,317
Accrued interest and other expenses	2,869	1,454	4,323
Other liabilities	762	7,235	7,997
	P 127,355	P 246,030	P 373,385

	Parent Company		
	2014		
	Foreign Currencies	**Philippine Pesos**	**Total**
Resources:			
Cash and other cash items	P 783	P 8,756	P 9,539
Due from BSP	-	37,763	37,763
Due from other banks	15,065	470	15,535
Financial assets at FVPL	12,829	2,233	15,062
Financial assets at FVOCI	25	2,197	2,222
Investment securities at amortized cost	61,899	8,357	70,256
Loans and receivables - net	38,714	166,900	205,614
Other resources	141	642	783
	P 129,456	P 227,318	P 356,774
Liabilities:			
Deposit liabilities	P 65,111	P 182,911	P 248,022
Bills payable	36,832	5	36,837
Bonds payable	23,486	-	23,486
Subordinated debt	-	9,921	9,921
Accrued interest and other expenses	658	2,645	3,303
Other liabilities	636	4,767	5,403
	P 126,723	P 200,249	P 326,972

	Parent Company					
	2013					
	Foreign Currencies		Philippine Pesos		Total	
Resources:						
Cash and other cash items	P	746	P	6,817	P	7,563
Due from BSP		-		48,679		48,679
Due from other banks		5,768		444		6,212
Financial assets at FVPL		909		1,449		2,358
AFS securities		65,812		11,070		76,882
Loans and receivables - net		45,891		145,745		191,636
Other resources		1,365		145		1,510
	P	120,491	P	214,349	P	334,840
Liabilities:						
Deposit liabilities	P	57,163	P	186,457	P	243,620
Bills payable		37,054		13		37,067
Bonds payable		23,317		-		23,317
Accrued interest and other expenses		667		2,724		3,391
Other liabilities		1,134		4,168		5,302
	P	119,335	P	193,362	P	312,697

4.3.2 Interest Rate Risk

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

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

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

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

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

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

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

	Group					
	2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 47,675	P - 227	P - 35	P -	P 21,917	P 69,854
Investments	10,035	1,088	15,386	61,206	5,318	93,033
Loans and receivables-net	115,807	25,450	27,576	28,521	40,606	237,960
Other resources	2,455	278	693	89	17,507	21,022
Total resources	175,972	27,043	43,690	89,816	85,348	421,869
Liabilities:						
Deposit liabilities	78,821	20,539	12,559	4,635	181,299	297,853
Bills payable	38,684	1,197	14	-	-	39,895
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	3,437	24	-	-	12,535	15,996
Total liabilities	120,942	21,760	35,890	4,635	193,834	377,061
Equity	-	-	4,883	-	39,925	44,808
Total liabilities and equity	120,942	21,760	40,773	4,635	233,759	421,869
On-book gap	55,030	5,283	2,917	85,181	(148,411)	-
Cumulative on-book gap	55,030	60,313	63,230	148,411	-	-
Contingent resources	36,297	9,453	1,332	-	-	47,082
Contingent liabilities	36,548	9,473	1,332	-	-	47,353
Total gap	(251)	(20)	-	-	-	(271)
Cumulative off-book gap	(251)	(271)	(271)	(271)	(271)	-
Periodic gap	54,779	5,263	2,917	85,181	(148,411)	-
Cumulative total gap	P 54,779	P 60,042	P 62,959	P 148,140	(P 271)	P -

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

Parent Company						
	2013					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 45,314	P -	P -	P -	P 17,140	P 62,454
Investments	135	1,044	15,033	61,198	9,829	87,239
Loans and receivables-net	110,765	15,749	3,921	22,816	38,385	191,636
Other resources	2	9	82	37	13,631	13,761
Total resources	156,216	16,802	19,036	84,051	78,985	355,090
Liabilities:						
Deposits liabilities	56,741	14,455	9,457	4,635	158,332	243,620
Bills payable	37,067	-	-	-	-	37,067
Bonds payable	-	-	23,317	-	-	23,317
Other liabilities	743	-	-	-	11,193	11,936
Total liabilities	94,551	14,455	32,774	4,635	169,525	315,940
Equity	-	-	4,883	-	34,267	39,150
Total liabilities and equity	94,551	14,455	37,657	4,635	203,792	355,090
On-book gap	61,665	2,347	(18,621)	79,416	(124,807)	-
Cumulative on-book gap	61,665	64,012	45,391	124,807	-	-
Contingent resources	36,269	9,453	1,332	-	-	47,054
Contingent liabilities	36,289	9,473	1,332	-	-	47,094
Total gap	(20)	(20)	-	-	-	(40)
Cumulative off-book gap	(20)	(40)	(40)	(40)	(40)	-
Periodic gap	61,645	2,327	(18,621)	79,416	(124,807)	-
Cumulative total gap	P 61,645	P 63,972	P 45,351	P 124,767	(P 40)	P -

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

	Changes in Interest Rates (in basis points)			
	(100)	(200)	100	200
December 31, 2014				
Group	(P 175)	(P 350)	P 175	P 350
Parent Company	(375)	(750)	375	750
December 31, 2013				
Group	(P 200)	(P 400)	P 200	P 400
Parent Company	(208)	(416)	208	416

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVPL or financial assets at FVOCI as of December 31, 2014 and AFS securities as of December 31, 2013 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI, estimate the potential loss and determines the market and position risk requirement on equity securities at FVPL in the computation of the market and position risk requirement for all equity positions.

RCAP uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. RCAP uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Credit and Group Risk Division (CGRD) of CRISMS assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. In performing these functions, the CGRD works hand-in-hand with the business units and with the Corporate Planning Group. The Credit Management Segment (CMS) on the other hand is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits is effectively exercised collectively; (b) business center managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMS of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter.

Impairment provisions are recognized for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in particular industry segments that represent a concentration in the Group's financial instrument portfolio could result in losses that are different from those provided for at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts the Group's exposure to such credit risk, as necessary.

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Parent Company uses its internal credit risk rating system (ICRRS) to determine any evidence of impairment. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings below CCC demonstrating a high probability of counterparty's payment default on financial commitments. Non-current accounts that are rated below CCC are classified based on the characteristics of classified loans per BSP Manual of Regulations for Banks, i.e., Substandard, Doubtful or Loss.

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

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

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

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

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

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

4.4.1 Exposure to Credit Risk

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

	Group			
	2014		2013	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
Unclassified	P -	P -	P 26	P 1,266
AA to AA-	25	-	-	-
A to A-	24	-	-	-
B to B-	45	-	137	-
CCC+ and below	-	-	27	-
Sub-standard	126	-	49	-
Doubtful	-	-	-	-
Loss	266	-	638	-
Gross amount	486	-	877	1,266
Allowance for impairment	(366)	-	(519)	(1,065)
Carrying amount	120	-	358	201
Collectively Assessed for Impairment				
Unclassified	111,369	-	95,200	-
AA to AA-	437	-	-	-
A to A-	195	-	-	-
BB+ to BB	30,625	-	33,323	-
BB- to B+	70,348	-	38,744	-
B to B-	44,968	-	26,243	-
CCC+ and below	575	-	5,993	-
Sub-standard	2,277	-	1,441	-
Doubtful	-	-	-	-
Loss	520	-	929	-
Gross amount	261,314	-	201,873	-
Unearned interest and discount	(839)	-	(1,405)	-
Allowance for impairment	(4,636)	-	(4,364)	-
Carrying amount	255,839	-	196,104	-
Unquoted debt securities classified as loans	1,326	-	2,665	-
Other receivables	5,421	-	5,518	-
Allowance for impairment	(1,455)	-	(1,248)	-
Carrying amount	5,292	-	6,935	-
Neither Past Due Nor Impaired	323	93,194	34,563	86,197
Total Carrying Amount	P 261,574	P 93,194	P 237,960	P 86,398

	Parent Company			
	2014		2013	
	Loans and Receivables	Trading and Investment Securities	Loans and Receivables	Trading and Investment Securities
Individually Assessed for Impairment				
Unclassified	P -	P -	P -	P 1,266
AA to AA-	-	-	-	-
A to A-	-	-	-	-
B to B-	45	-	113	-
CCC+ and below	-	-	27	-
Sub-standard	126	-	49	-
Doubtful	-	-	-	-
Loss	266	-	638	-
Gross amount	437	-	827	1,266
Allowance for impairment	(353)	-	(519)	(1,005)
Carrying amount	84	-	308	261
Collectively Assessed for Impairment				
Unclassified	62,035	-	66,699	-
AA to AA-	-	-	-	-
A to A-	-	-	-	-
BB+ to BB	29,242	-	33,323	-
BB- to B+	70,348	-	38,744	-
B to B-	40,909	-	26,243	-
CCC+ and below	575	-	1,045	-
Sub-standard	877	-	370	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross amount	203,986	-	166,423	-
Unearned interest and discount	(191)	-	(178)	-
Allowance for impairment	(2,936)	-	(3,452)	-
Carrying amount	200,859	-	162,793	-
Unquoted debt securities classified as loans	1,266	-	2,665	-
Other receivables	4,196	-	4,400	-
Allowance for impairment	(1,316)	-	(650)	-
Carrying amount	4,146	-	6,415	-
Neither Past Due Nor Impaired	525	83,288	22,120	76,181
Total Carrying Amount	P 205,614	P 83,288	P 191,636	P 76,442

The credit risk for cash and cash equivalents such as Due from BSP and Due from Other Banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

4.4.2 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually. Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2014 and 2013.

The Group holds collateral against its loans portfolio in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. An estimate of the fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2014 and 2013 is shown below.

	Group			
		2014		2013
Against individually impaired				
Real property	P	**21**	P	345
Chattels		**49**		50
Against classified accounts but not impaired				
Real property		**75,428**		48,041
Chattels		**5,861**		5,570
Equity securities		**5,244**		1,426
Hold-out deposits		**1,240**		971
Others		**815**		851
Against neither past due nor impaired				
Real property		**113,268**		47,244
Chattels		**32,607**		25,902
Hold-out deposits		**11,484**		11,153
Others		**58,608**		30,212
Total	**P**	**304,625**	P	171,765

	Parent Company			
		2014		2013
Against individually impaired				
Real property	P	**21**	P	345
Against classified accounts but not impaired				
Real property		**73,227**		46,050
Chattels		**4,143**		4,069
Equity securities		**5,244**		1,426
Others		**541**		595
Against neither past due nor impaired				
Real property		**-**		1,847
Hold-out deposits		**11,484**		11,153
Others		**57,591**		27,877
Total	**P**	**152,251**	P	93,362

4.4.3 Concentrations of Credit Risk

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

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 11.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration.

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

4.4.4 Credit Risk Stress Test

To enhance the assessment of credit risk, the Parent Company adopted in 2011 a revised credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability. In addition, both the Parent Company and its major subsidiary, RSB, participated in the initial run of the uniform stress testing exercise for banks initiated by the BSP.

4.5 Operational Risk

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

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

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

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

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

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

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

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

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

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

4.5.1 Reputation Risk

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

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

4.5.2 Legal Risk and Regulatory Risk Management

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

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

4.6 Anti-Money Laundering Controls

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

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

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

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

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

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

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

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

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

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

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

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

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

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

Under the relevant provisions of the current BSP regulations, the minimum capitalization of the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P5,400, P1,000, P500, P300 and P300, respectively.

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

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

- *(i)* paid-up common stock;
- *(ii)* common stock dividends distributable;
- *(iii)* additional paid-in capital;
- *(iv)* deposit for common stock subscription;
- *(v)* retained earnings;
- *(vi)* undivided profits;
- *(vii)* other comprehensive income from net unrealized gains / losses on financial assets at FVOCI and cumulative foreign currency translation; and,
- *(viii)* minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

- *(i)* instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular 781;
- *(ii)* financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular 781;
- *(iii)* financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
- *(iv)* additional paid-in capital resulting from issuance of AT1 capital;
- *(v)* deposit for subscription to AT1 instruments; and,
- *(vi)* minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

- *(i)* instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular 781;
- *(ii)* financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
- *(iii)* deposit for subscription of Tier 2 capital;

(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board;
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

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

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

	Group	Parent Company
Tier 1 Capital		
CET 1	P 40,084	P 30,573
AT1	3	3
	40,087	30,576
Tier 2 Capital	12,005	11,602
Total Qualifying Capital	P 52,092	P 42,178
Total Risk – Weighted Assets	P 338,949	P 282,546
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	15.37%	14.93%
Tier 1 Capital Ratio	11.83%	10.82%
Total CET 1 Ratio	11.83%	10.82%

The Group and Parent Company's regulatory capital position under Basel II as of December 31, 2013 is presented as follows:

	Group	Parent Company
Tier 1 Capital	48,807	37,451
Tier 2 Capital	1,744	-
Total Qualifying Capital	P 50,551	P 37,451
Total Risk – Weighted Assets	P 305,920	P 248,079
Capital ratios:		
Total regulatory capital expressed as percentage of total risk – weighted assets	16.52%	15.10%
Total Tier 1 expressed as percentage of total risk – weighted assets	15.95%	15.10%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

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

	Group			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 75,784	P 75,784	P 69,854	P 69,854
Investment securities	79,795	78,911	-	-
Loans and receivables	261,574	261,574	237,960	237,976
Other resources	845	845	1,530	1,530
	417,998	417,114	309,344	309,360
At FVPL	16,458	16,458	3,288	2,358
At FVOCI	4,537	4,537	-	-
AFS securities	-	-	89,412	89,412
	P 438,993	P 438,109	P 402,044	P 401,130
Financial Liabilities				
At amortized cost:				
Deposit liabilities	315,761	315,761	297,853	297,853
Bills payable	39,799	39,799	39,895	39,895
Bonds payable	23,486	24,954	23,317	25,651
Subordinated debt	9,921	11,042	-	-
Accrued interest and other expenses	4,287	4,287	4,323	4,323
Other liabilities	6,436	6,436	7,997	7,997
	399,690	402,279	373,385	375,719
Derivative financial liabilities	291	291	635	635
	P 399,981	P 402,570	P 374,020	P 376,354

	Parent Company			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and cash equivalents	P 62,837	P 62,837	P 62,454	P 62,454
Investment securities	70,256	69,651	-	-
Loans and receivables	205,614	205,614	191,636	191,652
Other resources	783	783	1,510	1,510
	339,490	338,885	255,600	255,616
At FVPL	15,062	15,062	2,358	2,358
At FVOCI	2,222	2,222	-	-
AFS securities	-	-	76,882	76,882
	P 356,774	P 356,169	P 334,840	P 334,856

	Parent Company			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Deposit liabilities	P 248,022	P 248,022	P 243,620	P 243,620
Bills payable	36,837	36,837	37,067	37,067
Bonds payable	23,486	24,954	23,317	25,651
Subordinated debt	9,921	11,042	-	-
Accrued interest and other expenses	3,303	3,303	3,391	3,391
Other liabilities	5,109	5,109	5,302	5,302
	326,678	329,267	312,697	315,031
Derivative financial liabilities	291	291	635	635
	P 326,969	P 329,558	P 313,332	P 315,666

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

6.2 Offsetting Financial Assets and Financial Liabilities

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

		Group			
			Related amounts not set off in the statements of financial position		
	Notes	Gross amounts recognized in the statements of financial position	Financial Instruments	Cash received	Net amount
December 31, 2014					
Loans and receivables – Receivable from customers	11	P 258,688	(P 12,724)	P -	P 245,964
Other resources – Margin deposits	15	96	-	(96)	-
December 31, 2013					
Loans and receivables – Receivable from customers	11	P 213,663	(P 12,124)	P -	P 201,539
Other resources – Margin deposits	15	1,293	-	(635)	658

	Parent Company							
	Notes		Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial Instruments		Cash received		Net amount
December 31, 2014								
Loans and receivables – Receivable from customers	11	P	203,417	(P	11,484)	P	-	P 191,933
Other resources – Margin deposits	15		96		-	(	96)	-
December 31, 2013								
Loans and receivables – Receivable from customers	11	P	166,832	(P	11,153)	P	-	P 155,679
Other resources – Margin deposits	15		1,293		-	(	635)	658

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

	Group							
	Notes		Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial Instruments		Cash received		Net amount
December 31, 2014								
Deposit liabilities	17	P	315,761	(P	12,724)	P	-	P 303,037
Other liabilities – Derivative financial liabilities	22		291		-	(	96)	195
December 31, 2013								
Deposit liabilities	17	P	297,853	(P	12,124)	P	-	P 285,729
Bills payable	18		39,895	(	10)		-	39,885
Other liabilities – Derivative financial liabilities	22		635		-	(	635)	-

	Parent Company							
	Notes		Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial Instruments		Cash received		Net amount
December 31, 2014								
Deposit liabilities	17	P	248,022	(P	11,484)	P	-	P 236,538
Other liabilities – Derivative financial liabilities	22		291		-	(	96)	195
December 31, 2013								
Deposit liabilities	17	P	243,620	(P	11,153)	P	-	P 232,467
Bills payable	18		37,067	(	10)		-	37,057
Other liabilities – Derivative financial liabilities	22		635		-	(	635)	-

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

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits which serve as the Group's collateral enhancement for certain loans and receivables; (b) certain loans and receivables assigned by the Group as collateral for its rediscounting availments from the BSP; 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, 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:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) 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,

(c) 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, 2014 and 2013.

	Group			
	2014			
	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Government bonds	P 10,421	P 271	P -	P 10,692
Corporate debt securities	2,707		-	2,707
Equity securities	1,269	-	329	1,598
Derivative assets	54	1,407	-	1,461
	14,451	1,678	329	16,458
Financial assets at FVOCI – Equity securities	2,290	124	2,123	4,537
Total Resources at Fair Value	P 16,741	P 1,802	P 2,452	P 20,995
Derivative liability	P -	P 291	P -	P 291
	2013			
	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Government bonds	P 1,108	P 2	P -	P 1,110
Corporate debt securities	371	103	-	474
Equity securities	827	-	-	827
Derivative assets	54	823	-	877
	2,360	928	-	3,288
AFS securities:				
Government bonds	43,834	4,303	-	48,137
Corporate debt securities	36,659	1,360	-	38,020
Equity securities	2,836	79	-	2,915
	83,329	5,742	-	89,072
Allowance for impairment	-	(1,158)	-	(1,158)
	83,329	4,584	-	87,914
Total Resources at Fair Value	P 85,689	P 5,512	P -	P 91,202
Derivative liability	P -	P 635	P -	P 635

	Parent Company			
	2014			
	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Government bonds	P 10,376	P 147	P -	P 10,523
Corporate debt securities	2,509	-	-	2,509
Equity securities	240	-	329	569
Derivative assets	54	1,407	-	1,461
	13,179	1,554	329	15,062
Financial assets at FVOCI – Equity securities	-	123	2,099	2,222
Total Resources at Fair Value	P 13,179	P 1,677	P 2,428	P 17,284
Derivative liability	P -	P 291	P -	P 291
	2013			
	Level 1	Level 2	Level 3	Total
Financial assets at FVPL:				
Government bonds	P 1,108	P 2	P -	P 1,110
Corporate debt securities	371	-	-	371
Derivative assets	54	823	-	877
	1,533	825	-	2,358
AFS securities:				
Government bonds	37,756	3,206	-	40,962
Corporate debt securities	33,926	1,266	-	35,192
Equity securities	164	79	-	243
	71,846	4,551	-	76,397
Allowance for impairment	-	(1,008)	-	(1,008)
	71,846	3,543	-	75,389
Total Resources at Fair Value	P 73,379	P 4,368	P -	P 77,747
Derivative liability	P -	P 635	P -	P 635

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 Bonds and Corporate Papers

The fair value of the Group's government bonds 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 bonds 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).

(b) Corporate Debt Securities (excluding Corporate Papers Categorized within Level 1)

The fair value of the Group's corporate debt securities categorized under Level 2 of the hierarchy in 2013, 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.

(c) Equity Securities

The fair values of equity securities classified as financial assets at FVPL and FVOCI as of December 31, 2014 and AFS securities as of December 31, 2013 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1. On the other hand, for equity securities which are not traded in an active market and categorized within Level 2, their fair value is determined 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.

Level 2 category also 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.

(d) Derivative Assets and Liabilities

The fair value of the Group's derivative assets categorized within Level 1 is determined directly based on published price quotation available for an identical instrument in an active market at the end of each of the reporting period.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

There were no transfers between levels of hierarchy in 2014 and 2013.

As of December 31, 2013, the Group and the Parent Company has non-marketable/ unquoted equity securities invested in local private companies amounting to P1,572 and P1,563, respectively, which were classified under AFS Securities and were carried at cost as the Group was unable to reliably determine their fair value by reference to comparable instrument or by using any valuation techniques. The Group has reclassified and designated these unquoted equity securities to Financial Assets at FVOCI and Financial Assets at FVPL on January 1, 2014 upon initial adoption of PFRS 9; hence, required to be measured at fair value on a recurring basis. These investments were remeasured by the Group and the Parent Company resulting in an increase of P1,077 and P1,062, respectively, in the carrying amount of investments representing fair value gains as of the initial date of adoption [see Note 2.2(b)]. From its carrying amount at cost as of December 31, 2013, the Group has determined the fair value of these equity investments using valuation technique through discounted cash flows method; hence, categorized as Level 3 in the fair value hierarchy.

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

- A growth rate ranging from 4.4% to 4.9% in deriving the present value of the continuing/terminal cash flows from the investee companies; and,

- Weighted average cost of capital (WACC) ranging from 7.5% to 13.9% used to determine the present value of the free cash flows for a certain forecast period covered in the cash flow projections.

7.3 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P9,946 and P7,924 in the Group's financial statements and P5,379 and P3,531 in the Parent Company's financial statements as of December 31, 2014 and 2013, respectively. The fair value hierarchy of these properties as of December 31, 2014 and 2013 is categorized as Level 3.

