

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

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

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

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

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

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

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

- RCBC and certain subsidiaries engage in trade of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period. [Note 28.3, Notes to Financial Statements]
- RCBC's and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by RCBC's and RSB's Trust Departments in accordance with the respective trust agreements covering the plan. The retirement fund neither provides guarantee or surety for any obligation of the Group nor its investment in its own shares of stock covered by any restriction and liens. [Note 28.4, Notes to Financial Statements]
- RCBC and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RRC). Rental expense incurred by the Group related to this lease arrangements is included as part of Occupancy and Equipment-related account in the

statements of profit or loss. RCBC's lease contract with RRC is effective until December 31, 2020 after it was renewed in 2015 for another five years. The outstanding payable on the lease contract is presented as part of Accounts payable under Other Liabilities account in the 2017 and 2016 statements of financial position. The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand. [Note 28.5(a), par.1, Notes to Financial Statements]

- RCBC entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza. Rental income by RCBC related to the sublease arrangements is included as part of Rentals under the Miscellaneous income account in the statements of profit or loss. The outstanding receivable on the lease contracts is presented as part of Accounts receivable under Loans and Receivables account in the statements of financial position. The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that the receivables on the sublease agreements are fully recoverable. [Note 28.5(a), par.2, Notes to Financial Statements]
- In October 2013, RCBC and RSB entered into a lease agreement covering certain office and parking spaces of RSB Corporate Center at a monthly rental fee of P7. The monthly rental payments are subject to an escalation rate of 5% annually effective in 2014 up to the 5th year of the lease term. The lease is for a period for five years which shall end in October 2018 and renewable as may be agreed by the parties. The outstanding receivable on the lease contract is presented as part of Accounts receivable under Loans and Receivables account in the statements of financial position. The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that receivable from the lease contract is fully recoverable. [Note 28.5(b), Notes to Financial Statement]
- RCBC has a Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide RCBC with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of RCBC's credit card business. The total service processing fees incurred by RCBC is recognized as part of the Service and processing fees under the Miscellaneous Expenses account in the statements of profit or loss. The outstanding payable related to the service agreement is presented as part of Accounts payable under Other Liabilities account in the statements of financial position. The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand. [Note 28.5(c), Notes to Financial Statement]
- On May 25, 2015, RCBC's BOD approved the equity infusion into Rizal Microbank of P250 million by purchasing additional 2,500,000 common shares of stock with par value of P100 each. The additional capital infusion into Rizal Microbank was approved by BSP on September 30, 2015. [Note 12.1, par. 1, Notes to Financial Statements]

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

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

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

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

- The Bank has service agreements with RCBC Savings Bank (RSB) and RCBC Bankard Services Corporation (RBSC) for the in-sourced internal audit services. The Bank provides full-scope audit services to RSB and limited audit services to Bankard Inc., specifically IT audit, operations audit and financial statements review. Also, the Bank has formalized the service agreements for the internal audit services being provided to subsidiaries namely: RCBC Capital Corp., RCBC Securities, Inc., RCBC Forex Brokers Corp., Merchant Savings and Loan Association, Inc. (Rizal Microbank), RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.
- The Bank has a service agreement with RCBC Forex Brokers Corporation (RCBC Forex) for in-sourced services, rendered by the following business units: 1) business and operational risk, 2) compliance, 3) internal audit, 4) information technology, and 5) human resources. The services shall be limited to: compliance with relevant laws, rules and regulations, market, liquidity, and operational risk management, internal audit, information technology, review of salary and processing of payroll on a bi-monthly basis, and implementation of exclusive succession planning, human resources information system and database administration and organization of training programs.
- The Bank has a service agreement with RCBC Forex and RSB for the referral of money service business customers to RCBC Forex, to facilitate the purchase and/or sale of foreign currencies. The services to be rendered are relative to account opening and compliance with customer identification regulatory requirements.

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

The Bank does not have any transactions with promoters within the past five (5) years. The Bank does not have transactions with parties that fall outside the definition of related parties under regulations, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV - EXHIBITS AND SCHEDULES

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

(a) Reports on SEC Form 17-C

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

01-26-2017 Other Events

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

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

01-30-2017 Other Events

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

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

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

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

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

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

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

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

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

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

4. Concurrent and interlocking appointment of Atty. George Gilbert G. dela Cuesta as Corporate Secretary of RCBC Savings Bank. Atty. dela Cuesta is currently the Bank's Corporate Secretary and Head of the Legal Affairs Group.
5. Confirmation of concurrent and interlocking appointment of Atty. Elsie S. Ramos as Corporate Secretary of Niyog Property Holdings, Inc. Atty. Ramos is currently the Head of the Bank's Legal Affairs Division.

