RCBC
We believe in you.

23 March 2018

MR. JOSE VALERIANO B. ZUÑO, III
OIC - Head, Disclosure Department
THE PHILIPPINE STOCK EXCHANGE, INC.
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Dear Mr. Zuño,

We submit to the exchange an amendment of RCBC's Audited Financial Statement for the year ended December 31, 2017 filed on March 2, 2018.

An amendment has been made to:

a. Note 4.3.1 - Correction in the 2017 Group and Parent Balances of Peso and Foreign Deposit Liabilities

b. Note 23.1 - Correction in the 2017 number of Preferred and Common Shares

Thank you.

Very truly yours,

Ma. Christina P. Alvarez

MA. CHRISTINA P. ALVAREZ
Senior Vice President and Corporate Information Officer

cc: Ms. Erika Grace C. Alulod, Philippine Dealing and Exchange Corporation

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:

(a) Impairment of Loans and Receivables

Description of the Matter

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

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

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

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

How the Matter was Addressed in the Audit

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

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

- checking and evaluating the methodology used by management whether it was in accordance with the individual and collective impairment assessments prescribed by Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*;
- on selected loan accounts, checking whether the loans identified for individual impairment assessment were appropriately classified according to credit grades and recalculating the net present values of expected future cash inflows using the effective interest rates applicable to each loan, which were compared to the outstanding balances of the loans; and,
- evaluating management's judgment applied in determining the significant assumptions and inputs used in computing the impairment loss for collective assessment such as default rates and loss given defaults by reviewing payment history for selected loans per economic activity or industry classification and credit grade.

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

Description of the Matter

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

How the Matter was Addressed in the Audit

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

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

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

(d) *Recoverability of Deferred Tax Assets*

Description of the Matter

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

How the Matter was Addressed in the Audit

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

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

Key audit matter we identified in our audit of the consolidated financial statements of the Group:

Assessment of Goodwill Impairment

Description of the Matter

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

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

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

How the Matter was Addressed in the Audit

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

PUNONGBAYAN & ARAULLO

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

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

February 26, 2018

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

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

See Notes to Financial Statements.

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

See Notes to Financial Statements.

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

	Notes	GROUP 2017	GROUP 2016	GROUP 2015	PARENT COMPANY 2017	PARENT COMPANY 2016	PARENT COMPANY 2015
NET PROFIT		**P 4,310**	P 3,870	P 5,128	**P 4,308**	P 3,868	P 5,129
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**1,510**	(325)	(1,045)	**1,491**	(349)	(987)
Fair value gains (losses) on financial assets at fair value through other comprehensive income	10, 23	**(156)**	1,442	(140)	**(269)**	1,395	(220)
		1,354	1,117	(1,185)	**1,222**	1,046	(1,207)
Share in other comprehensive income of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12, 24	**4**	-	1	**23**	24	(57)
Fair value gains on financial assets at fair value through other comprehensive income	10, 12, 23	**-**	-	-	**113**	47	77
		4	-	1	**136**	71	20
		1,358	1,117	(1,184)	**1,358**	1,117	(1,187)
Items that will be reclassified subsequently to profit or loss							
Share in other comprehensive income (loss) of the subsidiaries - Translation adjustments on foreign operations	12, 23	**(1)**	25	(10)	**(1)**	25	(10)
Total Other Comprehensive Income (Loss)	23	**1,357**	1,142	(1,194)	**1,357**	1,142	(1,197)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 5,667**	P 5,012	P 3,934	**P 5,665**	P 5,010	P 3,932
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 5,665**	P 5,010	P 3,932			
NON-CONTROLLING INTERESTS		**2**	2	2			
		P 5,667	P 5,012	P 3,934			

See Notes to Financial Statements.