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

(a) Fair Value Measurement for Land

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

(b) Fair Value Measurement for Buildings

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

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

8. SEGMENT INFORMATION

8.1 Business Segments

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

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

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

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

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

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

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

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

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, 2014, 2013 and 2012 follow:

	2014				
	Retail Banking Group	**Corporate Banking Group**	**Treasury Group**	**Others**	**Total**
Statement of profit or loss					
Interest income	P 6,459	P 9,394	P 3,234	P 1,113	P 20,200
Interest expense	(1,962)	(3,275)	(3,071)	3,075	(5,233)
Net interest income	4,497	6,119	163	4,188	14,967
Non-interest income	2,358	1,378	1,677	1,689	7,102
Total revenues	6,855	7,497	1,840	5,877	22,069
Non-interest expense	(6,026)	(1,465)	(495)	(8,759)	(16,745)
Profit (loss) before tax	829	6,032	1,345	(2,882)	5,324
Tax expense	-	-	-	(914)	(914)
Non-controlling interest in net profit	-	-	-	1	1
Net profit (loss)	P 829	P 6,032	P 1,345	(P 3,795)	P 4,411
Statement of financial position					
Total Resources	P 247,416	P 198,852	P 98,490	(P 86,853)	P 457,905
Total Liabilities	P 247,074	P 198,852	P 98,490	(P 139,642)	P 404,774
Other segment information					
Depreciation and amortization	P 349	P 148	P 6	P 1,074	P 1,577

	2013				
	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
Statement of profit or loss					
Interest income	P 6,698	P 7,662	P 3,369	P 1,095	P 18,824
Interest expense	(2,214)	(3,013)	(3,217)	2,931	(5,513)
Net interest income	4,484	4,649	153	4,025	13,311
Non-interest income	2,495	1,638	2,088	3,589	9,810
Total revenues	6,979	6,287	2,241	7,614	23,121
Non-interest expense	(6,356)	(922)	(611)	(8,639)	(16,528)
Profit (loss) before tax	623	5,365	1,630	(1,025)	6,593
Tax expense	-	-	-	(1,259)	(1,259)
Non-controlling interest in net profit	-	-	-	(13)	(13)
Net profit (loss)	P 623	P 5,365	P 1,630	(P 2,297)	P 5,321
Statement of financial position					
Total Resources	P 213,208	P 174,779	P 99,650	(P 65,768)	P 421,869
Total Liabilities	P 213,208	P 174,779	P 99,650	(P 110,576)	P 377,061
Other segment information					
Depreciation and amortization	P 305	P 6	P 13	P 994	P 1,318

	2012				
	Retail Banking Group	Corporate Banking Group	Treasury Group	Others	Total
Statement of profit or loss					
Interest income	P 8,890	P 7,817	P 3,742	(P 1,692)	P 18,757
Interest expense	(4,031)	(5,247)	(2,892)	4,815	(7,355)
Net interest income	4,859	2,570	850	3,123	11,402
Non-interest income	2,175	1,020	5,888	2,259	11,342
Total revenue	7,034	3,590	6,738	5,382	22,744
Non-interest expense	(5,920)	(1,091)	(664)	(8,368)	(16,043)
Profit (loss) before tax	1,114	2,499	6,074	(2,986)	6,701
Tax expense	-	-	-	(745)	(745)
Non-controlling interest in net profit	-	-	-	(7)	(7)
Net profit (loss)	P 1,114	P 2,499	P 6,074	(P 3,738)	P 5,949
Statement of financial position					
Total Resources	P 210,659	P 159,508	P 83,451	(P 90,279)	P 363,339
Total Liabilities	P 210,659	P 159,508	P 83,451	(P 132,441)	P 321,177
Other segment information					
Depreciation and amortization	P 298	P 13	P 8	P 795	P 1,114

8.3 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2014, 2013 and 2012 follow:

	2014			
	Philippines	United States	Asia and Europe	Total
Statement of profit or loss				
Total revenues	P 21,873	P 3	P 194	P 22,069
Total expenses	17,459	17	183	17,658
Net profit (loss)	P 4,414	(P 14)	P 11	P 4,411
Statement of financial position				
Total resources	P 457,454	P 7	P 444	P 457,905
Total liabilities	P 404,448	P 8	P 318	P 404,774
Other segment information				
Depreciation and amortization	P 1,575	P -	P 2	P 1,577

	2013			
	Philippines	United States	Asia and Europe	Total
Results of operations				
Total revenues	P 22,909	P 65	P 147	P 23,121
Total expenses	17,589	43	168	17,800
Net profit (loss)	P 5,320	P 22	(P 21)	P 5,321
Statement of financial position				
Total resources	P 421,327	P 92	P 450	P 421,869
Total liabilities	P 376,691	P 78	P 292	P 377,061
Other segment information				
Depreciation and amortization	P 1,316	P -	P 2	P 1,318

	2012			
	Philippines	United States	Asia and Europe	Total
Results of operations				
Total revenues	P 22,595	P 38	P 111	P 22,744
Total expenses	16,585	26	184	16,795
Net profit (loss)	P 6,010	P 12	(P 73)	P 5,949
Statement of financial position				
Total resources	P 362,907	P 124	P 308	P 363,339
Total liabilities	P 320,882	P 89	P 206	P 321,177
Other segment information				
Depreciation and amortization	P 1,112	P -	P 2	P 1,114

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group				Parent Company			
	2014		2013		2014		2013	
Cash and other cash items	P	13,085	P	9,826	P	9,539	P	7,563
Due from BSP		46,099		52,491		37,763		48,679
Due from other banks		16,600		7,537		15,535		6,212
	P	75,784	P	69,854	P	62,837	P	62,454

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 Parent Company's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand), such as checks drawn on other banks or other branches after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Note 17), to serve as clearing account for interbank claims and to comply with existing trust regulations. The balance of Due from BSP also includes short-term special deposit account amounting to P5,538 and P17,049 for the Group and P3,300 and P16,900 for the Parent Company at December 31, 2014 and 2013, respectively, which bear annual interest at 2.00% to 2.50% in 2014 and 2.00% to 3.50% in 2013.

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

	Group				Parent Company			
	2014		2013		2014		2013	
Foreign banks	P	15,742	P	6,675	P	15,030	P	5,534
Local banks		858		862		505		678
	P	16,600	P	7,537	P	15,535	P	6,212

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

	Group				Parent Company			
	2014		2013		2014		2013	
Foreign currencies	P	15,832	P	7,044	P	15,065	P	5,768
Philippine pesos		768		493		470		444
	P	16,600	P	7,537	P	15,535	P	6,212

Interest rates per annum on these deposits range from 0.00% to 1.00% in 2014, 2013 and 2012.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2014	2013	2014	2013
Financial assets at FVPL	P 16,458	P 3,288	P 15,062	P 2,358
Financial assets at FVOCI	4,537	-	2,222	-
Investment securities at amortized cost	79,795	-	70,256	-
AFS securities - net	-	89,412	-	76,882
	P 100,790	P 92,700	P 87,540	P 79,240

10.1 Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL is composed of the following:

	Group		Parent Company	
	2014	2013	2014	2013
Government securities	P 10,692	P 1,110	P 10,523	P 1,110
Corporate debt securities	2,707	474	2,509	371
Equity securities	1,598	827	569	-
Derivative financial assets	1,461	877	1,461	877
	P 16,458	P 3,288	P 15,062	P 2,358

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

	Group		Parent Company	
	2014	2013	2014	2013
Held-for-trading	P 14,428	P 2,411	P 13,032	P 1,481
Designated as at FVPL	569	-	569	-
Derivatives	1,461	877	1,461	877
	P 16,458	P 3,288	P 15,062	P 2,358

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

	2014	2013	2012
Peso denominated	1.63% - 12.38%	1.63% - 14.38%	4.63% - 12.38%
Foreign currency denominated	0.05% - 10.63%	1.25% - 10.63%	2.50% - 10.63%

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

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

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

	2014					
	Notional Amount		Fair Values			
			Assets		Liabilities	
Currency swaps and forwards	P	22,788	P	137	P	118
Interest rate swaps and futures		16,396		60		173
Debt warrants		5,598		54		-
Options		715		7		-
Credit default swaps		89		4		-
Credit linked notes		-		971		-
Principal-protected notes		-		228		-
	P	45,586	P	1,461	P	291

	2013					
	Notional Amount		Fair Values			
			Assets		Liabilities	
Currency swaps and forwards	P	52,298	P	389	P	338
Interest rate swaps and futures		21,771		172		293
Debt warrants		5,557		54		-
Options		2,638		14		4
Credit default swaps		667		20		-
Principal-protected notes		-		228		-
	P	82,931	P	877	P	635

The derivative liabilities amounting to P291 and P635 as of December 31, 2014 and 2013, respectively, are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The bulk of such derivative liabilities have maturity periods of less than a year.

In 2008, the Parent Company reclassified its CLNs that are linked to ROP bonds, with an aggregate carrying value of P2,946 from AFS Securities to Loans and Receivables. As of December 31, 2013, the aggregate carrying value of the CLNs amounted to P2,665 (see Note 11.3). On January 1, 2014, the Parent Company reclassified its CLNs with an aggregate value of P2,665 from Loans and Receivables to Financial Assets at FVPL as a result of the initial application of PFRS 9 [see Note 2.2(b)]. As of December 31, 2014, the carrying value of the remaining CLNs amounted to P971.

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

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

10.2 Financial Assets at Fair Value through Other Comprehensive Income

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

	Group		Parent	
Quoted equity securities	P	2,290	P	-
Unquoted equity securities		2,247		2,222
	P	4,537	P	2,222

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

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2014 are the Parent Company's unquoted equity securities with fair value determined using discounted cash flows method; hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

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

In 2014, the Group and Parent Company recognized dividends on these equity securities amounting to P285 and P108, respectively, which are included as part of Miscellaneous income under the Operating Income account in the 2014 statement of profit or loss (see Note 25.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31, 2014 consist of:

	Group		Parent	
Government securities	P	56,995	P	49,481
Corporate debt securities		22,800		20,775
	P	79,795	P	70,256

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

	Group		Parent	
Philippine peso	P	13,599	P	8,357
Foreign currencies		66,196		61,899
	P	79,795	P	70,256

In 2014, interest rates per annum on government securities and corporate debt securities range from 1.63% to 12.38% for peso denominated securities and 1.40% to 10.63% for foreign currency denominated securities.

10.4 Available-for-sale Securities

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

		Group		Parent Company
Government securities	P	48,137	P	40,962
Corporate debt securities		38,020		35,192
Equity securities		4,598		1,921
		90,755		78,075
Allowance for impairment (see Note 16)	(	1,343)	(	1,193)
	P	89,412	P	76,882

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

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

Interest rates per annum on government securities and corporate debt securities range from 1.70% to 7.60% in 2013 and 1.19% to 12.00% in 2012.

In accordance with PFRS 9 and the Group's business model in managing financial assets, these equity and debt securities outstanding as of December 31, 2013 were reclassified to Financial Assets at FVPL, Financial Assets at FVOCI, Investment Securities at Amortized Cost and Loans and Receivables categories on January 1, 2014 [see Note 2.2(b)].

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

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

The changes in fair values of AFS securities which were recognized in other comprehensive income and formed part of Revaluation Reserves account in equity amounted to fair value losses of P8,150 in 2013 and fair value gains of P863 in 2012 in the Group's financial statements; and fair value losses of P6,982 in 2013 and fair value gains of P787 in 2012 in the Parent Company's financial statements (see Note 23.6).

Included in corporate debt securities as of December 31, 2013 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). 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. On January 1, 2014, as a result of the initial application of PFRS 9, the note was reclassified to Loans and Receivables [see Note 2.2(b)].

In 2013, the Group's equity investment in Roxas Holdings, Inc. (RHI) with a carrying amount of P413 previously classified as an investment in associates, was reclassified into AFS securities and carried at its fair value of P434 as of December 31, 2013 (see Note 12.2). As a result of the initial application of PFRS 9, the Group's equity investment in RHI was reclassified to financial assets at FVPL [see Note 2.2(b)].

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

The information about the fair value measurement of the Group's trading and investment securities is presented in Note 7.2.

11. LOANS AND RECEIVABLES

This account consists of the following:

	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Receivables from customers:				
Loans and discounts	P 234,605	P 189,052	P 180,307	P 143,073
Credit card receivables	10,843	12,049	10,843	12,049
Customers' liabilities on acceptances, import bills and trust receipts	9,411	9,814	9,411	9,815
Bills purchased	3,087	2,077	3,047	2,073
Lease contract receivables	1,339	1,244	-	-
Receivables financed	242	832	-	-
	259,527	215,068	203,608	167,010
Unearned discount	(839)	(1,405)	(191)	(178)
	258,688	213,663	203,417	166,832
Other receivables:				
Accrued interest receivables	2,846	2,626	2,338	2,183
Accounts receivables	2,509	2,891	1,858	2,217
Sales contract receivables	2,273	1,652	815	240
Unquoted debt securities classified as loans	1,326	2,665	1,266	2,665
Interbank loans receivables	323	20,594	525	22,120
Accrued rental receivables	66	-	-	-
	9,343	30,428	6,802	29,425
	268,031	244,091	210,219	196,257
Allowance for impairment (see Note 16)	(6,457)	(6,131)	(4,605)	(4,621)
	P 261,574	P 237,960	P 205,614	P 191,636

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

	2014	2013	2012
Loans and discounts	6.00%	6.22%	6.90%
Credit card receivables	24.24% - 58.00%	34.90% - 42.00%	38.40% - 42.00%
Lease contract receivables	8.00% - 21.00%	10.55% - 22.81%	11.00% - 21.57%
Receivable financed	10.00% - 25.00%	10.00% - 25.00%	10.00% - 25.00%

11.1 Credit Concentration, Security and Maturity Profile of Receivables from Customers

The concentration of credit of receivables from customers as to industry follows:

	Group				Parent Company			
	2014		2013		2014		2013	
Real estate, renting and other related activities	P	**57,784**	P	33,011	**P**	**34,372**	P	19,789
Manufacturing (various industries)		**38,658**		34,537		**38,129**		33,752
Electricity, gas and water		**38,587**		31,550		**38,306**		31,153
Consumer		**29,513**		25,642		**10,843**		12,049
Wholesale and retail trade		**26,051**		20,736		**22,946**		19,046
Other community, social and personal activities		**25,827**		30,488		**22,323**		20,068
Transportation and communication		**21,661**		19,763		**19,963**		16,854
Financial intermediaries		**8,435**		7,658		**7,452**		6,874
Hotels and restaurants		**2,421**		1,398		**2,412**		1,391
Agriculture, fishing and forestry		**1,979**		703		**1,812**		615
Mining and quarrying		**1,389**		4		**1,389**		4
Diversified holding companies		**963**		3,701		**963**		3,701
Others		**5,420**		4,472		**2,507**		1,536
	P	**258,688**	P	213,663	**P**	**203,417**	P	166,832

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable. The Group and the Parent Company are in compliance with this loan concentration limit of the BSP as of the end of each reporting period.

The breakdown of the receivables from customers portfolio as to secured and unsecured follows:

	Group				Parent Company			
	2014		2013		2014		2013	
Secured:								
Real estate mortgage	**P**	**64,636**	P	56,201	**P**	**33,148**	P	28,945
Chattel mortgage		**20,179**		18,730		**278**		293
Hold-out deposit		**12,724**		12,124		**11,484**		11,153
Other securities		**38,031**		32,340		**36,740**		32,340
		135,570		119,395		**81,650**		72,731
Unsecured		**123,118**		94,238		**121,767**		94,101
	P	**258,688**	P	213,663	**P**	**203,417**	P	166,832

The maturity profile of the receivable from customers portfolio follows:

	Group				Parent Company			
	2014		2013		2014		2013	
Due within one year	**P**	**69,191**	P	54,108	**P**	**47,913**	P	39,364
Due beyond one year		**189,497**		159,555		**155,504**		127,468
	P	**258,688**	P	213,663	**P**	**203,417**	P	166,832

11.2 Non-performing Loans and Impairment

Non-performing loans included in the total loan portfolio of the Group and the Parent Company as of December 31, 2014 and 2013 are presented below, net of allowance for impairment in compliance with the BSP Circular 772.

	Group		Parent Company	
	2014	2013	**2014**	2013
Gross NPLs	**P 5,176**	P 6,117	**P 2,140**	P 3,528
Allowance for impairment	**(2,540)**	(3,618)	**(1,534)**	(2,560)
	P 2,636	P 2,499	**P 606**	P 968

Under Section X309 of MORB, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan/receivable shall be considered as non-performing when the total amount of arrearages reaches 10% of the total loan/receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals.

Accounts receivables include claim from the Bureau of Internal Revenue (BIR) relating to the 20% final withholding tax on Poverty Eradication and Allevation Certificates (PEACe) bonds amounting to P199. On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. Subsequently, on March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration and reiterated its arguments with the Supreme Court (see Note 29.3).

Loans and receivables amounting to P10 as of December 31, 2013 both in the Group's and Parent Company's financial statements were assigned as collateral to the BSP as security for rediscounting availments (see Note 18).

A reconciliation of the allowance for impairment of loans and receivables at the beginning and end of 2014 and 2013 is shown below (see Note 16).

	Group		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**P 6,131**	P 10,946	**P 4,621**	P 7,228
Impairment losses during the year - net	**2,255**	1,783	**1,591**	1,099
Accounts written off and others – net	**(1,929)**	(6,598)	**(1,607)**	(3,706)
Balance at end of year	**P 6,457**	P 6,131	**P 4,605**	P 4,621

11.3 Reclassification to and from Loans and Receivables

In 2008, the Parent Company reclassified from AFS Securities to Loans and Receivables, its CLNs that are linked to ROP bonds and certain CDOs with aggregate carrying amount of P5,961 (see Note 10.1) and embedded derivatives financial liability amounting to P308 at reclassification date. The reclassified CDOs were disposed of in 2010. The effective interest rates at reclassification date ranged from 4.25% to 9.50% per annum. The unrealized fair value losses that should have been recognized by the Group and Parent Company in the financial statements under Revaluation Reserves account had the CLNs not been reclassified to Loans and Receivables is P145 as of December 31, 2013. Had the embedded derivatives not been reclassified by the Parent Company, interest income on loans and receivables would have decreased by P214 and P218 for the years ended December 31, 2013 and 2012, respectively, and the additional fair value losses that would have been recognized in profit or loss would have amounted to P92 in 2013 and fair value gains of P111 in 2012. As of December 31, 2013, the carrying amounts and the corresponding fair values of the outstanding reclassified CLNs linked to ROP bonds amounted to P2,665 and P2,947, respectively.

On January 1, 2014, as a result of the initial application of PFRS 9, the Parent Company reclassified its CLNs with an aggregate value of P2,665 from Loans and Receivables to Financial Assets at FVPL [see Note 2.2(b)].

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

	Group	
	2014	2013
Acquisition costs of associates:		
HCPI	**P 91**	P 91
LIPC	**57**	53
YCS	**5**	5
	153	149
Accumulated equity in net earnings:		
Balance at beginning of year	**184**	887
Share in net earnings for the year	**24**	243
Share in actuarial losses on defined benefit plan	**(34)**	-
Cash dividends	**(6)**	(284)
Effect of disposals	**-**	(662)
Balance at end of year	**168**	184
Carrying amount	**P 321**	P 333

		Parent Company		
		2014		2013
Subsidiaries:				
RSB	P	**3,190**	P	3,190
RCBC Capital		**2,231**		2,231
Rizal Microbank		**992**		992
RCBC LFC		**687**		687
RCBC JPL		**375**		375
RCBC Forex		**150**		150
RCBC North America		**134**		134
RCBC Telemoney		**72**		72
RCBC IFL		**58**		58
		7,889		7,889
Associates:				
NPHI		**388**		388
HCPI		**91**		91
LIPC		**57**		53
YCS		**5**		5
		541		537
		8,430		8,426
Allowance for impairment (see Note 16)	(	**431)**	(	427)
Carrying amount	P	**7,999**	P	7,999

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

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

12.1 Changes in Investments in Subsidiaries

On January 30, 2012, the BOD approved the acquisition of a total of 448,528,296 common stocks or 97.79% of the outstanding capital stock of First Malayan Leasing and Finance Corporation (FMLFC) from PMMIC, House of Investments, Inc. (HI) and other investors. The sale and purchase of FMLFC stocks were made in accordance with the three share purchase agreements signed by the contracting parties on February 7, 2012 and were conditioned on among others, the receipt of approval of the transaction from the BSP, which was received by the Parent Company on March 12, 2012 (see Note 23.4). After the acquisition, FMLFC was renamed as RCBC LFC.

On August 31, 2011, the BOD approved the acquisition of selected assets and assumption of selected liabilities of JPL Rural Bank through Rizal Microbank, subject to the approval of Philippine Deposit Insurance Corporation (PDIC) and BSP with the following conditions: (a) JPL Rural Bank shall surrender its rural bank license to BSP within 30 days from BSP approval; and, (b) JPL Rural Bank shall likewise cease to accept deposits and change its business name so as to delete the word "bank" therein. Consequently, in 2011, the Parent Company infused P500 worth of capital to Rizal Microbank to support the acquisition of assets and assumption of liabilities of JPL Rural Bank. The application for the acquisition of selected assets and assumption of selected liabilities was approved by PDIC and BSP on January 31, 2012 and March 2, 2012, respectively. In 2012, JPL Rural Bank changed its corporate name to RCBC JPL.

