



20

YEARS OF EXCELLENCE

THROUGH PEOPLE,
PROCESSES, PRODUCTS
AND POLICIES

ROBINSONSBANK

A Commercial Bank



2017

ANNUAL REPORT

Through the years, Robinsons Bank has played a significant role in the banking industry, offering a wide array of innovative financial services with all the convenience of modern technology. It has earned a solid measure of trust and confidence, gaining wide preference as a commercial bank with over two decades of commitment to fulfill the community's changing needs. Robinsons Bank continuously mounts into greater heights in making banking easier for its clients in every possible way, providing its customers a wider boutique of product and service offerings, flexible financial solutions, branch expansions, and digital improvements.

YEARS OF EXCELLENCE
THROUGH PEOPLE,
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AND POLICIES

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MILESTONES

1997
Established as a Savings Bank
1 BRANCH

2002
22 BRANCHES

2010
Acquired the local commercial banking unit of Royal Bank of Scotland (Phils.)
RBS The Royal Bank of Scotland

2012
76 BRANCHES

2015
Capital Infusion of Php 6.4B

2016
136 BRANCHES

2017
146 BRANCHES

2018
253* BRANCHES
*As of May 31, 2018

Conversion to a full-fledged Commercial Bank
Acquired 20 branches of ABN AMRO Bank, Inc.

Acquired Legazpi Savings Bank (LSB) which has 11 branches

56 BRANCHES

2015
125 BRANCHES

Roll out of the Bank's strategic plan Roadmap 2020. Initial Phase: Capacity Building

2016
Phase 2 of Roadmap 2020: Core Income Growth

2017
Phase 3: Launch of Robinsons Bank UNO® Mastercard and Robinsons Bank DOS® Mastercard

Launch of Personal Online Banking & Mobile App

2018
253* BRANCHES
*As of May 31, 2018

ATM

ATM

Oversubscribed LTNCD issuance of Php 4.1B

ROBINSONS BANK CELEBRATES 20 YEARS!

Robinsons Bank has always been a bank for the people. We define success as how we make a difference to our customers, communities, and employees. This year marks our 20th anniversary. 20 years of serving the community and giving the best service to our customers.

Pivotal to the Bank's growth was the successful implementation of the Roadmap 2020. The Roadmap 2020 covers the implementation of the Bank's strategies in three phases that have been pivotal to Robinsons Bank's sturdy core

income as we have reached the Php 100 billion mark in our total resources.

Robinsons Bank's anniversary logo captures the power and passionate upward movement of the company in strengthening its core components: people, processes, products, and policies.

We continue towards our goal to be the Bank of Choice by continuously improving on our products and services to meet our customers' changing needs.



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ABOUT THE COVER

Robinsons Bank's 20 years of excellence has performed a momentous leap through its people, processes, products and policies. Over two decades, the Bank takes pride of its sustained growth momentum, following the successful implementation of its strategies. The robust developments and achievements in 2017 are testaments of the Bank's sustained determination to be among the top banks in the country. Steered by its five-year strategic thrust Roadmap 2020, the Bank completed another milestone alongside the strong domestic economic performance with major initiatives still in the pipeline. Today, Robinsons Bank is rising up to greater challenges, expanding and moving forward confidently to fulfill its vision to be "the Bank of Choice."

VISION

We are the Bank of Choice driven to fulfill your changing needs.



MISSION

Aiming to be better everyday.

Committed to provide to the:

- Customers - best experience
- Employees - winning culture
- Owners - outstanding returns
- Community - responsive organization



CORE VALUES

- Care
- Excellence
- Leadership
- Teamwork
- Integrity
- Change



BANK'S BRAND

Robinsons Bank has maintained a brand philosophy of commitment to the community for over 20 years – a drive of fulfilling its customers' changing needs. In line with JG Summit Conglomerate's endeavor of leading the country to global competitiveness and making life better for every Filipino, the institution continues to uphold its aim to be better every day.

The financial organization mounts on the vision of being the Bank of Choice and carries on initiatives of creating opportunities for more people to experience the rewards of having a bank that takes care of their needs. Through its dedication to provide the best experience, winning culture, outstanding returns, and as a responsive organization, the Bank embraces and extends more than just being a financial arm but builds relationships beyond banking.



Photo by Enrique Emmanuel S. Ruiz de Luzuriaga



ROBINSONSBANK

A Commercial Bank

BUSINESS MODEL:

Robinsons Bank aims to be one of the top banks in the Philippines, offering innovative and competitive financial products and services to its clients. To achieve this, the Bank has set a five-year strategic plan entitled "Roadmap 2020" in 2015 to guide all its employees and units in achieving that goal. The roadmap covers: refocusing of strategies; rebranding; structure reorganization of key support units; process improvement; expanding lending and branch network; product development; and fully explore business opportunities within its target markets. The Roadmap 2020 has three phases namely: (1) capacity building, (2) core income growth and (3) expanded business ventures.