02-27-2017 Other Events

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

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

03-10-2017 Other Events

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

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

04-11-2017 Legal Proceedings

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

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

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

04-17-2017 Other Events

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

04-26-2017 Other Events

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

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

04-26-2017 Other Events

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

06-27-2017 Other Events

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

Regular Meeting of the Board of Directors

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

From Senior Vice President to First Senior Vice President

Alberto N. Pedrosa

Joseph Colin B. Rodriguez

From First Vice President to Senior Vice President

Lalaine I. Bilaos
Emmanuel Mari K. Valdes
Honorata V. Po

2. Concurrent and interlocking appointment of Atty. Jocelyn Grace N. Navato (RCBC, Assistant Corporate Secretary) as Corporate Secretary of RCBC Leasing and Finance Corporation/RCBC Rental Corporation and of Rizal Microbank.
3. Appointment of Ms. Ana Luisa S. Lim, Executive Vice President as Officer-In-Charge of the Regulatory Affairs Group, effective 01 July 2017 in view of the resignation of Atty. Richard David C. Funk III.

Annual Stockholders' Meeting

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

As Regular Directors

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

As Independent Directors

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

2. Approval of the 2016 Annual Report and 2016 Audited Financial Statements; and
3. Appointment of Punongbayan & Araullo as the Bank's external auditor for the fiscal year 2017.

Organizational Board of Directors Meeting:

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

2. Appointment the following as Members of the Advisory Board:
Ms. Yvonne S. Yuchengco
Mr. Francis C. Laurel
3. Appointment of Ms. Helen Y. Dee as Chairperson, and Mr. Cesar E. A. Virata as Corporate Vice-Chairperson.
4. Appointment of the following as Chairpersons and Members of the Various Committees:

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

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

07-10-2017 Other Events

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

07-20-2017 Other Events

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

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

07-31-2017 Other Events

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

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

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

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

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

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

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

09-13-2017 Other Events

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

09-19-2017 Other Events

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

09-25-2017 Other Events

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

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

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

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

10-3-2017 Other Events

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

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

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

11-24-2017 Other Events

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

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

11-27-2017 Other Events

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

1. Increase in Authorized Capital Stock, particularly the increase in the Authorized Common Shares to 2.6 Billion from 1.4 Billion with par value of P10.00 per share).
2. Amendment of Article Seventh of the Articles of Incorporation to reflect the increase of Authorized Common Shares to 2.6 Billion from 1.4 Billion with par value of P10.00 per share).
3. Holding of a Special Stockholder's Meeting on January 29, 2018 to submit for stockholders' approval the Increase in Authorized Capital Stock and the corresponding Amendment of the Articles of Incorporation.
4. Secondment of Mr. Joseph Colin B. Rodriguez to RCBC Forex Corporation as President & Chief Executive Officer.

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

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

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

12-12-2017 Other Events

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

SIGNATURES

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

RIZAL COMMERCIAL BANKING CORPORATION

Issuer

By :



GIL A. BUENAVENTURA
President & CEO



CHESTER Y. LUY
SEVP, Head - Treasury Group



FLORENTINO M. MADONZA
SVP, Head - Controllership Group



MA. CHRISTINA P. ALVAREZ
SVP, Head - Corporate Planning Group



TRISTAN JOHN A. KABIGTING
VP, Head - General Accounting Division



ATTY. GEORGE GILBERT G. DELA CUESTA
FSVP, Corporate Secretary &
Head - Legal & Regulatory Affairs

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

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

DOC No. 231
Page No. 48
Book No. 400
Series of 20 18


ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-20(2017-2018)
Until 31 December 2018
PTR NO. 6616390;01-04-18; Makati City
IBP NO. 020208;01-04-18; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City



P&A
Grant Thornton
 An instinct for growth™

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

T +63 2 988 2288

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.

BURO OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANCE DIVISION

Date

APR 13 2018

SCES

RECEIVED

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.

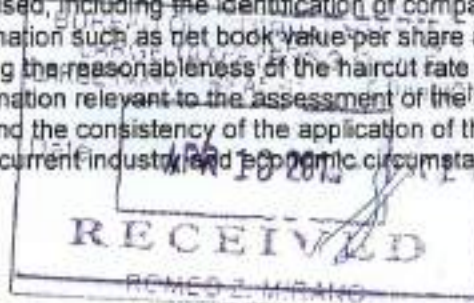
(b) Fair Value Measurement of Unquoted Security Classified at Fair Value Through Profit or Loss

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

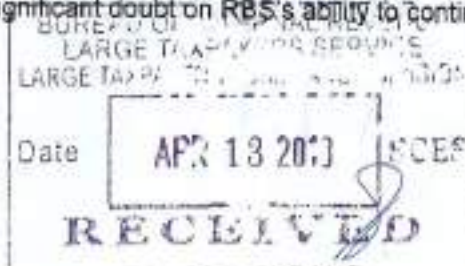
As of December 31, 2017, the balance of goodwill amounted to P268 million, which is included as part of the Other Resources account in the Group's statement of financial position. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment 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 RSB'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.

RECEIVED

DOUGLAS M. MIRANO



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

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

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

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

Report on Other Legal and Regulatory Requirements

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

ROMEO Z. MENDOZA

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. 6816005, 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