As a result of the continued losses incurred by RCBC JPL until 2012 evidenced by its reported capital deficiency of P406 as of December 31, 2012, the Parent Company recognized an impairment loss of P319 in 2012 in addition to the P56 provision for impairment recognized prior to 2012 to fully impair the carrying amount of its investment in RCBC JPL. Such impairment loss is reported as part of Impairment Losses account in the Parent Company's 2012 statement of profit or loss.

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

12.2 Information about Investments in Associates

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

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

	Resources	Liabilities	Revenues	Profit
2014:				
HCPI	**P 4,334**	**P 1,744**	**P 10,412**	**P 449**
2013:				
HCPI	P 3,728	P 1,243	P 9,713	P 270

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

RCBC Capital entered into an agreement with another stockholder of RHI to commit and undertake to vote, as a unit, the shares of stock of RHI, which they own and hold, and to regulate the conduct of the voting and other actions between them with respect to the exercise of the voting rights. As a result of this agreement, RCBC Capital and the Parent Company were able to exercise significant influence over the operating and financial policies of RHI. Thus, notwithstanding RCBC Capital's ownership of only 4.71% and the Parent Company's ownership of only 2.40%, RHI has been considered as an associate of the Group until 2012. In 2013, the agreement with the other stockholder of RHI was terminated resulting in RCBC Capital and the Parent Company losing their significant influence in RHI. Consequently, the Group has ceased to account its investment in RHI under equity method which resulted in the derecognition of the carrying amount of the investment amounting to P413 and recognition of the same investment as part of AFS securities at its fair value of P434, resulting in a gain from this transaction amounting to P21 (see Note 10.4). Such gain is recognized as part of Others under Miscellaneous Income account in the 2013 statement of profit or loss of the Group. In addition, the Group has recognized in other comprehensive income a fair value loss of P20 arising from the remeasurement of such equity investment in RHI at fair value at the end of 2013.

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 2014 and 2013 are shown below.

	Group					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2014						
Cost	P 1,297	P 3,070	P -	P 7,291	P 979	P 12,637
Accumulated depreciation and amortization	-	(1,032)	-	(4,574)	-	(5,606)
Net carrying amount	P 1,297	P 2,038	P -	P 2,717	P 979	P 7,031
December 31, 2013						
Cost	P 1,587	P 4,333	P -	P 6,026	P 915	P 12,861
Accumulated depreciation and amortization	-	(976)	-	(3,071)	-	(4,047)
Net carrying amount	P 1,587	P 3,357	P -	P 2,955	P 915	P 8,814
January 1, 2013						
Cost	P 1,486	P 1,767	P 1,600	P 6,272	P 807	P 11,932
Accumulated depreciation and amortization	-	(911)	-	(3,514)	-	(4,425)
Net carrying amount	P 1,486	P 856	P 1,600	P 2,758	P 807	P 7,507

	Parent Company					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2014						
Cost	P 779	P 2,172	P -	P 4,766	P 695	P 8,412
Accumulated depreciation and amortization	-	(798)	-	(3,127)	-	(3,925)
Net carrying amount	P 779	P 1,374	P -	P 1,639	P 695	P 4,487
December 31, 2013						
Cost	P 1,212	P 4,123	P -	P 4,567	P 615	P 10,517
Accumulated depreciation and amortization	-	(737)	-	(2,759)	-	(3,496)
Net carrying amount	P 1,212	P 3,386	P -	P 1,808	P 615	P 7,021
January 1, 2013						
Cost	P 672	P 1,419	P 739	P 3,985	P 669	P 7,484
Accumulated depreciation and amortization	-	(687)	-	(2,364)	-	(3,051)
Net carrying amount	P 672	P 732	P 739	P 1,621	P 669	P 4,433

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2014 and 2013 is shown below.

	Group					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 1,587	P 3,357	P -	P 2,955	P 915	P 8,814
Additions	1	72		529	310	912
Reclassification to Investment Properties (see Note 14)	(259)	(1,265)	-	-	-	(1,524)
Disposals	(32)	(22)	-	(54)	(44)	(152)
Depreciation and amortization charges for the year	-	(104)	-	(713)	(202)	(1,019)
Balance at December 31, 2014 net of accumulated depreciation and amortization	P 1,297	P 2,038	P -	P 2,717	P 979	P 7,031
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 1,486	P 856	P 1,600	P 2,758	P 807	P 7,507
Additions	106	1,007	-	1,308	330	2,751
Reclassifications	-	1,600	(1,600)	-	-	-
Disposals	(5)	(33)	-	(322)	(48)	(408)
Depreciation and amortization charges for the year	-	(73)	-	(789)	(174)	(1,036)
Balance at December 31, 2013 net of accumulated depreciation and amortization	P 1,587	P 3,357	P -	P 2,955	P 915	P 8,814

	Parent Company					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 1,212	P 3,386	P -	P 1,808	P 615	P 7,021
Additions	1	44	-	324	204	573
Reclassification to Investment Properties (see Note 14)	(419)	(1,985)	-	-	-	(2,404)
Disposals	(15)	(3)	-	(22)	-	(40)
Depreciation and amortization charges for the year	-	(68)	-	(471)	(124)	(663)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 779	P 1,374	P -	P 1,639	P 695	P 4,487
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 672	P 732	P 739	P 1,621	P 669	P 4,433
Additions	545	1,998	-	653	123	3,319
Reclassification	-	739	(739)	-	-	-
Disposals	(5)	(32)	-	(18)	(43)	(98)
Depreciation and amortization charges for the year	-	(51)	-	(448)	(134)	(633)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 1,212	P 3,386	P -	P 1,808	P 615	P 7,021

In October 2009, the Parent Company, RSB and Bankard, Inc. entered into an agreement with Malayan Insurance Company, Inc. (MICO), Grepalife Financial, Inc. (Grepalife) and Hexagonland to form a consortium for the pooling of their resources and establishment of an unincorporated joint venture (the "UJV") for the construction and development of a high rise, mixed use commercial/office building, now operated by the Group as RSB Corporate Center. In 2011, the Parent Company acquired the rights and interest of Grepalife in the UJV. Also in 2011, RSB was able to acquire the rights and interest of Hexagonland after the latter's liquidation. On October 2, 2012, the remaining co-venturers executed a memorandum of understanding agreeing in principle to cancel or revoke the UJV, subject to the approval of BSP. As of December 31, 2012, total cash contribution of the Parent Company, RSB and Bankard, Inc. to the UJV amounted to P1,600 which is recorded as Construction in Progress. On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, BSP approved the Parent Company's acquisition of the land contributed to the RSB Corporate Center as well as the rights and interests of its co-venturers (see Note 28.5). As a result, the Parent Company paid its co-venturers a total consideration of P1,200 which is inclusive of compensation at the rate of 5.00% per annum computed from the date of the co-venturers' payment of their respective cash contributions until the date of the actual return or payment by the Parent Company. The total consideration was capitalized and recorded as part of Buildings account. In addition, by virtue of a deed of absolute sale executed between the Parent Company and RSB on April 5, 2013, the latter transferred its ownership and title to the land where the RSB Corporate Center is situated to the Parent Company for a selling price of P529.

In 2014, a portion of the said building including the land where it is located with gross amounts of P1,985 and P419, respectively, in the Parent Company's financial statements was reclassified to Investment Properties account following the commencement of operating leases for the significant portion of the property during the year, including leases to RSB. In the consolidated financial statements of the Group, a portion of the property being leased out with gross amount of P1,524 is reclassified as part of the Investment Properties account in the 2014 statement of financial position (see Note 14).

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, 2014 and 2013, the Parent Company and its bank subsidiaries have satisfactorily complied with this BSP requirement.

The gross carrying amount of the Group's and the Parent Company's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P3,503 and P3,026, respectively, as of December 31, 2014 and P3,477 and P2,871, respectively, as of December 31, 2013.

14. INVESTMENT PROPERTIES

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

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the end of 2014, 2013 and 2012 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2014						
Cost	P 3,418	P 2,880	P 6,298	P 1,620	P 2,034	P 3,654
Accumulated depreciation	-	(615)	(615)	-	(82)	(82)
Accumulated impairment (see Note 16)	(319)	(9)	(328)	(146)	-	(146)
Net carrying amount	P 3,099	P 2,256	P 5,355	P 1,474	P 1,952	P 3,426
December 31, 2013						
Cost	P 3,238	P 2,649	P 5,887	P 1,373	P 1,085	P 2,458
Accumulated depreciation	-	(526)	(526)	-	(31)	(31)
Accumulated impairment (see Note 16)	(765)	(17)	(782)	(483)	-	(483)
Net carrying amount	P 2,473	P 2,106	P 4,579	P 890	P 1,054	P 1,944
December 31, 2012						
Cost	P 5,343	P 3,244	P 8,587	P 2,972	P 1,452	P 4,424
Accumulated depreciation	-	(660)	(660)	-	(241)	(241)
Accumulated impairment (see Note 16)	(1,111)	(32)	(1,143)	(619)	-	(619)
Net carrying amount	P 4,232	P 2,552	P 6,784	P 2,353	P 1,211	P 3,564

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2014 and 2013 follow:

	Group		Parent Company	
	2014	2013	2014	2013
Balance at January 1, net of accumulated depreciation and impairment	P 4,579	P 6,784	P 1,944	P 3,564
Additions	834	690	18	16
Reclassification from Bank Premises (see Note 13)	1,524	-	2,404	-
Disposals/transfers	(1,116)	(2,823)	(813)	(1,633)
Impairment losses	(248)	(48)	(72)	-
Depreciation charges for the year	(218)	(24)	(55)	(3)
Balance at December 31, net of accumulated depreciation and impairment	P 5,355	P 4,579	P 3,426	P 1,944

As of December 31, 2014 and 2013, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totalling to P834 and P18, respectively, in 2014 and P690 and P16, respectively, in 2013 in settlement of certain loan accounts.

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

In February 2013, the Parent Company sold its NPAs with a total carrying amount of P1,743 including P1,236 non-performing investment properties and P507 NPLs for a total consideration of P2,288 consisting of P1,557 cash and P731 long-term debt security (see Note 10.4). The total gain recognized from this transaction amounted to P364 which is included as part of Gain on assets sold under Miscellaneous Income account in the 2013 statement of profit or loss (see Note 25.2).

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P333 and P18, respectively, in 2014, P696 and P512, respectively, in 2013, and P198 and P101, respectively, in 2012 which is presented as part of Gain on assets sold under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 Income and Expenses from Investment Properties held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P165 and 162, respectively, in 2014, P88 and P84, respectively, in 2013, and P67 and P72, respectively, in 2012. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P63 and P21, respectively, in 2014, P54 and P1, respectively, in 2013 and P47 and P2, respectively, in 2012.

14.3 Valuation and Measurement of Investment Properties

Certain investment properties of the Group and Parent Company were written down to their carrying amount of P258 and P72, respectively, 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, 2014 and 2013, based on the available appraisal reports, amounted to P9,946 and P7,924, respectively, for the Group; and, P5,379 and P3,531 respectively, for the Parent Company (see Note 7.3).

15. OTHER RESOURCES

Other resources consist of the following:

	Group		Parent Company	
	2014	2013	2014	2013
Real estate properties for sale (see Note 15.1)	P 1,564	P 2,037	P 960	P 960
Creditable withholding taxes	920	605	919	583
Software – net (see Note 15.2)	822	874	664	682
Inter-office float items	705	345	691	412
Returned checks and other cash items	488	143	464	120
Goodwill (see Note 15.3)	426	426	-	-
Prepaid expenses	312	264	199	180
Assets held-for-sale (see Note 15.4)	213	592	-	-
Unused stationery and supplies	163	189	122	160
Refundable deposits	142	137	140	135
Foreign currency notes and coins on hand	113	98	85	82
Margin deposits (see Note 15.5)	96	1,293	96	1,293
Sundry debits	88	43	88	28
Deferred tax assets (see Note 26.1)	84	62	-	-
Branch licenses – net (see Note 15.6)	57	108	-	-
Input value added tax (VAT)	55	-	-	-
Post-employment benefit asset (see Note 24.2)	-	-	-	32
Miscellaneous	1,011	657	620	172
	7,259	7,873	5,048	4,839
Allowance for impairment (see Notes 15.3 and 16)	(209)	(244)	(21)	(43)
	P 7,050	P 7,629	P 5,027	P 4,796

15.1 Real Estate Properties for Sale

Real estate properties for sale represent those properties held by the Parent Company, by the SPCs of RSB and NPHI that were consolidated in the Group's statements of financial position.

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

In partial compliance with the requirements of BSP, the management of RSB resolved that certain SPCs be disposed of through the conversion of the SPCs' existing common stock into redeemable preferred stocks 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 stocks of the SPCs owned by RSB shall be converted to redeemable preferred stocks 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:

1. Goldpath
2. Eight Hills
3. Crescent Park
4. Niceview
5. Lifeway
6. Gold Place
7. Princeway
8. Greatwings
9. Top Place
10. Crestview
11. Best Value

On December 23, 2013, the BOD of RSB approved the foregoing SPCs' redemption of the SPC's respective preferred stocks 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 stocks. On May 30, 2014 and on October 16, 2014, the retirement of the preferred shares were approved by the BOD and SEC, respectively; hence, the retirement of shares was executed by RSB. Consequently, the amount of the redemption loss was transferred directly to Surplus account from Other Reserves account as the redemption of shares of these SPCs is considered transaction between owners within the Group (see Note 23.4).

In relation to the SPC 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 2015, 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 2014 and 2013 is shown below.

	Group		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**P 874**	P 754	**P 682**	P 569
Additions	**147**	304	**124**	249
Amortization	**(199)**	(184)	**(142)**	(136)
Balance at end of year	**P 822**	P 874	**P 664**	P 682

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Goodwill

The doodwill recognized by the Group as of December 31, 2014 and 2013 pertains to the following.

		2014		2013
RSB	P	**268**	P	268
Rizal Microbank		**158**		158
		426		426
Allowance for impairment	(	**158)**	(	158)
	P	**268**	P	268

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

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

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

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

15.4 Assets Held-for-Sale

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

15.5 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.

15.6 Branch Licenses

Branch licenses represent the excess of the total cost of investment over the allocated net assets acquired by the Parent Company from JPL Rural Bank (see Note 12.1).

16. ALLOWANCE FOR IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized as follows:

	Notes	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Balance at beginning of year					
AFS securities	10.4	P 1,343	P 776	P 1,193	P 715
Loans and receivables	11	6,131	10,946	4,621	7,228
Investment in subsidiaries and associates	12	-	-	427	627
Investment properties	14	782	1,143	483	619
Other resources	15	244	207	43	19
		8,500	13,072	6,767	9,208
Impairment losses during the year		2,509	2,054	1,663	1,380
Charge-offs and other adjustments during the year		(4,015)	(6,626)	(3,227)	(3,821)
		(1,506)	(4,572)	(1,564)	(2,441)
Balance at end of year					
AFS securities	10.4	-	1,343	-	1,193
Loans and receivables	11	6,457	6,131	4,605	4,621
Investment in subsidiaries and associates	12	-	-	431	427
Investment properties	14	328	782	146	483
Other resources	15	209	244	21	43
		P 6,994	P 8,500	P 5,203	P 6,767

The total impairment losses on financial and non-financial assets recognized by the Group and Parent Company in 2012 amounted to P2,486 and P1,921, respectively.

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

	Group		Parent Company	
	2014	2013	2014	2013
Demand	P 32,197	P 28,448	P 24,391	P 23,575
Savings	164,269	157,065	142,375	134,757
Time	119,295	112,340	81,256	85,288
	P 315,761	P 297,853	P 248,022	P 243,620

Included in the time deposits are the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of December 31, 2014 and 2013 as follows:

Issuance Date	Maturity Date	Effective Interest	Outstanding Balance 2014	Outstanding Balance 2013
December 19, 2014	June 19, 2020	4.13%	P 2,100	P -
November 14, 2013	May 14, 2019	3.25%	2,860	2,860
November 14, 2013	May 14, 2019	3.52%	1,838	1,775
May 7, 2012	November 7, 2017	5.25%	1,150	1,150
December 29, 2011	June 29, 2017	5.25%	2,033	2,033
December 29, 2011	June 29, 2017	5.54%	1,585	1,501
May 6, 2010	November 6, 2015	6.50%	2,854	2,854
May 6, 2010	November 6, 2015	6.35%	2,035	1,912
			P 16,455	P 14,085

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

The maturity profile of the deposit liabilities follows:

	Group		Parent Company	
	2014	2013	2014	2013
Within one year	P 67,692	P 49,276	P 45,365	P 35,675
Beyond one year but within five years	16,277	11,855	16,120	10,634
Beyond five years	2,097	4,635	2,097	4,635
Non-maturing	229,695	232,087	184,440	192,676
	P 315,761	P 297,853	P 248,022	P 243,620

Deposit liabilities, aside from LTNCDs, bear annual interest rates ranging from 0.25% to 0.88% in 2014, 2013 and 2012. Deposit liabilities are stated at amounts they are to be paid which approximate the market value.

Under existing BSP regulations, non-FCDU deposit liabilities, including long-term tax exempt Negotiable Certificate of Time Deposits, of the Parent Company is subject to reserve requirement equivalent to 20% and 18% in 2014 and 2013, respectively, while RSB and RMB are subject to reserve requirement equivalent to 8% and 6% in 2014 and 2013, respectively. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 6% in 2014 and 3% in 2013. As of December 31, 2014 and 2013, the Group is in compliance with such regulatory reserve requirements.

In 2012, BSP issued Circular No. 753 which excludes cash in vault and regular reserve deposit accounts with BSP as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P40,100 and P30,288 for the Group and P34,462 and P27,088 for the Parent Company as of December 31, 2014 and 2013, respectively.

18. BILLS PAYABLE

This account consists of borrowings from:

	Group				Parent Company			
	2014		2013		2014		2013	
Foreign banks	P	**30,572**	P	32,572	P	**30,572**	P	31,283
Local banks		**9,155**		5,537		**6,261**		5,771
BSP		**-**		8		**-**		8
Others		**72**		1,778		**4**		5
	P	**39,799**	P	39,895	P	**36,837**	P	37,067

The maturity profile of bills payable follows:

	Group				Parent Company			
	2014		2013		2014		2013	
Within one year	P	**35,814**	P	38,345	P	**32,897**	P	35,562
Beyond one year but within five years		**1,126**		45		**1,081**		-
More than five years		**2,859**		1,505		**2,859**		1,505
	P	**39,799**	P	39,895	P	**36,837**	P	37,067

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

	2014	2013	2012
Group			
Peso denominated	**0.08%-5.00%**	1.35%-10.00%	1.31%-5.00%
Foreign currency denominated	**0.08%-3.13%**	0.05%-2.62%	0.20%-3.18%
Parent Company			
Foreign currency denominated	**0.08%-3.13%**	0.05%-2.62%	0.43%-3.18%

The Parent Company's bills payable to the BSP as of December 31, 2013 represent rediscounting availments which were collateralized by the assignment of certain loans amounting to P10 as of December 31, 2013 (see Note 11).

Only bills payable to BSP is collateralized by the assignment of certain loans.

19. BONDS PAYABLE

In February 2010, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$250 bearing an interest of 6.25% per annum, payable semi-annually in arrears every February 9 and August 9 of each year, which commenced on August 9, 2010. The Senior Notes matured on February 9, 2015. As of December 31, 2014 and 2013, the peso equivalent of this outstanding bond issue amounted to P11,180 and P11,143, 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. The Senior Notes, unless redeemed, will mature on January 31, 2017. As of December 31, 2014 and 2013, the peso equivalent of this outstanding bond issue amounted to P12,306 and P12,174.

The interest expense incurred on these bonds payable amounted to P1,333 in 2014, P1,284 in P2013 and P1,199 in 2012. The Group recognized foreign currency exchange losses in relation to these bonds payable amounting to P171 in 2014 and P1,759 in 2013 and foreign exchange gain of P1,465 in 2012 which are presented as part of Foreign exchange gains under Other Operating Income in the statements of profit or loss.

20. SUBORDINATED DEBT

20.1 Tier 2 Notes

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

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

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

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

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

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

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

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

20.2 P4 Billion Notes

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

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

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

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

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

The P4 billion Notes were issued on May 15, 2009 and were fully subscribed. On December 26, 2013, the Parent Company redeemed all of the outstanding notes. The total interest expense incurred on the subordinated debt amounted to P310 and P540 for the years ended 2013 and 2012, respectively.

20.3 P7 Billion Notes

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

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

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

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

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

The P7 billion Notes were issued on February 22, 2008 and were fully subscribed. On February 22, 2013, the Parent Company redeemed all of the outstanding notes. The interest expense incurred on the subordinated debt amounted to P75 and P281 for the years ended December 31, 2013 and 2012, respectively.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2014	2013	**2014**	2013
Accrued expenses	**P 3,283**	P 3,390	**P 2,475**	P 2,519
Accrued interest payable	**1,004**	933	**828**	872
Taxes payable	**384**	214	**195**	158
	P 4,671	P 4,537	**P 3,498**	P 3,549

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

22. OTHER LIABILITIES

Other liabilities consist of the following:

	Group		Parent Company	
	2014	2013	2014	2013
Accounts payable	P 5,310	P 6,316	P 3,343	P 4,125
Bills purchased – contra	2,188	1,263	2,148	1,259
Manager's checks	1,283	1,238	905	742
Outstanding acceptances payable	388	233	388	233
Post-employment defined benefit obligation (see Note 24.2)	297	12	146	-
Derivative financial liabilities (see Note 10.1)	291	635	291	635
Other credits	220	255	163	199
Withholding taxes payable	171	236	127	166
Payment orders payable	155	153	137	144
Deferred income	143	220	65	173
Deposit on lease contracts	125	161	-	-
Sundry credits	108	140	93	107
Guaranty deposits	83	57	83	57
Due to BSP	19	18	19	18
Miscellaneous	355	522	566	529
	P 11,136	P 11,459	P 8,474	P 8,387

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

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock are as follows:

	Number of Shares		
	2014	2013	2012
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	342,082	342,082	2,584,756
Conversion of shares during the year	(3,791)	-	(2,242,674)
Balance at end of year	338,291	342,082	342,082
Common stock – P10 par value			
Authorized – 1,400,000,000 shares			
Balance at beginning of year	1,275,658,638	1,140,857,133	1,140,135,121
Conversion of shares during the year	1,090	-	722,012
Issuances during the year	-	134,801,505	-
Balance at end of year	1,275,659,728	1,275,658,638	1,140,857,133

As of December 31, 2014 and 2013, there are 782 and 796 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% and 95.01%, respectively, of the Parent Company's total issued and outstanding shares. Such listed shares closed at P48.00 per share and P42.50 per share as of December 31, 2014 and 2013, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505

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.