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

GROUP

	Notes	ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS: COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2017		P 13,999	P 3	P 22,635	P -	P 621	P 415	(P 97)	P 24,531	P 62,107	P 26	P 62,133
Transactions with owners	29											
Cash dividends		-	-	-	-	-	-	-	(773)	(773)	-	(773)
Total comprehensive income for the year	30	-	-	-	-	1,337	-	-	4,308	5,645	2	5,647
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 11	-	-	-	-	(4)	-	-	4	-	-	-
Transfer from surplus to reserve for trust business	32	-	-	-	-	-	21	-	(21)	-	-	-
		-	-	-	-	1,333	21	-	3,518	4,872	2	4,874
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P -	P 1,954	P 436	(P 97)	P 28,049	P 66,979	P 28	P 67,007
Balance at January 1, 2016		P 13,999	P 3	P 22,635	P -	(P 518)	P 388	(P 97)	P 21,695	P 58,105	P 24	P 58,129
Transactions with owners	29											
Cash dividends		-	-	-	-	-	-	-	(1,008)	(1,008)	-	(1,008)
Total comprehensive income for the year	30	-	-	-	-	1,143	-	-	3,867	5,010	2	5,012
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 11	-	-	-	-	(4)	-	-	4	-	-	-
Transfer from surplus to reserve for trust business	32	-	-	-	-	-	27	-	(27)	-	-	-
		-	-	-	-	1,139	27	-	2,836	4,002	2	4,004
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P -	P 621	P 415	(P 97)	P 24,531	P 62,107	P 26	P 62,133
Balance at January 1, 2015		P 12,757	P 3	P 16,148	P 4,883	P 682	P 366	(P 97)	P 18,367	P 53,109	P 22	P 53,131
Transactions with owners	29											
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	-	7,729	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	-	(723)	(5,606)	-	(5,606)
Cash dividends		-	-	-	-	-	-	-	(1,059)	(1,059)	-	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	-	(1,782)	1,064	-	1,064
Total comprehensive income (loss) for the year	30	-	-	-	-	(1,197)	-	-	5,129	3,932	2	3,934
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 11	-	-	-	-	(3)	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	32	-	-	-	-	-	22	-	(22)	-	-	-
		1,242	-	6,487	(4,883)	(1,200)	22	-	3,328	4,996	2	4,998
Balance at December 31, 2015		P 13,999	P 3	P 22,635	P -	(P 518)	P 388	(P 97)	P 21,695	P 58,105	P 24	P 58,129

See Notes to Financial Statements.

	Notes	PARENT COMPANY 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, 2017		P 13,999	P 3	P 22,635	P -	P 621	P 378	P 24,401	P 62,037
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(773)	(773)
Total comprehensive income for the year	23	-	-	-	-	1,357	-	4,308	5,665
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	-	(4)	-	4	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	16	(16)	-
		-	-	-	-	1,353	16	3,523	4,892
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P -	P 1,974	P 394	P 27,924	P 66,929
Balance at January 1, 2016		P 13,999	P 3	P 22,635	P -	(P 518)	P 356	P 21,560	P 58,035
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,008)	(1,008)
Total comprehensive income for the year	23	-	-	-	-	1,142	-	3,868	5,010
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	-	(3)	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	22	(22)	-
		-	-	-	-	1,139	22	2,841	4,002
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P -	P 621	P 378	P 24,401	P 62,037
Balance at January 1, 2015		P 12,757	P 3	P 16,148	P 4,883	P 682	P 341	P 18,225	P 53,039
Transactions with owners	23								
Issuance of common shares during the year		1,242	-	6,487	-	-	-	-	7,729
Redemption of hybrid perpetual securities		-	-	-	(4,883)	-	-	(723)	(5,606)
Cash dividends		-	-	-	-	-	-	(1,059)	(1,059)
Total transactions with owners		1,242	-	6,487	(4,883)	-	-	(1,782)	1,064
Total comprehensive income (loss) for the year	23	-	-	-	-	(1,197)	-	5,129	3,932
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	-	(3)	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	15	(15)	-
		1,242	-	6,487	(4,883)	(1,200)	15	3,335	4,996
Balance at December 31, 2015		P 13,999	P 3	P 22,635	P -	(P 518)	P 356	P 21,560	P 58,035

See Notes to Financial Statements.