On September 29, 2014, the BOD of the Parent Company awarded Cathay Life Insurance Co., Ltd. (Cathay) as the preferred bidder for the proposed acquisition of a 20.00% share block in the Parent Company. The proposed acquisition involves Cathay: (i) subscribing to 124,340,272 primary common shares of the Parent Company at P64.00 per share to raise P7,957 new CET 1 capital for the Parent Company, pursuant to a Share Subscription Agreement; (ii) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares also at P64.00 per share, pursuant to a Sale and Purchase Agreement; (iii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund at P64.00 per share, pursuant to a Sale and Purchase Agreement; and, (iv) entering into a shareholders agreement with PMMIC and the Parent Company. The BSP's approval of the sale and transfer of shares was subsequently received by the Parent Company on February 13, 2015 (see Note 32); hence, this transaction will be recognized on the financial statements of the Parent Company in the next reporting period.

23.3 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date Declared	Dividend Per Share	Dividend Total Amount	Record Date	Date Approved by BOD	Date Approved by BSP	Date Paid/Payable
January 30, 2012	P 0.0649	P 0.03	March 21, 2012	January 30, 2012	February 24, 2012	March 27, 2012
March 26, 2012	0.9000	1,026.77	May 29, 2012	March 26, 2012	April 19, 2012	June 4, 2012
March 26, 2012	0.9000	0.31	May 29, 2012	March 26, 2012	April 19, 2012	June 4, 2012
May 28, 2012	0.0632	0.02	June 21, 2012	May 28, 2012	June 26, 2012	July 3, 2012
July 30, 2012	0.0624	0.02	September 21, 2012	July 30, 2012	September 6, 2012	September 28, 2012
November 26, 2012	0.0593	0.02	December 18, 2012	November 26, 2012	December 21, 2012	January 2, 2013
November 26, 2012	*	201.99	*	November 26, 2012	March 4, 2013	April 27, 2013
November 26, 2012	*	212.56	*	November 26, 2012	September 6, 2013	October 25, 2013
January 28, 2013	0.0578	0.02	March 21, 2013	January 28, 2013	March 4, 2013	March 26, 2013
March 25, 2013	1.0000	1,275.66	May 21, 2013	March 25, 2013	April 29, 2013	May 27, 2013
March 25, 2013	1.0000	0.34	May 21, 2013	March 25, 2013	April 29, 2013	May 27, 2013
April 29, 2013	0.0577	0.02	June 21, 2013	April 29, 2013	June 10, 2013	June 27, 2013
July 29, 2013	0.0575	0.02	September 21, 2013	July 29, 2013	September 6, 2013	September 26, 2013
October 29, 2013	0.0569	0.02	December 21, 2013	October 29, 2013	January 13, 2014	January 15, 2014
October 29, 2013	*	224.01	*	October 29, 2013	February 25, 2014	April 25, 2014
October 29, 2013	*	212.01	*	October 29, 2013	September 15, 2014	October 24, 2014
January 27, 2014	0.0562	0.02	March 21, 2014	January 27, 2014	February 25, 2014	March 27, 2014
March 31, 2014	1.0000	1,275.66	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
March 31, 2014	1.0000	0.34	May 23, 2014	March 31, 2014	May 23, 2014	June 16, 2014
April 28, 2014	0.0570	0.02	June 21, 2014	April 28, 2014	July 25, 2014	July 30, 2014
July 28, 2014	0.0536	0.02	September 30, 2014	July 28, 2014	September 15, 2014	October 10, 2014
October 27, 2014	0.0564	0.02	December 21, 2014	October 27, 2014	December 19, 2014	January 28, 2015
October 27, 2014	*	221.57	*	October 27, 2014	March 20, 2015	April 2015
October 27, 2014	*	221.57	*	October 27, 2014	**	October 2015

** Pertains to cash dividends on hybrid perpetual securities*
***Pending approval*

A portion of the Group's surplus corresponding to the undistributed profit of subsidiaries and equity in net earnings of certain associates totalling P6,724 and P7,910 as of December 31, 2014 and 2013, 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 SPC's respective preferred shares for a total consideration of P1,555. As a result thereof, the Group incurred a redemption loss amounting to P185 and is presented as part of Other Reserves account in the 2013 statement of financial position. On May 30, 2014 and on October 16, 2014, the BOD and SEC approved the execution of the retirement of the preferred shares resulting from the SPC's redemption on December 31, 2014. Consequently, the amount of the redemption loss of P185 previously recognized in the 2013 consolidated statement of changes in equity of the Group, as part Other Reserves account, was transferred directly to Surplus (see Note 15.1).

In 2012, the Parent Company acquired FMLFC. FMLFC was originally a subsidiary of HI which is also a subsidiary of PMMIC. Thus, the acquisition by the Parent Company was accounted for as a common control business combination. However, this is outside the scope of PFRS 3 and there is no other specific PFRS guidance governing the said transaction for financial institutions. In reference to the most relevant and reliable accounting policies, the Parent Company applied the pooling of interests method (also referred to as merger accounting) and applied the following:

(a) the assets and liabilities of FMLFC were recorded at book value rather than at fair value;
(b) no goodwill was recognized; the difference between the Parent Company's cost of investment and FMLFC's equity amounting to P87 was recognized in Other Comprehensive Income upon consolidation in 2012 and formed part of the Other Reserves within equity; and,
(c) comparative financial information were restated as if the acquisition had taken place at the beginning of the earliest comparative period presented.

Prior to the business combination, there have been changes in the NCI's ownership interest in FMLFC. These changes in ownership brought about a decrease of P228 in Other Reserves in 2012. These changes also caused a decrease of P120 in Surplus and P172 in NCI in 2012. The effects of these changes are presented as Net Effect of Change in Ownership over Subsidiaries in the 2012 statement of changes in equity. Upon the effective date of acquisition in 2012, FMLFC was renamed as RCBC LFC (see Note 12.1).

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

In 2013, as a result of the disposal of the Parent Company's and RCBC Capital's ownership interest over Bankard, Inc., Other Reserves arising from the change in ownership recognized in the Group's statement of changes in equity was reversed and directly charged to Surplus (see Note 12.1).

23.5 Hybrid Perpetual Securities

On October 30, 2006, the Parent Company received the proceeds from the issuance of Non-Cumulative Step-Up Callable Perpetual Securities ("Perpetual Securities") amounting to US$98, 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, 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 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 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.

23.6 Revaluation Reserves

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

	Group			
	Revaluation of Financial Assets at FVOCI	**Accumulated Translation Adjustment on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance at January 1, 2014, as restated [see Note 2.2(b)]	P 689	P 76	(P 225)	P 540
Fair value gain on financial assets at FVOCI	118	-	-	118
Translation adjustments on foreign operation	-	(5)	-	(5)
Actuarial gains on defined benefit plan	-	-	1	1
Other comprehensive income (loss)	118	(5)	1	114
Transfer from fair value losses on financial asset at FVOCI to Surplus	28	-	-	28
Balance as of December 31, 2014	**P 835**	**P 71**	**(P 224)**	**P 682**

	Group			
	Revaluation of AFS Securities	Accumulated Translation Adjustment on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2013	P 3,145	P 72	P 548	P 3,765
Fair value losses on AFS securities	(8,150)	-	-	(8,150)
Translation adjustments on foreign operations	-	4	-	4
Actuarial losses on defined benefit plan	-	-	(773)	(773)
Other comprehensive income (loss)	(8,150)	4	(773)	(8,919)
Balance as of December 31, 2013	(P 5,005)	P 76	(P 225)	(P 5,154)
Balance at January 1, 2012	P 2,282	P 74	(P 612)	P 1,744
Fair value gains on AFS securities	863	-	-	863
Translation adjustments on foreign operations	-	(2)	-	(2)
Actuarial gains on defined benefit plan	-	-	1,160	1,160
Other comprehensive income (loss)	863	(2)	1,160	2,021
Balance as of December 31, 2012	P 3,145	P 72	P 548	P 3,765

	Parent Company		
	Revaluation of Financial Assets at FVOCI	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance at January 1, 2014, as restated [see Note 2.2(b)]	P 768	(P 155)	P 613
Fair value gains on financial assets at FVOCI	56	-	56
Actuarial gains on defined benefit plan	-	80	80
Other comprehensive income	56	80	136
Balance as of December 31, 2014	**P 824**	**(P 75)**	**P 749**

	Revaluation of AFS Securities	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2013	P 2,648	P 600	P 3,248
Fair value losses on AFS securities	(6,982)	-	(6,982)
Actuarial losses on defined benefit plan	-	(755)	(755)
Other comprehensive loss	(6,982)	(755)	(7,737)
Balance as of December 31, 2013	(P 4,334)	(P 155)	(P 4,489)

	Parent Company		
	Revaluation of AFS Securities	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance at January 1, 2012	P 1,861	(P 553)	P 1,308
Fair value gains on AFS securities	787	-	787
Actuarial gains on defined benefit plan	-	1,153	1,153
Other comprehensive income	787	1,153	1,940
Balance as of December 31, 2012	P 2,648	P 600	P 3,248

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

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

	Group		
	2014	2013	2012
Short-term employee benefits	**P 3,731**	P 3,585	P 3,597
Post-employment defined benefits	**333**	301	254
	P 4,064	P 3,886	P 3,851

	Parent Company		
	2014	2013	2012
Short-term employee benefits	**P 2,494**	P 2,409	P 2,542
Post-employment defined benefits	**254**	230	190
	P 2,748	P 2,639	P 2,732

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 2014 and 2013.

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

	Group		Parent Company	
	2014	2013	2014	2013
Fair value of plan assets	P 4,228	P 4,215	P 3,667	P 3,653
Present value of the obligation	4,525	4,226	3,813	3,620
Excess (deficiency) of plan assets	(297)	(11)	(146)	33
Unrecognized asset due to asset ceiling	-	(1)	-	(1)
	(P 297)	(P 12)	(P 146)	P 32

The Group's post-employment defined benefit obligation as of December 31, 2014 and 2013 as well as that of the Parent Company as of December 31, 2014 are included as part of Other Liabilities account (see Note 22). On the other hand, the Parent Company's post-employment defined benefit asset as of December 31, 2013 is presented as part of Other Resources account (see Note 15).

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

	Group		Parent Company	
	2014	2013	2014	2013
Balance at beginning of year	P 4,215	P 4,755	P 3,653	P 4,273
Interest income	192	264	162	234
Return on plan assets (excluding amounts included in net interest)	35	(646)	43	(643)
Contributions paid into the plan	17	101	-	22
Benefits paid by the plan	(231)	(259)	(191)	(233)
Balance at end of year	P 4,228	P 4,215	P 3,667	P 3,653

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

	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Balance at beginning of year	P 4,226	P 3,805	P 3,620	P 3,177
Current service cost	333	293	254	221
Interest expense	196	215	166	179
Remeasurements – actuarial losses (gains) arising from changes in:				
Financial assumptions	(5)	123	(32)	171
Demographic assumptions	-	(3)		-
Experience adjustments	6	52	(4)	105
Benefits paid by the plan	(231)	(259)	(191)	(233)
Balance at end of year	P 4,525	P 4,226	P 3,813	P 3,620

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

	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Cash and cash equivalents	P 155	P 31	P 20	P 31
Debt securities:				
Philippine government bonds	119	190	35	85
Corporate debt securities	210	59	53	59
Equity securities:				
Quoted equity securities	3,243	3,084	3,145	3,020
Unquoted long-term equity investments	330	365	330	365
UITF	112	108	78	81
Loans and receivables	36	10	1	7
Investment properties	6	6	6	6
Other investments	18	363	-	-
	4,229	4,216	3,668	3,654
Liabilities	(1)	(1)	(1)	(1)
	P 4,228	P 4,215	P 3,667	P 3,653

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 returns on plan assets are as follows:

	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Interest income	P 192	P 264	P 162	P 234
Actuarial gains (losses)	35	(646)	42	(643)
Actual returns	P 227	(P 382)	P 204	(P 409)

The amounts of post-employment benefit expense recognized in the statements of profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined as follows:

	Group		
	2014	2013	2012
Reported in profit or loss:			
Current service cost	P 333	P 293	P 250
Net interest expense (income)	4	(49)	19
Past service cost	-	-	4
Effect of curtailment	-	8	-
	P 337	P 252	P 273

	Group		
	2014	2013	2012
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	P 5	(P 123)	(P 130)
Demographic assumptions	-	3	16
Experience adjustments	(6)	(52)	(130)
Effect of asset ceiling test	1	45	(133)
Share in actuarial losses of associates	(34)	-	-
Return on plan assets (excluding amounts included in net interest expense/income)	35	(646)	1,537
	P 1	(P 773)	P 1,160

	Parent Company		
	2014	2013	2012
Reported in profit or loss:			
Current service costs	P 254	P 221	P 190
Net interest expense (income)	3	(55)	10
Effect of curtailment	-	9	-
	P 257	P 175	P 200
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	P 32	(P 171)	(P 88)
Experience adjustments	4	(105)	(130)
Changes in effect of asset ceiling	2	164	(159)
Return on plan assets (excluding amounts included in net interest expense)	42	(643)	1,530
	P 80	(P 755)	P 1,153

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

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

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

	2014	2013	2012
Group			
Discount rates	**4.52% - 4.98%**	4.09% - 5.47%	5.46% - 6.00%
Expected rate of salary increases	**5.00% - 8.00%**	5.00% - 8.00%	5.00% - 8.00%
Parent Company			
Discount rates	**4.76%**	4.57%	5.63%
Expected rate of salary increases	**5.00%**	5.00%	8.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 1994 GAM table, set back 6 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close tò 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 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 UITF 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 both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2014 and 2013:

	Group		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2014			
Discount rate	**+/- 1%**	**(P 241)**	**P 277**
Salary growth rate	**+/- 1%**	**243**	**(217)**
December 31, 2013			
Discount rate	+/- 1%	(P 230)	P 264
Salary growth rate	+/- 1%	235	(210)

	Parent Company		
	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2014			
Discount rate	**+/- 1%**	**(P 161)**	**P 181**
Salary growth rate	**+/- 1%**	**152**	**(139)**
December 31, 2013			
Discount rate	+/- 1%	(P 163)	P 182
Salary growth rate	+/- 1%	155	(142)

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, 2014 and 2013 consists of equity securities with the balance invested in fixed income securities and UITF. 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 overfunded by P669 for the Group and overfunded by P820 for the Parent Company based on the latest funding actuarial valuations in 2014.

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

	Group		Parent Company	
	2014	2013	**2014**	2013
Less than one year	P 161	193	P 148	P 133
More than one year to five years	813	846	674	630
More than five years to 10 years	1,696	1,573	1,469	1,315
	P 2,670	P 2,612	**P 2,291**	P 2,078

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6 to 21.2 years for the Group and 6.3 years for the Parent Company.

The Group expects to contribute P21 to the plan in 2015.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group 2014	Group 2013	Group 2012
Gains on assets sold	14.1	P 333	P 696	P 198
Interchange fees		324	296	279
Rentals	14.2	243	285	257
Dividend income	10.2	285	182	298
Recoveries from charged-off assets		137	291	46
Discounts earned		112	130	126
Gain on sale of equity investments	12	-	1,380	-
Share in net earnings of associates	12	24	243	357
Others	12	268	741	408
		P 1,726	P 4,244	P 1,969

	Notes	Parent Company 2014	Parent Company 2013	Parent Company 2012
Dividend income	10.2	P 1,682	P 1,000	P 918
Interchange fees		324	296	279
Rentals	14.2	197	125	111
Discounts earned		112	106	120
Gains on assets sold	14.1	18	512	101
Gain on sale of equity investments	12	-	1,787	-
Others	12	335	382	183
		P 2,668	P 4,208	P 1,712

25.2 Miscellaneous Expenses

	Note	Group 2014	Group 2013	Group 2012
Insurance		P 614	P 516	P 567
Credit card-related expenses		524	559	497
Communication and information services		463	447	425
Management and other professional fees		444	475	457
Transportation and travel		404	377	386
Advertising and publicity		269	327	324
Litigation/assets acquired expenses	14.2	222	430	373
Banking fees		176	176	130
Representation and entertainment		152	157	147
Stationery and office supplies		127	165	135
Other outside services		104	114	107
Donations and charitable contributions		55	69	70
Commissions		27	29	23
Membership fees		18	22	26
Others		1,005	1,309	1,028
		P 4,604	P 5,172	P 4,695

	Notes	Parent Company 2014	2013	2012
Credit card related expenses		P **511**	P 534	P 497
Insurance		**484**	408	393
Service processing fees	28.5	**479**	460	405
Communication and information services		**288**	279	312
Transportation and travel		**238**	263	262
Management and other professional fees		**220**	218	237
Advertising and publicity		**182**	227	214
Banking fees		**133**	133	103
Other outside services		**92**	98	103
Stationery and office supplies		**85**	121	97
Litigation/assets acquired expense	14.2	**73**	142	247
Representation and entertainment		**72**	82	81
Donations and charitable contributions		**50**	64	64
Membership fees		**14**	18	19
Others		**562**	896	655
		P **3,483**	P 3,943	P 3,689

26. INCOME AND OTHER TAXES

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

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

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

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

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

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

In 2014, 2013 and 2012, the Group opted to continue claiming itemized deductions.

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

26.1 Current and Deferred Taxes

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

	Group		
	2014	2013	2012
Current tax expense:			
Final tax	**P 434**	P 932	P 481
RCIT	**382**	203	36
MCIT	**122**	147	202
	938	1,282	719
Application of MCIT	**(1)**	-	-
	937	1,282	719
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(23)**	(23)	26
	P 914	P 1,259	P 745

	Parent Company		
	2014	2013	2012
Current tax expense:			
Final tax	**P 391**	P 812	P 355
MCIT	**120**	144	141
RCIT	**77**	11	28
	P 588	P 967	P 524

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	Group 2014	Group 2013	Group 2012
Tax on pretax profit at 30%	P 1,597	P 1,978	P 2,010
Adjustments for income subjected to lower income tax rates	(174)	(245)	(181)
Tax effects of:			
Non-taxable income	(967)	(1,005)	(642)
Unrecognized temporary differences	456	325	481
FCDU income	(214)	(93)	(1,098)
Non-deductible expenses	202	298	210
Utilization of NOLCO	-	(1)	(262)
Utilization of MCIT	(1)	-	(2)
Others	15	2	229
Tax expense	P 914	P 1,259	P 745

	Parent Company 2014	Parent Company 2013	Parent Company 2012
Tax on pretax profit at 30%	P 1,520	P 1,725	P 1,572
Adjustments for income subjected to lower income tax rates	(118)	(218)	(137)
Tax effects of:			
Non-taxable income	(644)	(944)	(210)
FCDU income	(214)	(93)	(1,097)
Non-deductible expenses	130	121	204
Unrecognized temporary differences	(86)	376	454
Utilization of NOLCO	-	-	(262)
Tax expense	P 588	P 967	P 524

The net deferred tax assets of the Group recognized and presented as part of Other Resources account in the statements of financial position as of December 31, 2014 and 2013 relate to the operations of certain subsidiaries as shown below (see Note 15).

	2014	2013
Allowance for impairment	P 64	P 46
Post-employment defined benefits	18	16
Unamortized past service cost	2	2
Rent expense differential	1	1
Others	(1)	(3)
	P 84	P 62

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 net deferred tax assets of the Group relate to the following:

	Group		Parent Company	
	2014	2013	2014	2013
Allowance for impairment	P 1,095	P 1,269	P 219	P 432
NOLCO	1,053	1,135	990	1,079
MCIT	470	444	405	379
Unamortized past service cost	(169)	(174)	(176)	(181)
Advance rental	2	(1)	2	(1)
	P 2,451	P 2,673	P 1,440	P 1,708

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

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

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2014	P 67	P -	P -	P 67	2017
2013	3,341	-	-	3,341	2016
2012	102	-	-	102	2015
2011	339	-	(339)	-	2014
	P 3,849	P -	(P 339)	P 3,510	

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2013	P 3,299	P -	P -	P 3,299	2016
2011	296	-	(296)	-	2014
	P 3,595	P -	(P 296)	P 3,299	

As of December 31, 2014, the Group and Parent Company have MCIT of P470 and P405, respectively, that can be applied against RCIT for the next three consecutive years after the MCIT was incurred.

The breakdown of the MCIT with the corresponding validity periods follow:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2014	P 122	P -	P -	P 122	2017
2013	147	(1)	-	146	2016
2012	202	-	-	202	2015
2011	95	-	(95)	-	2014
	P 566	(P 1)	(P 95)	P 470	

The breakdown of the Parent Company's MCIT with the corresponding validity periods follow:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2014	P 120	P -	P -	P 120	2017
2013	144	-	-	144	2016
2012	141	-	-	141	2015
2011	94	-	(94)	-	2014
	P 499	P -	(P 94)	P 405	

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

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

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

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company and RSB in fiduciary or agency capacities for their respective customers are not included in the financial statements, since these are not resources of the Parent Company and RSB. The Group's total trust resources amounted to P82,552 and P79,172 as of December 31, 2014 and 2013, respectively. The Parent Company's total trust resources amounted to P66,156 and P68,419 as of December 31, 2014 and 2013, 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 P872 (Group) and P702 (Parent Company); and P1,038 (Group) and P865 (Parent Company) as of December 31, 2014 and 2013, respectively, are deposited with the BSP in compliance with existing trust regulations. The time deposit placements and government securities are presented in the statements of financial position under Due from BSP (see Note 9) and Trading and Investment Securities (see Note 10), respectively.

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

The Group and the Parent Company transferred from Surplus to Reserve for Trust Business P18 and P14, respectively, in 2014 and P19 and P15, respectively, in 2013.

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, 2014 and 2013 is presented below.

		Group			
		2014		2013	
Related Party Category	Notes	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Ultimate Parent Company					
Issuance of shares of stock	23.2	P -	P -	P 4,074	P 4,074
Stockholders					
Loans and receivables	28.1	(110)	963	1,073	1,073
Deposit liabilities	28.2	115	1,473	(1,122)	1,358
Issuance of shares of stock	23.1	-	-	4,127	4,127
Interest income from loans and receivables	28.1	52	-	14	-
Interest expense on deposits	28.2	9	-	12	-
Associates					
Deposit liabilities	28.2	(146)	125	(366)	271
Interest expense on deposits	28.2	-	-	6	-
Dividend income	12	6	-	284	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	(544)	2,507	1,687	3,051
Deposit liabilities	28.2	1,007	2,878	11	1,871
Interest income from loans and receivables	28.1	12	-	15	-
Interest expense on deposits	28.2	15	-	14	-
Occupancy and equipment-related expense	28.5	826	11	759	12
Short-term employee benefits	24.1	164	4	189	3
Miscellaneous expenses – others	25.2	44	-	29	-
Key Management Personnel					
Loans and receivables	28.1	6	7	-	1
Deposit liabilities	28.2	57	463	161	406
Interest income from loans and receivables	28.1	1	-	-	-
Interest expense on deposits	28.2	3	-	5	-
Salaries and employee benefits	28.5(e)	428	6	447	6
Other Related interests					
Loans and receivables	28.1	(415)	1,935	261	2,350
Deposit liabilities	28.2	304	523	(412)	219
Interest income from loans and receivables	28.1	130	-	100	-
Interest expense on deposits	28.2	3	-	1	-

		Parent Company			
		2014		2013	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Ultimate Parent Company					
Issuance of shares of stock	23.2	**P -**	**P -**	P 4,074	P 4,074
Stockholders					
Loans and receivables	28.1	**(110)**	**963**	1,073	1,073
Deposit liabilities	28.2	**115**	**1,473**	(1,122)	1,358
Issuance of shares of stock	23.2	**-**	**-**	4,127	4,127
Interest income from loans and receivables	28.1	**52**	**-**	14	-
Interest expense on deposits	28.2	**9**	**-**	12	-
Subsidiaries					
Loans and receivables	28.1	**-**	**80**	15	80
Deposit liabilities	28.2	**(1,286)**	**2,039**	2,809	3,325
Purchase of building under construction	28.5(a)	**-**	**-**	809	-
Purchase of land	13	**-**	**-**	529	-
Interest income from loans and receivables	28.1	**12**	**-**	15	-
Interest expense on deposits	28.2	**6**	**-**	8	-
Dividend income	25.1	**1,568**	**-**	678	-
Occupancy and equipment-related expense	28.5(c)	**121**	**34**	14	59
Service processing fees	28.5(d)	**376**	**-**	403	-
Associates					
Deposit liabilities	28.2	**(146)**	**125**	(366)	271
Interest expense on deposits	28.2	**-**	**-**	6	-
Dividend income	12	**6**	**-**	284	-
Related Parties Under Common Ownership					
Loans and receivables	28.1	**(544)**	**2,507**	663	3,051
Deposit liabilities	28.2	**1,007**	**2,878**	11	1,871
Purchase of building under construction	28.5(a)	**-**	**-**	97	-
Interest income from loans and receivables	28.1	**121**	**-**	82	-
Interest expense on deposits	28.2	**15**	**-**	14	-
Occupancy and equipment-related expense	28.5(c)	**826**	**11**	759	12
Short-term employee benefits	24.1	**164**	**4**	189	3
Miscellaneous expenses – others	25.2	**44**	**-**	29	-
Key Management Personnel					
Loans and receivables	28.1	**7**	**7**	-	-
Deposit liabilities	28.2	**57**	**463**	161	406
Interest income from loans and receivables	28.1	**1**	**-**	-	-
Interest expense on deposits	28.2	**3**	**-**	5	-
Salaries and employee benefits	28.5	**193**	**-**	283	-

		Parent Company			
		2014		2013	
Related Party Category	Notes	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Other Related Interests					
Loans and receivables	28.1	P 115	P 1,788	(P 484)	P 1,673
Deposit liabilities	28.2	374	476	(259)	102
Interest income from loans and receivables	28.1	130	-	100	-
Interest expense from deposits	28.2	2	-	-	-

28.1 Loans and Receivables

The summary of the Group's and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2014 and 2013 are as follows:

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

	2013			
Related Party Category	Issuances	Repayments	Interest Income	Loans Outstanding
Stockholders	P 1,100	P 27	P 14	P 1,073
Related parties under common ownership	2,411	1,748	82	3,051
Key management personnel	-	1	-	1
Other related interests	513	997	100	1,824
Total	P 4,024	P 2,773	P 196	P 5,949

	Parent Company			
	2014			
Related Party Category	Issuances	Repayments	Interest Income	Loans Outstanding
Stockholders	P -	P 110	P 52	P 963
Subsidiaries	8,956	8,956	12	80
Related parties under common ownership	475	1,019	121	2,507
Key management personnel	8	1	1	7
Other related interests	735	620	130	1,788
Total	P 10,174	P 10,706	P 316	P 5,345

Related Party Category	Parent Company 2013 Issuances	Repayments	Interest Income	Loans Outstanding
Stockholders	P 1,100	P 27	P 14	P 1,073
Subsidiaries	1,495	1,480	15	80
Related parties under common ownership	2,411	1,748	82	3,051
Other related interests	513	997	100	1,673
Total	P 5,519	P 4,252	P 211	P 5,877

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain DOSRIs. Under existing policies of the Group, these loans are made substantially on the same terms as loans to other 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, 2014 and 2013, the Group and the Parent Company is in compliance with these regulatory requirements.

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

	Group		Parent Company	
	2014	2013	**2014**	2013
Total outstanding DOSRI loans	**P 5,412**	P 6,475	**P 5,345**	P 6,403
Unsecured DOSRI	**415**	547	**400**	530
Past due DOSRI	**1**	526	**1**	526
Non-accruing DOSRI	**1**	526	**1**	526
Percent of DOSRI loans to total loan portfolio	**2.09%**	3.03%	**2.63%**	3.84%
Percent of unsecured DOSRI loans to total DOSRI loans	**7.67%**	8.45%	**7.48%**	8.27%
Percent of past due DOSRI loans to total DOSRI	**0.02%**	8.12%	**0.02%**	8.21%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.02%**	8.12%	**0.02%**	8.21%

The Group and Parent Company did not recognize any impairment loss on these loans in 2014 and 2013.

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, 2014 and 2013 are as follows:

Group

2014

Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
Stockholders	P 57,682	P 57,567	P 9	P 1,473
Associates	10,555	10,701	-	125
Related parties under common ownership	559,264	558,257	15	2,878
Key management personnel	1,259	1,202	3	463
Other related interests	53,285	52,911	3	523
Total	**P 682,045**	**P 680,638**	**P 30**	**P 5,462**

2013

Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
Stockholders	P 51,667	P 52,789	P 12	P 1,358
Associates	49,890	50,256	6	271
Related parties under common ownership	61,484	61,473	14	1,871
Key management personnel	2,619	2,458	5	406
Other related interests	46,600	46,859	1	219
Total	P 212,260	P 213,835	P 38	P 4,125

Parent Company

2014

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

2013

Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
Stockholders	P 51,667	P 52,789	P 12	P 1,358
Subsidiaries	1,396,021	1,393,212	8	3,325
Associates	49,890	50,256	6	271
Related parties under common ownership	61,484	61,473	14	1,871
Key management personnel	2,619	2,458	5	406
Other related interests	46,600	46,859	-	102
Total	P 1,608,281	P 1,607,047	P 45	P 7,333

28.3 Deposits

As of December 31, 2014 and 2013, certain related parties have deposits with the Parent Company and certain bank subsidiaries. These deposits are made on the same terms as deposits with other individuals and businesses.

28.4 Retirement Fund

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

The retirement funds have transactions with the Group and Parent Company as of December 31, 2014 and 2013 as follows:

	2014			
	Group		Parent Company	
Nature of Transactions	Net Amount of Transaction	Outstanding Balance	Net Amount of Transaction	Outstanding Balance
Investment in common shares of Parent Company	(P 567)	P 2,723	P 311	P 2,716
Investment in corporate debt securities	(1)	55	(1)	50
Deposits with the Parent Company	(106)	107	-	-
Trading gain	1,266	-	1,266	-
Dividend income	57	-	57	-
Interest income	6	-	3	-

	2013			
	Group		Parent Company	
Nature of Transactions	Net Amount of Transaction	Outstanding Balance	Net Amount of Transaction	Outstanding Balance
Investment in common shares of Parent Company	P 138	P 3,290	P 137	P 2,405
Investment in corporate debt securities	6	56	1	51
Deposits with the Parent Company	215	213	-	-
Trading gain	1,260	-	954	-
Dividend income	59	-	57	-
Interest income	2	-	3	-

The carrying amount and the composition of the plan assets as of December 31, 2014 and 2013 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 stocks covered by any restriction and liens.

28.5 Other Related Party Transactions

(a) Joint Development Agreement

On October 1, 2009, the Parent Company entered into a Joint Development Agreement (Agreement) with RSB, Bankard, Inc., MICO, Grepalife and Hexagonland (all related parties, collectively referred to as the Consortium) and with the conformity of Goldpath, the parent company of Hexagonland, whereby the Consortium agreed to pool their resources and enter into an unincorporated joint venture arrangement for the construction and development of a high rise, mixed use commercial/office building referred to by the Consortium as the RSB Building Project (the Project).

In 2011, pursuant to the Agreement, RSB acquired the ownership of the land through Goldpath after Hexagonland's liquidation and partial return of capital to Goldpath. RSB, accordingly, contributed the land amounting to P383 to the Project. Also, in 2011, the Parent Company's BOD approved its assumption of rights and interest of its co-partner, Grepalife, in the Project.

On October 2, 2012, the Consortium executed a memorandum of understanding agreeing in principle to cancel or revoke the Agreement, subject to the approval of the BSP. On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, the BSP approved the Parent Company's acquisition of the land contributed by RSB to the Project as well as the rights and interests of its co-venturers.

On April 5, 2013, the Parent Company returned the total cash contributions of RSB, Bankard, Inc. and MICO amounting to P763, P294 and P97, respectively, and paid liquidated damages of P46 to RSB (see Note 13).

(b) Lease Contracts with RRC

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC. Rental expense incurred by the Group related to this lease arrangements are included as part of Occupancy and Equipment-related account in the statements of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2015.

(c) 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 P6.4. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties.

(d) Service Agreement with RBSC

In December 2013, RBSC entered into a Special Purchase Agreement (the Purchase Agreement) with Bankard, Inc. to transfer Bankard, Inc's credit card servicing operations to RBSC. In accordance with the Purchase Agreement, the BOD of the Parent Company approved the assignment of the Service Agreement (the Agreement) previously with Bankard, Inc. to RBSC. Under the Agreement, RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. The total service processing fees incurred by the Parent Company is recognized as part of the Service processing fees under the Miscellaneous Expenses account in the statement of profit or loss (see Note 25.2).

(e) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2014	2013	2012
Short-term employee benefits	**P 414**	P 436	P 401
Post-employment defined benefits	**14**	11	78
	P 428	P 447	P 479

	Parent Company		
	2014	2013	2012
Short-term employee benefits	**P 193**	P 283	P 246
Post-employment defined benefits	**-**	-	41
	P 193	P 283	P 287

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from off-statement of financial position items at their equivalent peso contractual amounts as of December 31, 2014 and 2013:

	Group				Parent Company			
	2014		2013		2014		2013	
Trust department accounts	P	**82,552**	P	79,172	P	**66,156**	P	68,419
Outstanding guarantees issued		**25,328**		25,976		**25,328**		25,976
Derivative assets		**23,432**		38,648		**23,432**		38,648
Derivative liabilities		**22,154**		44,283		**22,154**		44,283
Unused commercial letters of credit		**12,095**		11,778		**12,038**		11,684
Spot exchange sold		**6,515**		7,737		**6,062**		7,737
Spot exchange bought		**6,055**		7,744		**6,055**		7,744
Inward bills for collection		**724**		874		**724**		874
Late deposits/payments received		**630**		881		**581**		735
Outward bills for collection		**147**		131		**146**		129
Others		**1**		1		**1**		1

29.2 Purchase of Bankard, Inc. Shares

In June 2003, RCBC Capital filed an arbitration claim with the International Chamber of Commerce (ICC) against Equitable PCI Bank (Equitable) (now BDO Unibank, Inc. or BDO) relating to RCBC Capital's acquisition of Bankard, Inc. shares from Equitable in May 2000. The claim was based on alleged deficiencies in Bankard, Inc.'s accounting practices and non-disclosure of material facts in relation to the acquisition. RCBC Capital sought a rescission of the sale or damages of approximately P810, including interest and expenses. The arbitration hearings were held before the ICC Arbitral Tribunal, being the body organized by the ICC.

On October 1, 2013, RCBC Capital and BDO, with a view to a renewal of business relations, reached a complete and final settlement of their respective claims arising from the sale of BDO's (as successor-in-interest of Equitable) 67% stake in Bankard, Inc. RCBC Capital and BDO agreed to jointly terminate and dismiss the various cases filed in connection with their claims and counterclaims against each other.

29.3 Poverty Eradication and Alleviation Certificates (PEACe) Bonds

In October 2011, the Parent Company filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Parent Company subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 in October 2011 from the Parent Company on the interest on its PEACe bonds holdings. The amount was recognized and is presented as part of Accounts receivables under the Loans and Receivables account in the statements of financial position (see Note 11).

On January 13, 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011. On March 16, 2015, the Parent Company filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition "deposit substitutes" the PEACe Bonds since there was only one lender at the primary market, and the subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax. The Parent Company also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital/Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed.

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

29.4 Sale of National Steel Corporation (NSC) Plant Asset

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

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

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

The Parent Company's exposure is approximately P246 in terms of estimated property taxes and transfer costs due on the Plant Assets, while it has a receivable from Global Steel of P535. On account of the full provisioning already made by the Parent Company, the aforesaid share is currently classified in the books of the Parent Company as an unquoted debt security classified as loans with zero net book value. In February 2015, the Parent Company received the amount of P49 as installment payment recently released from escrow. The Parent Company's exposure, however, may be varied should Iligan City agree to enter into another tax agreement with NSC on its outstanding tax obligation.

29.5 Verotel Merchant Services B.V. Case

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

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

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

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

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

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

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

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

The case has been ordered for re-assignment to another judge. Based on the latest update of the US counsel, the case was raffled to another judge, who set the Motion to vacate the orders denying the Parent Company and Bankard, Inc.'s motions for summary judgment for hearing on May 12, 2015. In the meantime, the trial for the main case is tentatively scheduled in January 2016.

29.6 Lease Commitments

(a) Parent Company as a Lessor

In September 2013, the Parent Company has entered into a five year lease agreement with RSB for the latter's lease of certain office and parking spaces in RSB Corporate Center at a monthly rental fee of P6.4. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. Rental income recognized by the Parent Company in 2014 amounted P95 and is presented as part of Rental under the Other Operating Income account in the 2014 statement of profit or loss (see Notes 15 and 28.5).

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

	2014	2013
Within one year	**P 82**	P 78
After one year but not more than five years	246	328
	P 328	P 406

(b) Group as Lessee

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices and branches/business centers. The Group's rental expense (included as part of Occupancy and Equipment-related account in the statements of profit or loss) amounted to P754, P809 and P739 in 2014, 2013 and 2012, respectively. The lease periods are from one to 25 years. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

As of December 31, 2014, future minimum rental payables under these non-cancellable operating leases follow:

	Group		Parent Company	
Within one year	P	912	P	514
After one year but not more than five years		1,784		969
More than five years		724		678
	P	3,420	P	2,161

30. EARNINGS PER SHARE

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

	Group					
	2014		2013		2012	
Basic EPS						
a. Net profit attributable to Parent Company's shareholders	P	**4,411**	P	5,321	P	5,949
Allocated for preferred and Hybrid Tier 1 (HT 1) dividends	(	**442)**	(	418)	(	414)
		3,969		4,903		5,535
b. Weighted average number of outstanding common stocks		**1,276**		1,240		1,141
c. Basic EPS (a/b)	P	**3.11**	P	3.95	P	4.85
Diluted EPS						
a. Net profit attributable to Parent Company's shareholders (net of amount allocated for preferred and HT 1 dividends)	P	**3,969**	P	4,903	P	5,535
b. Weighted average number of outstanding common stocks		**1,276**		1,240		1,141
c. Diluted EPS (a/b)	P	**3.11**	P	3.95	P	4.85

	Parent Company		
	2014	2013	2012
Basic EPS			
a. Net profit	**P 4,479**	P 4,782	P 4,716
Allocated for preferred and HT 1 dividends	**(442)**	(418)	(414)
	4,037	4,364	4,302
b. Weighted average number of outstanding common stocks	**1,276**	1,240	1,141
c. Basic EPS (a/b)	**P 3.16**	P 3.52	P 3.77

	2014	2013	2012
Diluted EPS			
a. Net profit (net of amount allocated for preferred and HT1 dividends)	**P 4,037**	P 4,364	P 4,302
b. Weighted average number of outstanding common stocks	**1,276**	1,240	1,141
c. Diluted EPS (a/b)	**P 3.16**	P 3.52	P 3.77

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	Group		
	2014	2013	2012
Return on average equity:			
$\frac{\text{Net profit}}{\text{Average total equity}}$	**9.23%**	12.18%	16.07%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	**1.04%**	1.39%	1.70%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	**4.30%**	4.22%	3.93%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	**19.98%**	23.07%	26.19%
Debt-to-equity ratio:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	**7.62**	8.42	7.62

	Group		
	2014	2013	2012
Resources-to-equity ratio:			
Total resources / Total equity	**8.62**	9.42	8.62
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**2.02**	2.27	1.91

	Parent Company		
	2014	2013	2012
Return on average equity:			
Net profit / Average total equity	**10.80%**	12.96%	15.64%
Return on average resources:			
Net profit / Average total resources	**1.27%**	1.49%	1.59%
Net interest margin:			
Net interest income / Average interest earning resources	**3.71%**	3.75%	3.44%
Profit margin:			
Net profit / Revenues	**26.82%**	27.46%	27.56%
Debt-to-equity ratio:			
Total liabilities / Total equity	**7.07**	8.07	7.40
Resources-to-equity ratio:			
Total resources / Total equity	**8.07**	9.07	8.40
Interest rate coverage:			
Earnings before interest and taxes / Interest expense	**2.16**	2.27	1.85

32. EVENTS AFTER THE END OF REPORTING PERIOD

32.1 Issuance of Senior Notes

On January 21, 2015, the Parent Company issued unsecured US$ denominated Senior Notes amounting to US$200 maturing on January 22, 2020 (the "2020 Senior Notes"). The 2020 Senior Notes bear interest at 4.25% per annum payable semi-annually and was issued out of the Parent Company's US$1,000 Medium Term Note Programme. On February 10, 2015, the Parent Company reopened its 2020 Senior Notes and issued a second tranche amounting to US$43. The second tranche was a further issuance of, and was consolidated and formed part of a single series with the earlier issuance bringing the aggregate amount outstanding of the 2020 Senior Notes to US$243. The 2020 Senior Notes were used to finance operations and for general corporate purposes, including the refinancing of the Parent Company's US$250 6.25% Senior Notes due on February 9, 2015. This issuance was approved by the Parent Company's BOD on November 24, 2014.

32.2 Sale and Transfer of Parent Company's Shares

On February 13, 2015, the BSP has approved the Parent Company's proposed sale and transfer of shares held by Hexagon Investments B.V. and IFC Capitalization Fund to Cathay relating to the latter's proposed acquisition of the 20.00% share block in the Parent Company (see Note 23.2).

RIZAL COMMERCIAL BANKING CORPORATION
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2014

RCBC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Rizal Commercial Banking Corporation and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Financial Reporting Standards in the Philippines for Banks (FRSPB).