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

	Notes	GROUP 2017	GROUP 2016	GROUP 2015	PARENT COMPANY 2017	PARENT COMPANY 2016	PARENT COMPANY 2015
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 3,151	P 3,696	P 4,821	P 5,003	P 3,529	P 5,147
Adjustments for:							
Interest income		(25,118)	(23,137)	(21,520)	(17,667)	(16,529)	(15,763)
Interest received		24,809	23,570	21,149	17,536	16,962	15,593
Interest paid		(7,240)	(7,253)	(5,861)	(5,087)	(5,889)	(4,720)
Interest expense		7,097	7,430	5,943	5,272	5,966	4,838
Impairment losses - net	16	2,155	1,770	2,350	1,164	856	1,150
Depreciation and amortization	13, 14, 15	1,914	1,766	1,611	1,088	985	1,030
Dividend income	25	(234)	(449)	(237)	(196)	(307)	(87)
Share in net earnings of subsidiaries and associates	12	(92)	(131)	(93)	(2,112)	(1,500)	(1,535)
Gains on assets sold	14, 25	(441)	(120)	(281)	(378)	(139)	(162)
Operating profit before working capital changes		8,001	7,142	7,882	4,622	3,934	5,491
Decrease (increase) in financial assets at fair value through profit and loss		10,488	(12,967)	11,546	10,822	(13,082)	11,069
Decrease (increase) in financial assets at fair value through other comprehensive income		316	(1,471)	(493)	139	48	(339)
Decrease (increase) in loans and receivables		(50,172)	(6,748)	(39,325)	(38,690)	4,666	(27,179)
Decrease (increase) in investment properties		(615)	(212)	1,502	(12)	15	408
Decrease (increase) in other resources		1,693	(528)	(1,469)	285	354	(96)
Increase (decrease) in deposit liabilities		38,335	10,715	26,601	28,502	(5,905)	16,048
Increase (decrease) in accrued interest, taxes and other expenses		(893)	338	(89)	(292)	179	(15)
Increase (decrease) in other liabilities		1,911	(256)	232	950	(1,385)	(93)
Cash generated from (used in) operations		6,364	(3,987)	6,189	6,026	(9,176)	5,294
Cash paid for taxes		(605)	(574)	(602)	(477)	(501)	(540)
Net Cash From (Used in) Operating Activities		5,759	(4,561)	5,587	5,549	(9,677)	4,754
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from disposal and maturity of securities at amortized cost		25,296	61,288	42,563	24,251	57,087	42,772
Additional investments in securities at amortized cost		(33,570)	(11,271)	(63,991)	(27,549)	(10,473)	(63,972)
Acquisitions of bank premises, furniture, fixtures, and equipment	13	(1,521)	(2,782)	(1,961)	(899)	(1,129)	(1,411)
Acquisitions of intangible assets	15	(304)	(294)	(1,348)	(267)	(270)	(1,243)
Cash dividends received	12, 25	296	560	313	600	307	766
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	203	854	461	102	344	242
Additional investments in subsidiaries and associates	12	-	-	-	-	-	(750)
Net Cash From (Used in) Investing Activities		(9,600)	48,335	(23,963)	(3,762)	45,866	(23,596)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	18, 32	20,561	35,668	47,068	15,477	31,325	46,442
Payments of bills payable	18, 32	(14,472)	(45,429)	(37,463)	(10,788)	(45,429)	(37,463)
Redemption of bonds payable	19, 32	(13,687)			(13,687)		
Dividends paid	23	(773)	(1,008)	(1,059)	(773)	(1,008)	(1,059)
Issuance of bonds payable	18, 32	-	-	15,878	-	-	15,878
Issuance of common stock		-	-	7,729	-	-	7,729
Redemption of hybrid perpetual securities		-	-	(5,173)	-	-	(5,173)
Net Cash From (Used in) Financing Activities		(8,371)	(12,769)	26,980	(9,771)	(15,112)	26,554
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Forward)*		(P 12,212)	P 31,005	P 8,604	(P 7,984)	P 21,077	P 7,512

See Notes to Financial Statements.

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

See Notes to Financial Statements.

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

1. CORPORATE MATTERS

1.1 Incorporation and Operations

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

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

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

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

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

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

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

1.2 Subsidiaries and Associates

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

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