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

HELEN Y. DEE
Chairperson, Board of Directors

LORENZO V. TAN
President & Chief Executive Officer

RAUL B. TAN
FSVP, Acting Head-Treasury Group

FLORENTINO M. MADONZA
SVP, Head-Controllership Group

APR 14 2015

SUBSCRIBED AND SWORN TO BEFORE ME, this ___ day of _______, 2015 at Makati City, Philippines, affiants exhibited to me their valid identifications, to wit:

Name	*ID No.*	*Date/Place of Issue*
Helen Y. Dee	Passport No. EB9694250	11/27/2013, Manila
Lorenzo V. Tan	CTC No. 02444383	01/14/2015, Makati
Raul B. Tan	CTC No. 10051877	01/22/2015, Makati
Florentino M. Madonza	CTC No. 02422463	01/14/2015, Makati

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-80 (2015-2016)
Until 31 December 2016
PTR No. 4753340; 01-06-15; Makati City
IBP No. 0983781; 01-06-15; Makati City
ROLL No. 40145
21st Floor Yuchengco Tower II, RCBC Plaza
Ayala Avenue, Makati City

Notary Public

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Rizal Commercial Banking Corporation and Subsidiaries
List of Supplementary Information
December 31, 2014

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1	Parent Company Reconciliation of Retained Earnings Available for Dividend Declaration
2	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, 2014
3	Schedule of Financial Indicators for December 31, 2014 and 2013*
4	Map Showing the Relationship Between the Parent Company and its Related Entities
5	Proceeds and Expenditures for the Recent Public Offering*
6	Details of Transactions with DOSRI*

*In compliance with the Securities Regulation Code Rule 68, these supplementary information are not required to be covered by the independent auditor's report.

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

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
RIZAL COMMERCIAL BANKING CORPORATION				
At Fair Value Through Profit or Loss				
Debt Securities				
FXTN 03-20	P 50,000,000	P 49,650,013	P 49,650,013	P 148,958
FXTN 05-68	364,000	368,204	368,204	3,094
FXTN 07-47	400,000,000	407,412,123	407,412,123	3,629,167
FXTN 07-49	50,000,000	53,614,399	53,614,399	884,722
FXTN 07-56	100,000,000	101,997,348	101,997,348	419,792
FXTN 10-45	251,190,000	267,625,853	267,625,853	6,189,915
FXTN 10-59	1,537,458,089	1,564,067,735	1,564,067,735	23,077,887
FXTN 10-59	53,345,000	54,268,272	54,268,272	800,731
FXTN 20-17	250,000,000	347,931,299	347,931,299	9,000,000
FXTN 20-17	20,000,000	27,834,504	27,834,504	720,000
FXTN 20-17	50,000,000	69,586,260	69,586,260	1,800,000
FXTN 20-18	8,420,000	9,439,882	9,439,882	204,740
FXTN 20-20	841,712,000	794,535,896	794,535,896	8,475,572
FXTN 20-20	50,000,000	47,197,610	47,197,610	503,472
P-FXTN 20-16	18,775,000	26,315,868	26,315,868	155,155
RTB 10-03	3,400,000	3,712,111	3,712,111	38,557
RTB 20-01	78,789,000	90,287,889	90,287,889	385,738
RTB 25-01	65,050,000	78,304,182	78,304,182	741,525
RTB 25-01	300,000,000	361,126,127	361,126,127	3,419,792
TBILL 02.04.15	7,890,000	7,875,623	7,875,623	-
TBILL 03.04.15	100,000,000	99,673,845	99,673,845	-
FXTN 20-17	303,000,000	421,692,734	421,692,734	10,908,000
RTB 10-04	10,400,000	9,893,393	9,893,393	43,189
FXTN 07-56	150,000,000	152,996,021	152,996,021	629,688
RTB 10-04	450,000	428,080	428,080	1,869
BAHAY 11/17	134,571	146,447	146,447	852
BAHAY 11/17	134,436,857	146,300,577	146,300,577	851,358
FMIC 2-17	1,000,000	1,004,889	1,004,889	5,675
GTCAPH 4.8371 02/20	200,000	192,247	192,247	914
SMPM 5.2958 05/21	35,100,000	34,820,776	34,820,776	216,863
SMPM 5.6125 05/24	500,000	491,326	491,326	3,274
AC 05-21	50,000	53,330	53,330	463
ACPM 6.875 05/27	400,000	421,382	421,382	3,819
EDC 05-23	50,000,000	44,012,622	44,012,622	381,124
EDCPM 4.1583 05/20	100,000	93,121	93,121	670
GLOPM 4.8875 07/20	330,000	317,333	317,333	3,315
MERPM 4.375 12/20	130,000	125,496	125,496	300
PETRON 7% 11/17	30,000,000	30,759,880	30,759,880	297,500
SMBPM 6.00 04/24	100,000	95,665	95,665	1,483
TELPM 5.225 02/21	850,000	841,829	841,829	6,785
P-PETRON 7% 11/17	500,000,000	512,664,662	512,664,662	4,958,333
ROP GPN 3.9% 11/22	100,000,000	97,564,000	97,564,000	379,167
P-ROP GPN 6.25% 01/36	3,000,000	3,370,890	3,370,890	86,979

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P-ROP 34	P 1,341,600	P 1,795,987	P 1,795,987	P 16,155
ROP 16N	3,130,400	3,360,860	3,360,860	115,477
ROP 17	268,319	313,171	313,171	11,390
ROP 37	20,302,880	23,729,397	23,729,397	473,734
ROP 24	1,386,186	2,057,072	2,057,072	25,606
ROP 21	17,485,520	18,928,250	18,928,250	322,510
ROP 15	1,162,720	1,183,195	1,183,195	29,811
ROP 24 01/24	15,249,520	16,531,852	16,531,852	284,658
ROP 16N	670,800	720,184	720,184	24,745
ROP 34	3,980,080	5,328,093	5,328,093	47,927
ROP 30	447,200	724,741	724,741	17,583
ROP 16 EURO	14,178,358	15,108,458	15,108,458	708,918
PSALM 7.25 05/19	5,813,600	6,942,659	6,942,659	39,808
P-H-PSALM 7.39 12/24	223,600	291,594	291,594	1,331
PSALM 7.25 05/19	447,200	534,051	534,051	3,062
P-SMPM 4.250 10/19	223,600,000	222,455,168	222,455,168	1,953,395
SMPM 4.875 06/24	65,291,200	64,441,109	64,441,109	185,672
P-JGSPM 4.375 01/23	145,026,960	141,618,826	141,618,826	2,784,719
P-SMPM 4.250 10/19	35,776,000	35,592,827	35,592,827	312,543
P-ICTPM 5.875 09/25	15,473,120	15,854,068	15,854,068	262,613
P-ATPM 6.5 03/17	313,040	319,268	319,268	5,652
P-ICTPM 4.625 01/23	17,664,400	17,452,074	17,452,074	374,449
P-ICTPM 5.875 09/25	12,745,200	13,058,987	13,058,987	216,314
NPC (A) 9.625 05/28	178,880	272,297	272,297	2,200
NPC 6.875 11/16	1,341,600	1,464,786	1,464,786	15,116
P-H-BSP 27	357,760	499,748	499,748	1,368
INDOGB 8.375 03/24	118,800,000	122,601,600	122,601,600	2,968,359
P-INDON 4.875 05/21	3,667,040	3,880,498	3,880,498	27,808
USTSY 2.25 11/24	134,160,000	134,212,406	134,212,406	391,918
USTSY .50 11/16	4,472,000,000	4,456,103,440	4,456,103,440	1,965,715
GS 2.125 09/24	53,705,900	55,782,170	55,782,170	290,784
MS 1.875 03/23	80,558,850	83,004,617	83,004,617	384,862
FPFL 6.375 09/20	39,398,320	42,995,124	42,995,124	648,841
WILSP 4.1 01/19	201,713,400	206,670,507	206,670,507	3,625,315
IOCLIN 5.75 08/23	307,450,000	334,167,405	334,167,405	7,365,990
P-ASH 4.75 8/2022	223,600,000	222,621,750	222,621,750	4,012,378
ALLISON 2019 LOAN	109,127,156	108,241,044	108,241,044	10,609
GENPACT 2019 LOAN	109,960,890	108,998,732	108,998,732	993,885
WINDSTREAM 2 8/19	94,666,643	93,284,631	93,284,631	137,186
WINDSTREAM 2020 NEW	109,564,000	107,235,765	107,235,765	158,764
DEVPHI 5.5 03/21	4,472,000	4,858,917	4,858,917	65,589
BDOPM 4.5 02/17	804,960	833,495	833,495	13,584
BDOPM 3.875 04/16	4,472,000	4,539,527	4,539,527	33,214
KOREA EX 4.3750 09/16	5,370,590	5,697,927	5,697,927	61,798
BPCLIN 4.625 10/22	134,160,000	135,820,901	135,820,901	1,137,565
P-BPCLIN 4.625 10/22	223,600,000	226,368,168	226,368,168	1,895,942
PERTIJ 4.3 05/23	44,720,000	42,915,548	42,915,548	219,004
Subtotal		P 13,032,524,638	P 13,032,524,638	P 114,026,300

Name of issuing entity and association of each issue		Number of shares or principal amount of bonds and notes		Amount shown in the balance sheet		Valued based on market quotation at end of reporting period		Income received and accrued
Derivative Assets								
Currency swaps and forwards		22,787,250,055		136,673,864		136,673,864		-
Interest rate swaps/futures		16,396,286,196		60,187,135		60,187,135		-
Debt warrants		5,598,183,760		54,424,821		54,424,821		-
Options		714,687,400		7,383,522		7,383,522		-
Credit default swap		89,440,000		4,258,208		4,258,208		-
Credit linked notes		894,400,000		970,870,608		970,870,608		
Principal-protected notes		223,600,000		226,844,129		226,844,129		-
Subtotal				1,460,642,288		1,460,642,288		39,589,929
Equity Securities								
Roxas and Company, Inc.		3,048,161	P	8,839,667	P	8,839,667	P	-
Roxas Holdings Inc.		34,476,000		230,989,200		230,989,200		-
Isuzu Phils.		150,000,000		329,229,632		329,229,632		-
Subtotal				569,058,499		569,058,499		-
Total		-	**P**	**15,062,225,425**	**P**	**15,062,225,425**	**P**	**153,616,229**
At Amortized Cost								
Debt Securities								
P-ROP 34	P	1,386,320,000	P	1,864,273,949	P	1,864,273,949	P	16,693,603
P-ROP 37		1,654,640,000		1,955,422,167		1,955,422,167		38,608,267
P-FXTN 20-17		330,000,000		464,858,774		464,858,774		11,880,000
P-FXTN 20-17		1,970,000,000		2,850,167,892		2,850,167,892		70,920,000
FXTN 03-20		320,000,000		318,849,019		318,849,019		953,333
FXTN 05-69N		190,000,000		193,343,069		193,343,069		878,750
FXTN 07-48		13,000,000		13,550,440		13,550,440		389,278
FXTN 07-47		119,011,000		121,184,920		121,184,920		1,079,777
FXTN 10-36		1,900,000		1,919,972		1,919,972		82,947
RTB 05-09		3,004,000		3,047,272		3,047,272		20,590
RTB 05-10		25,000,000		25,856,629		25,856,629		116,667
RTB 07-01		30,000,000		32,054,716		32,054,716		40,833
FXTN 10-44		15,000,000		14,984,109		14,984,109		413,333
ROP 24 01/24		178,880,000		194,626,402		194,626,402		3,339,093
P-ROP 25		2,738,295,040		4,321,939,250		4,321,939,250		84,858,622
P-ROP 37		3,574,380,160		4,224,279,420		4,224,279,420		83,402,204
ROP 34		4,248,400,000		5,662,479,612		5,662,479,612		51,157,817
ROP 34		1,341,600,000		1,811,380,894		1,811,380,894		16,155,100
P-ROP 34		1,609,920,000		2,123,364,349		2,123,364,349		19,386,120
ROP 30		447,200,000		728,861,224		728,861,224		17,583,655
P-ROP 25		894,400,000		1,411,660,325		1,411,660,325		27,717,083
P-ROP 21		2,012,400,000		2,113,742,838		2,113,742,838		37,117,600
ROP 19N		1,341,600,000		1,705,441,816		1,705,441,816		4,369,517

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ROP 21	P 1,341,600,000	P 1,455,254,084	P 1,455,254,084	P 24,745,067
P-H-NPC 6.875 11/16	1,520,480	1,524,435	1,524,435	17,132
P-NPC (A) 9.625 05/28	44,720	52,017	52,017	550
MERPM 4.875 12/25	416,800,000	416,800,000	416,800,000	1,072,392
MERPM 4.375 12/20	573,670,000	573,670,000	573,670,000	1,324,620
P-FLIPM 6.2731 06/19	94,640,000	94,640,000	94,640,000	379,300
P-MEGPM 4.25 04/23	2,236,000,000	2,235,834,570	2,235,834,570	19,533,945
FDCPM 4.25 04/20	667,624,880	667,821,749	667,821,749	7,014,697
P-FDCPM 4.25 04/20	2,236,000,000	2,236,488,189	2,236,488,189	23,493,528
P-ATPM 6.5 03/17	1,118,000,000	1,112,173,076	1,112,173,076	20,186,111
P-EDCPM 6.5 01/21	1,171,664,000	1,286,335,753	1,286,335,753	34,059,621
P-ICTPM 4.625 01/23	2,884,440,000	2,933,168,397	2,933,168,397	61,144,119
P-INDON 3.75 04/22	449,436,000	471,046,659	471,046,659	3,089,873
P-MEX 6.750 09/34	223,600,000	316,848,466	316,848,466	3,940,950
P-INDON 3.375 04/23	249,179,840	248,061,653	248,061,653	1,775,406
INDON 6.75 01/44	447,200,000	561,704,773	561,704,773	13,919,100
INDOIS 4.35 09/24	1,073,280,000	1,085,673,250	1,085,673,250	14,395,368
P-INDON 3.375 04/23	447,200,000	445,193,204	445,193,204	3,186,300
CGB 1.4 08/16	86,538,000	86,609,547	86,609,547	451,420
CGB 2.56 06/17	21,634,500	21,634,482	21,634,482	4,552
INDON LOAN NS	212,364,097	199,455,167	199,455,167	112,119
INDON LOAN NS	96,718,750	92,342,846	92,342,846	51,063
P-PSALM 7 YEARS	250,000,000	257,600,464	257,600,464	3,713,542
BAHAY 11/17	140,851,429	140,851,429	140,851,429	891,980
BAHAY 11/17	173,148,571	173,148,571	173,148,571	1,096,511
PSALM 7.39 12/24	447,200,000	587,112,589	587,112,589	2,662,207
P-PSALM 7.39 12/24	2,464,116,720	3,243,018,101	3,243,018,101	14,669,024
P-BSP 27	89,440,000	133,038,785	133,038,785	341,859
BSP TIERS 06/17	378,865,588	380,792,364	380,792,364	1,642,666
P-BSP 27	1,431,934,400	2,130,575,316	2,130,575,316	5,473,172
P-WHEELK 4.75 02/17	3,577,600	3,687,805	3,687,805	60,422
LPL 2019 LOAN	110,064,292	110,154,675	110,154,675	9,936
FORD 3.664 09/24	447,200,000	447,871,053	447,871,053	5,143,198
P-DHI 4.375 09/22	670,800,000	688,107,923	688,107,923	8,641,208
P-MDC 5.625 02/20	223,600,000	244,428,056	244,428,056	5,240,625
VZ 3.00 11/21	447,200,000	445,267,404	445,267,404	2,310,533
AA 5.125 10/24	447,200,000	469,726,192	469,726,192	6,302,725
VIDEOCON 2015 LOAN	233,662,000	233,661,188	233,661,188	625,659
ACCUDYNE LOAN 2019	61,557,122	61,807,031	61,807,031	6,839
ARAMARK 2019 LOAN	66,576,900	64,837,646	64,837,646	6,010
AVIS 2 2019 LOAN	87,180,764	87,179,959	87,179,959	7,265
AVIS 2019 LOAN	101,725,884	101,726,044	101,726,044	8,477
CBRE 2021 USD LOAN	66,237,286	66,246,460	66,246,460	165,737
DUPONT 2020 LOAN	125,054,378	125,900,368	125,900,368	13,026
DUPONT AXALTA 2020	44,158,332	44,546,814	44,546,814	4,600
FSHCN 06/20	88,881,000	89,817,025	89,817,025	8,641
FSHCN 3	43,602,000	44,074,059	44,074,059	4,239
GENERAC LOAN 2020	164,775,828	162,765,106	162,765,106	1,368,555
HEINZ 2020 LOAN	134,174,973	135,010,906	135,010,906	13,045
HOUGHTON 2019 USD LOAN	110,115,129	110,380,098	110,380,098	12,235

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KAR 2017 LOAN	P 44,234,361	P 44,089,749	P 44,089,749	P 4,301
NRG 2018 USD LOAN	220,569,610	220,425,363	220,425,363	16,849
SPECTRUM 2019 USD LOAN	154,698,602	154,927,277	154,927,277	255,683
SPIRIT 2019 LOAN	88,304,974	87,173,324	87,173,324	135,524
SS&C 2019 LOAN B3	1,772,279	1,765,446	1,765,446	160
SS&C 2019 LOAN B3 NEW	3,555,520	3,532,901	3,532,901	321
SS&C 2019 LOAN B4	17,132,038	17,063,465	17,063,465	1,546
SS&C 2019 LOAN B4 NEW	34,370,029	34,151,379	34,151,379	3,103
TRANSDIGM 02/20	64,839,772	65,252,500	65,252,500	6,754
TRANSDIGM 2017 USD LOAN	110,794,092	110,278,554	110,278,554	11,541
USPI 2019 LOAN	44,158,192	44,481,979	44,481,979	5,827
WENDYS 2019 USD LOAN	110,123,000	110,408,929	110,408,929	9,942
WESCO 2019 LOAN	11,192,009	10,893,257	10,893,257	3,498
CNOOC 3.00 05/23	223,600,000	213,587,573	213,587,573	968,933
OGIMK 4.4 03/23	1,788,800,000	1,861,694,494	1,861,694,494	24,486,685
NTPCIN 4.375 11/24	447,200,000	445,408,363	445,408,363	1,902,153
PWGRIN 3.875 01/23	178,880,000	176,754,771	176,754,771	3,157,729
PGASIJ 5.125 05/24	670,800,000	693,939,932	693,939,932	4,297,313
PERTIJ 4.3 05/23	447,200,000	441,649,473	441,649,473	2,190,038
P-PEMEX 6.625 06/35	223,600,000	279,388,993	279,388,993	658,378
P-JGSPM 5.2442 02/21	750,000,000	750,000,000	750,000,000	13,547,517
P-JGSPM 4.375 01/23	2,441,712,000	2,459,696,660	2,459,696,660	46,884,262
P-SMPM 4.875 06/24	447,200,000	447,186,515	447,186,515	1,271,725
P-SMPM 4.875 06/24	626,080,000	626,488,646	626,488,646	1,780,415
SMPM 4.875 06/24	293,363,200	293,354,354	293,354,354	834,252
P-NPC 5.875 12/16	800,000,000	835,950,328	835,950,328	1,566,667
P-BT-IR TR1 SERIES F	90,933,490	88,063,167	88,063,167	-
P-BT-IR TR2 SERIES F	92,270,817	89,484,447	89,484,447	-
P-BT-IR TR2 SERIES G	92,270,817	83,607,967	83,607,967	-
P-BT-IR TR1 SERIES G	90,933,490	82,128,432	82,128,432	-
Total		**P 70,255,783,041**	**P 70,255,783,041**	**P 885,506,470**

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At Fair Value Through Other Comprehensive Income							
Equity Securities							
GPL Holdings, Inc.	19,989,240	P	932,657,689	P	932,657,689	P	-
MICO Equities, Inc	338,118		599,608,342		599,608,342		-
VISA	27,414		7,719,003		7,719,003		-
Asean Finance Corp.	500,000		16,809,450		16,809,450		-
CARLOS, DANTE	100		3,321,955		3,321,955		-
CMC (DEWEY DEE)	12,499		1		1		-
PHIL. ELECTRICAL CORPORATION	149,278,289		1		1		-
ALFA INTEGRATED, INC.	33,950,000		1		1		-
PHILEX MINING (SL OROSA & SONS)	185,874		9,294		9,294		-
LEPANTO CONS. MINING CORP. (SL OROSA/JOHN MCSWEENEY)	5,377		-		-		-
(SQUIRES BINGHAM MFG. CORP.)	180		1,800		1,800		-
DMG INDUSTRIES INC. TOTAL STOCKS 11,151.47	2,815		1		1		-
GREAT MANDARIN (UNIVERSAL LEISURE CLUB)	1		-		-		-
UPTOWN INDUSTRIAL SALES,INC.	1		-		-		-
MARKET DEVELOPERS, INC.	8		-		-		-
WOO CHANG CO,INC./HYONG HO PARK	1		-		-		-
PLDT	87,700		877,000		877,000		-
Pilipinas Shell	150,000,000		512,957,330		512,957,330		-
Phil. Dealing system	7,300,000		7,300,000		7,300,000		-
LGU Guarantee	5,000,000		5,000,000		5,000,000		-
Bancnet	5,000,000		5,000,000		5,000,000		-
Phil. Depository and Trust Corp.	3,169,000		3,169,000		3,169,000		-
Phil. Clearing House	2,100,000		2,100,000		2,100,000		-
New Pacific Resources Inc.	1,595,187		1,595,187		1,595,187		-
PCEV (formerly PILTEL)	63,000		63,000		63,000		-
Integrated Properties & Dev.	140,000		140,000		140,000		-
Davao Light & Power	25,120		25,120		25,120		-
Visayan electric	15,515		15,515		15,515		-
Cruz Telepono	15,000		15,000		15,000		-
Leyte Elec. Coop.	12,788		12,788		12,788		-
Manila Golf & Country Club	100		70,000,000		70,000,000		-
CANLUBANG GOLF	3		2,250,000		2,250,000		-
MAKATI SPORTS CLUB	2		600,000		600,000		-
CLUB FILIPINO	1		180,000		180,000		-
VALLEY GOLF CLUB	1		180,000		180,000		-
STA ELENA PROPERTY	2		6,000,000		6,000,000		-
METRO CLUB	1		280,000		280,000		-
WACK WACK GOLF &COUNTRY CLUB	1		14,500,000		14,500,000		-
APO GOLF AND COUNTRY CLUB	3		40,460		40,460		-
TAT INTERNATIONAL	1		555,500		555,500		-
CAP HILLS GOLF &COUNTRY CLUB	3		90,000		90,000		-
MANILA-POLO CLUB	2		23,000,000		23,000,000		-
CAMP JOHN HAY GOLF	1		120,000		120,000		-
BRS-ILO-ILO GOLF & CTRY CLUB	1		2,500		2,500		-
CEBU COUNTRY CLUB	2		5,000,000		5,000,000		-
BRS-MIMOSA GOLF & CNTRY CLUB	1		120,000		120,000		-
BRS-ALTA VISTA GOLF CLUB	1		270,000		270,000		-
Total		**P**	**2,221,585,936**	**P**	**2,221,585,936**	**P**	**-**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
RCBC SAVINGS BANK				
At Fair Value Through Profit or Loss				
Debt Securities				
PETRON 7% 11/17	P 200,000,000	P 205,065,865	P 205,065,865	P 1,983,333
FXTN 07-48	11,808	12,369	12,369	354
USTSY 2.25 11/24	89,440,000	44,754,938	44,754,938	261,278
Total		**P 249,833,172**	**P 249,833,172**	**P 1,983,687**
At Amortized Cost				
Debt Securities				
FXTN 03-20	P 170,000,000	P 168,173,058	P 168,173,058	P 506,458
FXTN 04-20	10,000,000	10,160,727	10,160,727	216,667
FXTN 03-20	50,000,000	49,462,664	49,462,664	148,958
FXTN 10-48	11,300,000	12,038,773	12,038,773	326,288
FXTN 10-58	75,000,000	81,267,482	81,267,482	208,333
FXTN 20-18	125,000,000	151,681,965	151,681,965	3,039,497
RTB 20-01	1,000,000,000	1,257,732,255	1,257,732,255	4,895,833
RTB 25-01	125,000,000	165,185,290	165,185,290	1,424,913
FXTN 10-58	75,000,000	81,267,482	81,267,482	208,333
FXTN 20-18	125,000,000	151,681,965	151,681,965	3,039,497
ROP GPN 6.25% 01/36	1,000,000,000	1,181,627,634	1,181,627,634	28,993,056
RTB 20-01	1,000,000,000	1,257,732,255	1,257,732,255	4,895,833
RTB 25-01	125,000,000	165,185,290	165,185,290	1,424,913
BDOPM 3.875 04/16	223,600,000	228,321,950	228,321,950	1,660,696
EDCPM 6.5 01/21	58,136,000	63,313,734	63,313,734	1,689,981
ICTSI 7.375 03/20	268,320,000	304,705,007	304,705,007	5,716,707
JGSPM 4.375 01/23	223,600,000	222,986,526	222,986,526	4,293,431
MEGPM 6.75 04/18	380,120,000	411,726,329	411,726,329	5,416,710
SMPM 4.250 10/19	44,720,000	45,154,540	45,154,540	390,679
SMPM 4.875 06/24	89,440,000	88,800,309	88,800,309	254,345
TRAVPH 6.9 11/17	313,040,000	336,606,712	336,606,712	3,479,961
NPC (A) 9.625 05/28	313,040,000	483,489,031	483,489,031	3,849,957
BSP 27	138,095,360	138,095,360	138,095,360	527,831
PLN 7.75 10/16	268,320,000	268,320,000	268,320,000	4,274,487
PLNIJ 5.25 10/42	357,760,000	357,760,000	357,760,000	3,495,613
ROP 31	201,240,000	298,982,072	298,982,072	7,234,858
ROP 34	223,600,000	295,529,472	295,529,472	2,692,517
ROP 31	201,240,000	298,982,072	298,982,072	7,234,858
ROP 34	223,600,000	295,529,472	295,529,472	2,692,517
ROP 16 EURO	53,705,900	55,493,660	55,493,660	2,685,295
Total		**P 8,926,993,087**	**P 8,926,993,087**	**P 106,919,020**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
RCBC CAPITAL CORPORATION				
At Fair Value Through Profit or Loss				
Debt Securities				
BT-IR Notes F	P 63,396,701	P 62,830,505	P 62,830,505	P -
BT-IR Notes G	63,396,701	61,562,391	61,562,391	-
Subtotal		P 124,392,896	P 124,392,896	P -
Equity Securities				
China Bank Corporation	108,000	5,076,000	5,076,000	-
Phil. National Bank	50,490	4,039,200	4,039,200	-
Metro Bank & Trust	80,000	6,640,000	6,640,000	-
Rizal Commercial Banking Corp.	26,000	1,248,000	1,248,000	-
Manila Water Company	1,830,200	53,075,800	53,075,800	-
Engineering Equipment Inc.	51,300	559,170	559,170	-
Megawide Construction	727,350	6,466,142	6,466,142	-
Roxas & Co., Inc.	3,318,849	9,624,662	9,624,662	-
Century Peaks Metals Holdings	524,810	477,577	477,577	-
Travellers International	100,000	820,000	820,000	-
House of Investments	3,875,000	23,831,250	23,831,250	-
SMPrime Holdings Corp	1,000,000	17,040,000	17,040,000	-
Top Frontier Investment Holdings, Inc	2,000	248,000	248,000	-
Uniwide Holdings, Inc.	2,729,000	368,415	368,415	-
Ayala Land, Inc.	1,000,000	33,700,000	33,700,000	-
Filinvest Land Inc.	1,000,000	1,530,000	1,530,000	-
8990 HOLDINGS IN	1,280,500	9,117,160	9,117,160	-
Megaworld Corporation	5,000,000	23,400,000	23,400,000	-
Petro Energy Resources Corp.	4,150,000	25,730,000	25,730,000	-
Phoenix Semiconductor Phils. Inc	1,600,000	4,480,000	4,480,000	-
Philippine Stock Exchange	250,608	74,631,062	74,631,062	-
Engineering Equipment Inc.	10,500,000	114,450,000	114,450,000	-
Jollibee Foods Corporation	336,984	72,451,560	72,451,560	-
Ayala Land, Inc.	278,929	9,399,907	9,399,907	-
Aboitiz Equity Venture	300,000	15,810,000	15,810,000	-
Roxas Holdings	43,214,652	289,538,168	289,538,168	-
Seafront Resources	300,000	789,000	789,000	-
Petro Energy Resources Corp.	15,370,071	95,294,440	95,294,440	-
DoubleDragon	2,000,000	15,000,000	15,000,000	-
Harbor Star Shipping	2,352,000	3,504,480	3,504,480	-

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

Name of issuing entity and association of each issue		Number of shares or principal amount of bonds and notes		Amount shown in the balance sheet		Valued based on market quotation at end of reporting period		Income received and accrued
SMC Preferreds Series 2(A)		669,000	P	50,576,400	P	50,576,400	P	-
SMC Preferreds Series 2(B)		241,600		18,881,040		18,881,040		-
SMC Preferreds Series 2(C)		466,700		36,402,600		36,402,600		-
Forum Pacific, Inc.		80,000		25,200		25,200		-
Unioil res & hldgs		4,000		1,200		1,200		-
Victorias Milling Inc.		5,820		26,656		26,656		-
RFM Corporation		2,008		10,060		10,060		-
8990 Holdings, Inc.		50,000		356,000		356,000		-
Megaworld Corporation		200,000		936,000		936,000		-
Oriental Petroleum & Mineral Corp.-A		80,278		1,044		1,044		-
Premium Leisure Corp.		90,000		191,700		191,700		-
Vulcan Industrial & Mining		21,000		36,330		36,330		-
SSI Group, Inc.		44		436		436		-
Marcventures Holdings, Inc.		23		154		154		-
Intergrated Micro		500,000		3,385,000		3,385,000		-
Subtotal				1,029,169,813		1,029,169,813		-
Total			**P**	**1,153,562,710**	**P**	**1,153,562,710**	**P**	**-**
At Amortized Cost								
Debt Securities								
ABS-CBN FIXED RATE RETAIL BONDS	P	10,440,000	P	10,440,000	P	10,440,000	P	78,905
JGS FIXED RATE BONDS 5.5 YR		1,000,000		1,000,000		1,000,000		18,311
JGS FIXED RATE BONDS 7 YR		4,000,000		4,000,000		4,000,000		73,419
PLDT FIXED RATE BONDS		530,000		530,000		530,000		4,231
VLL HOME BUILDER BONDS		261,540,000		261,540,000		261,540,000		1,214,708
MERALCO PM		10,000,000		9,999,981		9,999,981		240,868
AYALA CORPORATE BONDS		22,000,000		22,000,000		22,000,000		-
EDC FIXED RATE BONDS		9,000,000		9,000,000		9,000,000		-
Total			**P**	**318,509,981**	**P**	**318,509,981**	**P**	**1,630,441**

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Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes		Amount shown in the balance sheet		Valued based on market quotation at end of reporting period		Income received and accrued
<u>At Fair Value Through Other Comprehensive Income</u>							
Equity Securities							
Phil. National Reinsurance Inc.	24,435,000	P	21,991,500	P	21,991,500	P	-
Petron Corporation Preferred	1,397,200		142,234,960		142,234,960		-
Auto Equities Inc. *	181		1		1		-
Bonifacio Land Corp. - Common	15,994		3,116,180		3,116,180		-
Bonifacio Land Corp. - Preferred	1,737		274,351		274,351		-
Marcopper Mining	72		72		72		-
Philtown Properties Inc.	1,386		5,897		5,897		-
Reynolds (Phils.), Inc.	71,988		10,798		10,798		-
Universal Rightfield Property Holdings	400,000		15,200		15,200		-
PDS Holding Corp	4,030		522,800		522,800		-
Makati Sports Club "B"	1		330,000		330,000		-
Orchard Golf and Country Club	1		350,000		350,000		-
Philippine Columbian	2		60,000		60,000		-
PLDT-10% Preferred Stock Series A	15		150		150		-
PLDT-10% Preferred Stock Series C	15		158		158		-
Manila Electric Co.	220,630		56,481,280		56,481,280		-
San Miguel Purefoods Preferred	6,200		6,255,800		6,255,800		-
Alliance Global Inc.	3,170,000		71,483,500		71,483,500		-
COSCO Capital Inc.	4,000,000		34,600,000		34,600,000		-
Metro Pacific Investment	3,141,500		14,450,900		14,450,900		-
Puregold Price	2,540,000		97,917,000		97,917,000		-
Petron Corp.	500,000		5,300,000		5,300,000		-
Double Dragon	500,000		3,750,000		3,750,000		-
Discovery World Corp.	14,047,000		25,284,600		25,284,600		-
First Gen. Corporation Preferred	10,000,000		1,150,000,000		1,150,000,000		-
First Gen. Corp. Pref. (Series G)	2,747,050		293,934,350		293,934,350		-
San Miguel Purefoods Preferred	208,370		210,245,330		210,245,330		-
San Miguel Pure Foods Co., INC	30,000		30,270,000		30,270,000		-
San Miguel Corp - Series 2C	135,900		10,600,200		10,600,200		-
San Miguel Corp - Series 2A	953,116		72,055,570		72,055,570		-
Petron Corporation-Pref	99,900		10,169,820		10,169,820		-
Globe preferred shares	60,000		29,760,000		29,760,000		-
Total		**P**	**2,291,470,417**	**P**	**2,291,470,417**	**P**	**-**

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule A
Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
RCBC FOREX				
At Amortized Cost				
Pag-ibig Bond	288,000,000	P 289,019,835	P 289,019,835	P 9,456,391
RIZAL MICROBANK				
At Fair Value Through Other Comprehensive Income				
Bancnet		P 24,219,673	P 24,219,673	P -
RCBC IFL				
At Fair Value Through Other Comprehensive Income				
Manila Golf Club Shares		P 171,783	P 171,783	P -
RCBC NORTH AMERICA				
At Amortized Cost				
Private Corporation Debt Securities		P 580,830	P 580,830	P -
RCBC TELEMONEY				
At Amortized Cost				
Private Corporation Debt Securities		P 3,866,825	P 3,866,825	P -
Elimination of intercompany transactions		(P 7,658,614)	(P 7,658,614)	-
CONSOLIDATED TOTAL AMOUNT		**P 100,790,164,099**	**P 100,790,164,099**	**P 1,159,112,239**

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule B
DOSRI and Receivable from Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Rizal Commercial Banking Corporation							
Loans Receivable							
Maibarara Geothermal	P 1,464,683,515	P 100,000,000	P 64,683,515	P -	*Not applicable*		1,500,000,000
RCBC Realty Corp.	1,300,000,000	-	293,139,357	-	*Not applicable*		1,006,860,643
Pan Malayan Management and Investment Corp.	1,072,500,000	-	110,000,000	-	*Not applicable*		962,500,000
Malayan Colleges Inc.	602,000,000	-	86,000,000	-	*Not applicable*		516,000,000
EEI Power Corp	575,458,000	-	57,545,800	-	*Not applicable*		517,912,200
Luisita Industrial Park (with full provision)	524,300,000	-	-	524,300,000	*Not applicable*		-
House of Investment	500,000,000	-	100,000,000	-	*Not applicable*		400,000,000
Masagana Holdings	115,427,000	845,000	-	-	*Not applicable*		116,272,000
EEI Corp	73,654,800	-	678,040	-	*Not applicable*		72,976,760
Accrain Holdings	22,400,000	-	22,400,000	-	*Not applicable*		-
RCBC Forex	-	80,000,000	-	-	*Not applicable*		80,000,000
Honda Cars Philippines	-	44,106,670	-	-	*Not applicable*		44,106,670
Credit Card Receivables							
Bankard (Officers)	1,727,298	-	596,312	-	*Not applicable*		1,130,985.99
RCBC Savings Bank							
Loans Receivable							
Adalia, Harold	1,203,405	-	1,203,405	-	*Not applicable*		-
Garcia, Edwin L.	-	164,886	-	-	*Not applicable*		164,886
Yap, Al Jan G.	-	449,134	-	-	*Not applicable*		449,134
Valencia, Hector N.	-	253,645	-	-	*Not applicable*		253,645
Parde, Rustom D.	-	498,390	-	-	*Not applicable*		498,390
Santiago, Walter	-	684,681	-	-	*Not applicable*		684,681
Bacolot, Franklin C.	-	166,783	-	-	*Not applicable*		166,783
Bullos, Fatima	-	226,292	-	-	*Not applicable*		226,292
Romero, Angelo	-	151,995	-	-	*Not applicable*		151,995
Employee loans	48,701,691	-	2,269,425	-	*Not applicable*		46,432,266
RCBC Capital Corporation							
Employee Loans	3,757,762	-	874,061	-	*Not applicable*		2,883,701
Credit Card Receivables							
RCBC Bankard (Officers)	22,047,788	-	22,047,788	-	*Not applicable*		-
RCBC Leasing and Finance, Corp.							
Loans Receivable							
Employee Loans	1,012,314	-	697,707	-	*Not applicable*		314,607

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule C
DOSRI Eliminated During the Consolidation of Financial Statements

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Classification		Balance at end of period
			Amounts collected	Amounts written off	Current	Not Current	
Rizal Commercial Banking Corporation							
Loans and Discounts							
RCBC Forex	P 82,940,426	P -	P 3,182,976	P -	*Not applicable*		P 79,757,450

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule D
Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Deductions			Ending Balance
			Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	
Goodwill	P 268,655,069	P -	P -	P -	P -	P 268,655,069
Branch licenses	107,825,870	-	50,876,629	-	-	56,949,240
Software	873,599,335	147,162,701	199,031,005	-		821,731,031
Trading rights	570,349	-	-	-	-	570,349

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule E
Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	
Rizal Commercial Banking Corporation				
US$ 250,000,000 Senior Notes				
Interest Rate: 6.25% Fixed Rate				
Maturity Date: 2/9/2015				
Number of periodic installments: Not applicable	US$ 250,000,000	Not applicable	P	11,180,000,000
US$ 200,000,000 Senior Notes				
Interest Rate: 5.25% Fixed Rate				
Maturity Date: 1/31/2017				
Number of periodic installments: Not applicable	US$ 200,000,000	Not applicable	P	8,924,445,270
US$ 75,000,000 Senior Notes				
Interest Rate: 5.25% Fixed Rate				
Maturity Date: 1/31/2017				
Number of periodic installments: Not applicable	US$ 75,000,000	Not applicable	P	3,381,879,647
PHP 10,000,000,000 Unsecured Subordinated Debt				
Interest Rate: 5.375% Fixed Rate				
Maturity Date: 9/26/2019				
Number of periodic installments: Not applicable	PHP 10,000,000,000	Not applicable	P	9,921,053,172

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule F
Indebtedness to Related Parties (Long-Term Loans from Related Companies)

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

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule G
Guarantees of Securities of Other Issuers

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

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule H

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees
Preferred Shares[1] *voting, non-cumulative, non-redeemable, participating convertible into common shares*	200,000,000	338,291	-	-	-
Common Shares[2]	1,400,000,000	1,275,659,728	-	792,104,907	59,070,744

[1] On July 8, 2011, preferred shares amounting to P180,823,110 or 18,082,311 shares were converted to 5,820,000 common shares in 2011.

On September 30, 2011, an additional 28,011 preferred shares with P10 par value from unissued portion were converted into 9,018 common shares having P10 par value, and accounting the difference as additional paid in capital in the amount of P190,000.

On February 21, 2012, preferred shares amounting to P1,830 or 183 shares were converted to 58 common shares.

On March 7, 2012, preferred shares amounting to P21,756,450 or 2,175,645 shares were converted to 700,441 common shares.

On March 30, 2012, preferred shares amounting to P666,240 or 66,624 shares were converted to 21,449 common shares.

[2] On June 28, 2010, the Parent Company's stockholders owning or representing more than 2/3 of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or purchase any shares of any class, by amending its Articles of Incorporation. The increase in authorized capital stock of the Parent Company was approved by BSP and SEC on August 24, 2011 and September 16, 2011, respectively, totalling 1,600,000,000 shares.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprised of 50,427,931 treasury shares (with total cost of P771,207,492) and 23,020,344 unissued shares (with total par value of P230,203,440), to International Finance Corporation for a total consideration of P2,130,000,000 representing 7.2% ownership interest. The issuance resulted to recognition of APIC amounting to P1,128,589,043.

Also, on July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On July 8, 2011, the Parent Company issued 5,821,548 common shares from the treasury shares (with total cost of P58,893,567) and 120,730,177 common shares (with total par value of P1,207,301,770) from unissued portion of increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15% of the outstanding common stock. The issuance resulted to recognition of APIC amounting to P2,403,804,688.27 .

On March 15, 2013, the Parent Company issued 63,650,000 comoon shares from the unissued capital stock (with total cost of P636,500,000) to Pan Malayan Management that is equivalent to approximately 5.3% The issuance resulted to recogntiion of APIC amounting to P3,437,100,000.

On April 26, 2013, the Parent Company issued 71,151,505 common shares from the unissued capital stock (with total cost of P711,515,050) to International Finance Corporation that is equivalent to approximately 5.6%. The issuance resulted to recognition of APIC amounting to P3,415,272,250.

On September 30, 2014 preferred shares amounting to P37,910 or 3,791 shares were converted to 1,090 common shares.

Rizal Commercial Banking Corporation and Subsidiaries
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Schedule of Recent Public Offerings

2008 - P7,000,000,000 Subordinated Debt

Gross Proceeds: P7,000,000,000 (Issue Price: 100.00%)
Related Expenses: P60,424,572
Use of Proceeds: To raise additional Lower Tier 2 supplementary capital, redeem its existing Peso-denominated Lower Tier 2 capital and further increase and strengthen its capital base.

2009 - P4,000,000,000 Subordinated Debt

Gross Proceeds: P4,000,000,000 (Issue Price: 100.00%)
Related Expenses: P30,352,644
Use of Proceeds: To raise additional Tier 2 capital and to further increase and strengthen the Bank's capital base.

2010 - US$ 250,000,000 Senior Note

Gross Proceeds: US$250,000,000 (Issue Price: 100.00%)
Related Expenses: US$1,705,578
Use of Proceeds: To be used for general banking and re-lending purposes.

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$270,000,000 (Issue Price: US$ 250,000 @ 100.00% and US$75,000,000 @ P102)
Related Expenses: US$1,193,825.35
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)

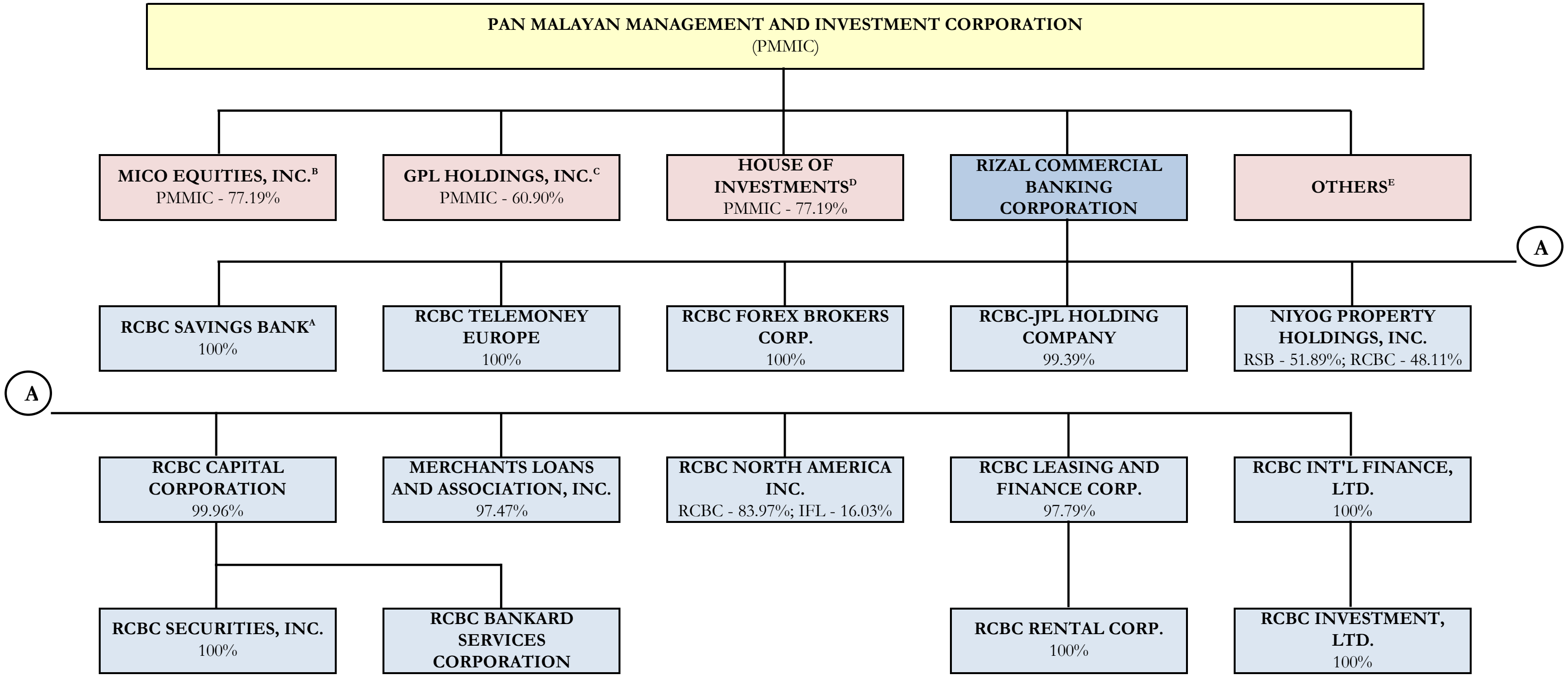
Gross Proceeds: P2,100,000,000 (Issue Price: 100.00%)
Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

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

Rizal Commercial Banking Corporation and Subsidiaries
SEC Released Amended SRC Rule 68
Schedule of Financial Indicators

	2014	2013	2012
			wsihh
Return on average equity	**9.23%**	12.18%	16.07%
Return on average resources	**1.04%**	1.39%	1.70%
Net interest margin	**4.30%**	4.22%	3.93%
Profit margin	**19.98%**	23.07%	26.19%
Capital adequacy ratio	**15.37%**	16.52%	17.61%
Cost to income ratio	**64.51%**	61.21%	59.61%
Liquidity ratio	**0.49**	0.42	0.45
Debt-to-equity ratio	**7.62**	8.42	7.62
Resources-to-equity ratio	**8.62**	9.42	8.62
Interest rate coverage ratio	**2.02**	2.20	1.91


PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION
(PMMIC)
MICO EQUITIES, INC.[B]
PMMIC - 77.19%
GPL HOLDINGS, INC.[C]
PMMIC - 60.90%
HOUSE OF INVESTMENTS[D]
PMMIC - 77.19%
RIZAL COMMERCIAL BANKING CORPORATION
OTHERS[E]
A
RCBC SAVINGS BANK[A]
100%
RCBC TELEMONEY EUROPE
100%
RCBC FOREX BROKERS CORP.
100%
RCBC-JPL HOLDING COMPANY
99.39%
NIYOG PROPERTY HOLDINGS, INC.
RSB - 51.89%; RCBC - 48.11%
A
RCBC CAPITAL CORPORATION
99.96%
MERCHANTS LOANS AND ASSOCIATION, INC.
97.47%
RCBC NORTH AMERICA INC.
RCBC - 83.97%; IFL - 16.03%
RCBC LEASING AND FINANCE CORP.
97.79%
RCBC INT'L FINANCE, LTD.
100%
RCBC SECURITIES, INC.
100%
RCBC BANKARD SERVICES CORPORATION
RCBC RENTAL CORP.
100%
RCBC INVESTMENT, LTD.
100%

SUBSIDIARIES:

Company	Country of Incorporation	RCBC's Effective Ownership
A. RCBC Savings Bank, Inc. (RSB) and subsidiaries		
Stockton Realty Development Corporation	Philippines	**100.00**
Top Place Properties Development Corporation	Philippines	**100.00**
Goldpath Properties Development Corporation	Philippines	**100.00**
Best Value Property and Development Corporation	Philippines	**100.00**
Crescent Park Property and Development Corporation	Philippines	**100.00**
Crestview Properties Development Corporation	Philippines	**100.00**
Eight Hills Property and Development Corporation	Philippines	**100.00**
Fairplace Property and Development Corporation	Philippines	**100.00**
Gold Place Properties Development Corporation	Philippines	**100.00**
Greatwings Properties Development Corporation	Philippines	**100.00**
Happyville Property and Development Corporation	Philippines	**100.00**
Landview Property and Development Corporation	Philippines	**100.00**
Lifeway Property and Development Corporation	Philippines	**100.00**
Niceview Property and Development Corporation	Philippines	**100.00**
Princeway Properties Development Corporation	Philippines	**100.00**

Company	Country of Incorporation	MICO's Effective Ownership
B. MICO Equities, Inc. and Subsidiaries		
Malayan International Insurance Corporation Limited (Malayan International) and Subsidiaries	Bahamas	**100.00**
Malayan Insurance Company (U.K.) Limited	United Kingdom	**100.00**
Malayan Insurance Company (H.K.) Limited	Hongkong	**100.00**
ASIA-PAC Reinsurance Company, Limited	British Virgin Islands	**100.00**
Malayan Securities Corporation	Philippines	**100.00**
The First Nationwide Assurance Corporation	Philippines	**45.30**
Malayan Insurance Co., Inc. and subsidiaries and joint venture	Philippines	**88.70**
Bankers Assurance Corporation (BAC), formerly Malayan-Zurich Insurance Company, Inc.	Philippines	**88.70**

Company	Country of Incorporation	GPL's Effective Ownership
C. GPL Holdings, Inc. and Subsidiaries		
Grepa Realty Holdings Corporation	Philippines	**75.00**
Sun Life Grepa Financial, Inc. (formerly Grepalife Financial, Inc.) (Sunlife Grepa)	Philippines	**51.00**
Grepalife Asset Management Corporation (GAMC)	Philippines	**51.00**
Great Life Financial Assurance Corporation (GLFAC)	Philippines	**51.00**

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Landev Corporation and Subsidiaries	Philippines	**100.00**
Greyhounds Security and Investigation Agency Corporation	Philippines	**100.00**
Hexagon Lounge, Inc.	Philippines	**100.00**
Blackhounds Security and Investigation Agency	Philippines	**100.00**
Investment Managers, Inc.	Philippines	**100.00**
Zamboanga Realty and Development Corporation	Philippines	**100.00**
Zamboanga Carriers, Inc.	Philippines	**100.00**
Xamdu Motors, Inc.	Philippines	**100.00**
iPeople, Inc. and Subsidiaries	Philippines	**67.34**
Malayan Colleges, Inc. (MCI) (Operating Under the Name of Mapua Institute of Technology, Inc. and Subsidiaries	Philippines	**62.62**
Mapua Information Technology Center, Inc.	Philippines	**67.34**
Mapua Techserv, Inc.	Philippines	**67.34**
San Lorenzo Ruiz Institute of Health Services, Inc.	Philippines	**67.34**
Malayan High School of Science, Inc.	Philippines	**67.34**
Malayan Colleges Laguna, Inc. led by Mapua School of Engineering	Philippines	**67.34**
People eServe Corporation	Philippines	**67.34**
Pan Pacific Computer Center, Inc.	Philippines	**67.34**
Honda Cars Kalookan, Inc.	Philippines	**71.58**
EEI Corporation (EEI Corp.) and Subsidiaries	Philippines	**50.09**
EEI (BVI) Limited and Subsidiaries	British Virgin Islands	**50.09**
Clear Jewel Investments, Ltd.	Hongkong	**50.09**
EEI Nouvelle Caledonie	New Caledonia	**50.09**
Nimaridge Investments, Limited and Subsidiary	British Virgin Islands	**50.09**
EEI (PNG) Ltd.	Papua New Guinea	**50.09**
EEI Construction and Marine Corporation	Philippines	**50.09**
EEI Power Construction (EEI Power)	Philippines	**50.09**
EEI Realty Corporation (EEI Realty)	Philippines	**50.09**
EEI Corporation (Guam) Inc.	United States of America	**50.09**
EEI Subic Corporation	Philippines	**50.09**
Equipment Engineers, Inc.	Philippines	**50.09**

Company	Country of Incorporation	HI's Effective Ownership
D. House of Investments and Subsidiaries		
Gulf Asia International Corporation and Subsidiaries (GAIC)	Philippines	**50.09**
GAIC Manpower Services, Inc.	Philippines	**50.09**
GAIC Professional Services, Inc.	Philippines	**50.09**
Philrock Construction and Services, Inc.	Philippines	**50.09**
Philmark, Inc.	Philippines	**50.09**
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	**50.09**
Zamboanga Industrial Financing Corporation	Philippines	**50.01**

Company	Country of Incorporation	PMMIC's Effective Ownership
E. Others		
Y Realty	Philippines	**100.00**
Grepaland	Philippines	**48.25**
RCBC Land	Philippines	**100.00**
RCBC Realty Corporation (RCBC Realty)	Philippines	**55.30**
Pan Malayan Express	Philippines	**100.00**
Philippine Integrated Advertising Agency, Inc (PIAA)	Philippines	**100.00**
Principal Business Marketing Co., Inc.	Philippines	**100.00**
Philippine Overseas Tankers Transport, Inc. (PO Tankers)	Philippines	**65.00**
Skanfil Shipping, Inc .	Philippines	**81.25**
Luisita Industrial Park Corporation (LIPCo)	Philippines	**59.73**
Transport System of the Philippines, Inc.	Philippines	**100.00**

ASSOCIATES:

Company	Country of Incorporation	PMMIC's Effective Ownership
Under PMMIC		
Enrique T. Yuchengo, Inc. (ETY)	Philippines	**41.96**
Pan Malayan Realty	Philippines	**20.09**
Seafront Resources Corporation (Seafront)	Philippines	**20.10**

Company	Country of Incorporation	RCBC's Effective Ownership
Under RCBC		
YGC Corporate Services, Inc. (YCSI)	Philippines	**40.00**
Luisita Industrial Park Co. (LIPC)*	Philippines	**35.00**
Honda Cars Philippines, Inc. (HCPI)	Philippines	**12.88**

* *Refer to Section E for PMMIC's total ownership*

Company	Country of Incorporation	HI's Effective Ownership
Under House of Investments		
La Funeraria Paz Sucat, Inc.	Philippines	**30.00**
T'boli Agro-Industrial Development, Inc.	Philippines	**28.47**
Hi-Eisai Pharmaceutical, Inc.	Philippines	**50.00**
Al Rushaid Construction Corporation	Philippines	**49.00**
Manila Memorial Park Cemetery, Inc. (Manila Memorial)	Philippines	**25.98**
Lo-oc Limestone Development Corporation (Lo-oc Limestone)	Philippines	**25.00**
ECW Joint Venture Inc.	Philippines	**50.00**
Petroenergy	Philippines	**20.00**

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, 2014
(Amounts in Millions of Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year, As Previously Stated		P 9,521
Effect of initial application of PFRS 9, Financial Instruments		(457)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, As Restated		9,064
Net Profit Realized during the Year		
Net profit per audited financial statements		4,479
Non-actual/unrealized income		
Fair value gain on financial assets at fair value through profit or loss		(455)
		4,024
Other Transactions During the Year		
Dividends declared	(P 1,718)	
Appropriation of retained earnings to trust reserves	(14)	(1,732)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 11,356**

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, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✔		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✔		
Practice Statement Management Commentary			✔	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✔		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✔		
	Amendment to PFRS 1: Government Loans	✔		
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✔		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✔		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✔		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets [d]	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition [d]	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
PFRS 8	Operating Segments	✔		
PFRS 9	Financial Instruments (2009, 2010 and 2013 versions) [a]	✔		
	Financial Instruments (2014) [b] *(effective January 1, 2018)*			✔
PFRS 10	Consolidated Financial Statements	✔		
	Amendment to PFRS 10: Transition Guidance	✔		
	Amendment to PFRS 10: Investment Entities	✔		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception [b] *(effective January 1, 2016)*			✔
PFRS 11	Joint Arrangements	✔		
	Amendment to PFRS 11: Transition Guidance	✔		
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendment to PFRS 12: Transition Guidance	✔		
	Amendment to PFRS 12: Investment Entities	✔		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception [b] *(effective January 1, 2016)*			✔
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts [b] *(effective January 1, 2016)*			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendment to PAS 1: Disclosure Initiative [b] *(effective January 1, 2016)*			✔
PAS 2	Inventories			✔
PAS 7	Statement of Cash Flows	✔		
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	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Revised)	Employee Benefits	✔		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions [b] *(effective July 1, 2014)*			✔
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation	✔		
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✔		
PAS 27 (Revised)	Separate Financial Statements	✔		
	Amendment to PAS 27: Investment Entities	✔		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✔		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception [b] *(effective January 1, 2016)*			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 32: Classification of Rights Issues	✔		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
PAS 36	Impairment of Assets	✔		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
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	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✔		
	Amendment to PAS 39: Eligible Hedged Items	✔		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✔		
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities [c]	✔		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [c]	✔		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9 [d]	Reassessment of Embedded Derivatives	✔		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✔		
IFRIC 10	Interim Financial Reporting and Impairment	✔		
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes	✔		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction [c]	✔		
IFRIC 16 [d]	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners [c]	✔		
IFRIC 18	Transfers of Assets from Customers [c]	✔		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments [c]	✔		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✔		
IFRIC 21	Levies	✔		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✔		
SIC-15	Operating Leases - Incentives	✔		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders [c]	✔		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services [c]	✔		
SIC-32	Intangible Assets - Web Site Costs [c]	✔		

[a] PFRS 9 (2009, 2010 and 2013 versions) is effective January 1, 2018 but the Group opted to early adopt with January 1, 2014 as the date of initial application.

[b] These standards will be effective for periods subsequent to 2014 and are not early adopted by the Group.

[c] These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

[d] PAS 39 and all related amendments, improvements and interpretations thereto were applied by the Group prior to January 1, 2014. These were superseded by PFRS 9 (2009, 2010 and 2013 versions) effective January 1, 2014.

P R O X Y

KNOW ALL MEN BY THESE PRESENTS:

That I, ____________________, a shareholder of the RIZAL COMMERCIAL BANKING CORPORATION (the "Company"), a domestic corporation, do hereby nominate, constitute and appoint __________________________, with full power of substitution and delegation, as the proxy, of the undersigned to represent and vote all shares registered in my name on the books of Company, or owned by me at the Annual Meeting of Stockholders on June 29, 2015 of said Corporation, and any adjournment/s thereof, as fully to all intents and purposes as I might or could do if present and acting in my person, hereby ratifying and confirming any and all acts which my said attorney and proxy may do in or upon any and all matters which may properly come before any said meeting, or any adjournment or adjournments thereof, upon the proposals enumerated below.

In case of absence of _______________________ and any substitute proxy designated by him at the said meeting, the undersigned hereby grants the Chairman of the meeting chosen accordance with the Company's By-Laws or, in case of his absence the President of the Company, full power and authority to act as alternate proxy of the undersigned at such meeting.

The proxy/substitute proxy/alternate proxy, as the case may be, shall vote subject to the instructions indicated below and the proxy/substitute proxy/alternate proxy, as the case may be, is authorized to vote in his discretion upon other business as may properly come before the Annual Meeting of Stockholders and any adjournments or postponements thereof. Where no specific instruction is clearly indicated below, the proxy/substitute proxy/alternate proxy, as the case may be, shall vote and shall be deemed authorized to vote "FOR" with respect to Proposal 1 to 6 and "FOR ALL" with respect to Proposal 7.

PROPOSALS AND VOTING INSTRUCTIONS

Management recommends a "FOR" vote for Proposal 1 and a "FOR ALL" vote for Proposal 2

	For	**Against**	**Abstain**
1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 30, 2014	☐	☐	☐
2. Approval of the Annual Report and the Audited Financial Statements for 2014	☐	☐	☐
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2014	☐	☐	☐
3.1. Ratification of the actions and proceedings of the Board of Directors on 29 October 2014	☐	☐	☐
4. Confirmation of Significant Transactions with DOSRI and Related Parties	☐	☐	☐
5. Appointment of Punongbayan & Araullo as External Auditor	☐	☐	☐
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.	☐	☐	☐

7. Election of Directors 15 Directors, including 3 Independent Directors

The nominees for election as Directors/Independent Directors are:

a. Amb. Alfonso T. Yuchengco
b. Ms. Helen Y. Dee
c. Mr. Cesar E. A. Virata
d. Mr. Lorenzo V. Tan
i. Mr. Medel T. Nera
j. Mr. Richard G.A. Westlake
k. Mr. John Law
l. Mr. Yuh-Shing (Francis) Peng

e. Atty. Teodoro D. Regala
f. Atty. Wilfrido E. Sanchez
g. Atty. Maria Celia H. Fernandez-Estavillo
h. Mr. Tze Ching Chan
m. Mr. Armando M. Medina, Independent Director
n. Mr. Francisco C. Eizmendi, Jr., Independent Director
o. Mr. Antonino L. Alindogan, Jr., Independent Director

For All ☐ **Withold For All** ☐ **Exceptions** ☐

Exceptions:

a.	________________	f.	________________	k.	________________
b.	________________	g.	________________	l.	________________
c.	________________	h.	________________	m.	________________
d.	________________	i.	________________	n.	________________
e.	________________	j.	________________		

The stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided above. If the stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided above.

The stockholder can either (a) vote for all of the nominees, in which case the stockholder's total votes will be split and cast equally among the nominee(s); (b) withhold his vote for all of the nominees; or (c) vote only for some and not all of the nominees, in which case the stockholder's total votes will be distributed and cast as indicated by the stockholder in the spaces provided above. If the stockholder does not indicate the number of shares to be distributed among the remaining nominees who are not named on the spaces for exceptions above, then the stockholder's total votes will be split and cast equally among the remaining nominees. The total number of votes which a stockholder may cast is equal to fifteen (15) times the number of shares of common stock and voting preferred stock held as of the Record Date.

This proxy shall be valid for the Annual Meeting of Stockholders of the Company on June 29, 2015 unless sooner withdrawn by me through notice in writing delivered to the Corporate Secretary. In case I shall be present at the meeting, this proxy stands revoked.

IN WITNESS WHEREOF, I, the undersigned shareholder, have executed this proxy at ____________________ this _______day of __________________2015.

____
(Signature Over Printed Name)

☐ Stockholder

☐ Authorized Representative of Stockholder

Date: _______________ , 2015

PLEASE SEE REVERSE SIDE FOR ADDITIONAL INFORMATION AND INSTRUCTIONS

==

RECEIPT

Received from RCBC one (1) envelope containing the following:

✓ Notice of Annual Meeting of Stockholders on June 29, 2015 and Information Statement
✓ Proxy Form
✓ Reply Envelope
✓ 2014 Annual Report

Received By:

____
(Signature Over Printed Name)

Date: _____________________ , 2015

GENERAL INFORMATION AND INSTRUCTIONS

1. *Submission of Proxy*

(a) The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at the principal office and mailing address of the Company not later than **5:00 P.M. of June 22, 2015**

(b) If the proxy is given by one or more joint owners of shares of stock of the Company, the proxy form must be signed by all of the joint owners.

(c) If the shares of stock of the Company are owned in an "and/or" capacity, the proxy form must be signed by either one of the registered owners.

(d) If the proxy is given by a holder of shares of stock of the Company that is a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose/

(e) A proxy given by a broker or dealer in respect of shares of stock of the Company carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.

(f) If any customer of a broker or dealer who is the beneficial owner of shares of stock of the Company executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.

2. *Revocation of Proxy*

A holder of shares of stock of the Company who has given a proxy has the power to revoke it by written instrument duly signed and dated, which must be received at the Company's principal office and mailing address not later than **5:00 P.M. of June 26, 2015**. A proxy is also considered suspended if an individual stockholder attends the meeting in person and expresses his intention to vote in person for the duration of said meeting, and shall continue to be in full force and effect thereafter.

3. *Validation of Proxy*

The last day for validation of proxies will be the day before the date of the Annual Meeting of Stockholders. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under her supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11(b) of the SRC Rule 20.

CERTIFICATION

I, **MARIA CELIA H. FERNANDEZ-ESTAVILLO**, incumbent *Corporate Secretary* of Rizal Commercial Banking Corporation, a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal place of business at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City ("Company"), do hereby certify that none of the directors and officers listed in the Information Statement work with the government.

MAY 21 2015

IN WITNESS WHEREOF, I have hereunto signed this Certificate this ____ day of May 2015 at Makati City, Philippines.

MARIA CELIA H. FERNANDEZ-ESTAVILLO
Affiant

MAY 21 2015

SUBSCRIBED AND SWORN to before me this ___ day of May 2015 at Makati City, affiant MARIA CELIA H. FERNANDEZ-ESTAVILLO who is personally known to me exhibiting to me her Community Tax Certificate No. 10560613 issued on 05 January 2015 at Manila City, and Passport No. EB8361199, valid until 9 June 2018.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-80 (2015-2016)
Until 31 December 2016
PTR No. 4753340; 01-06-15; Makati City
IBP No. 0983781; 01-06-15; Makati City
ROLL No. 40145
21st Floor Yuchengco Tower II, RCBC Plaza
Ayala Avenue, Makati City

Doc. No. 396;
Page No. 81;
Book No. 281;
Series of 2015.