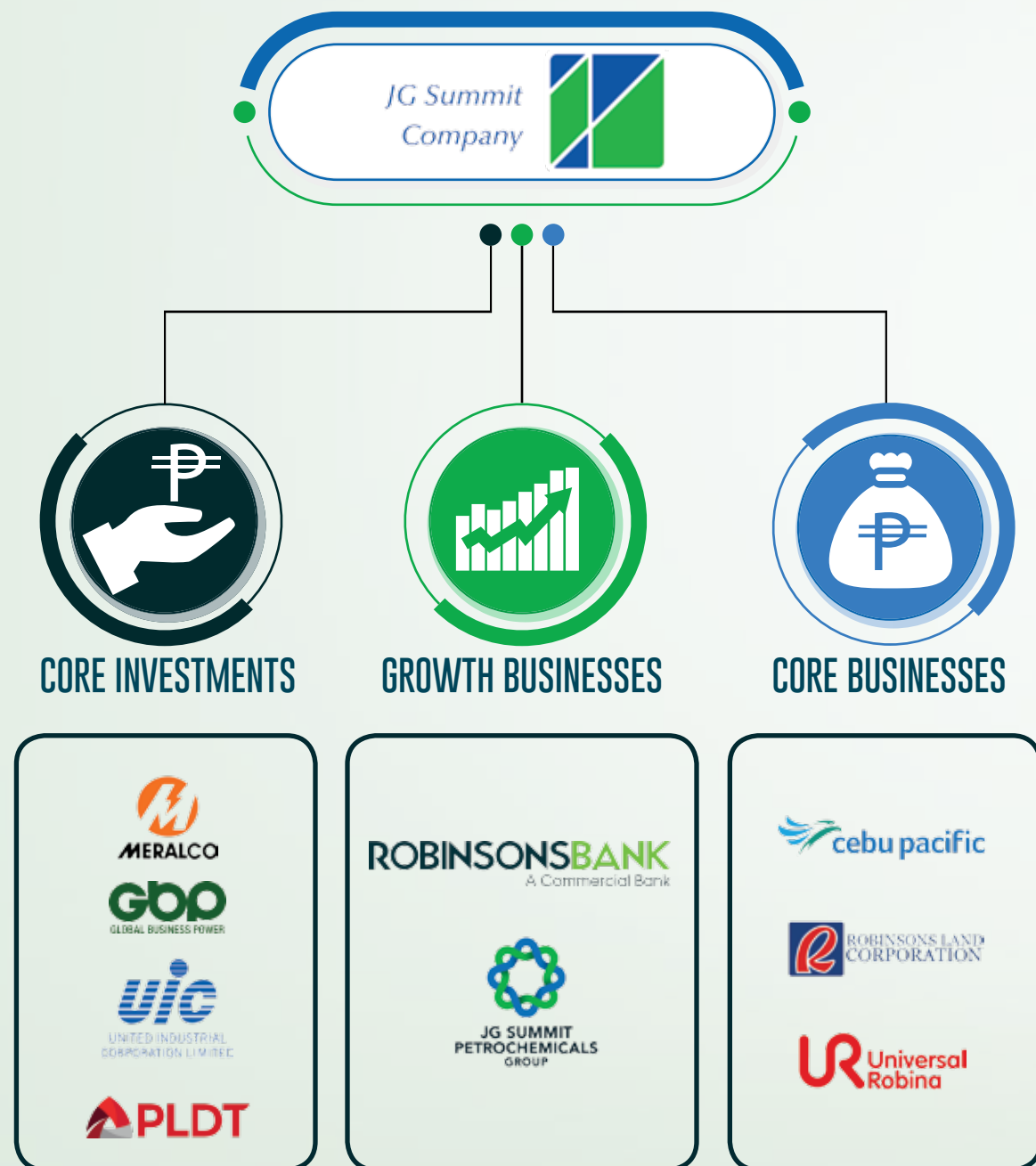
The Bank's key strategic thrusts for 2018 include (1) generating core income, (2) engineering new products and services to generate fee income, which includes bancassurance and the credit card business; (3) accelerating digitization through enhanced IT infrastructure to support new digital products, Robinsons Bank Personal Online Banking and mobile application; and (4) reaching greater market coverage by opening 19 new branches and installing 55 new ATMs.

WHO WE ARE

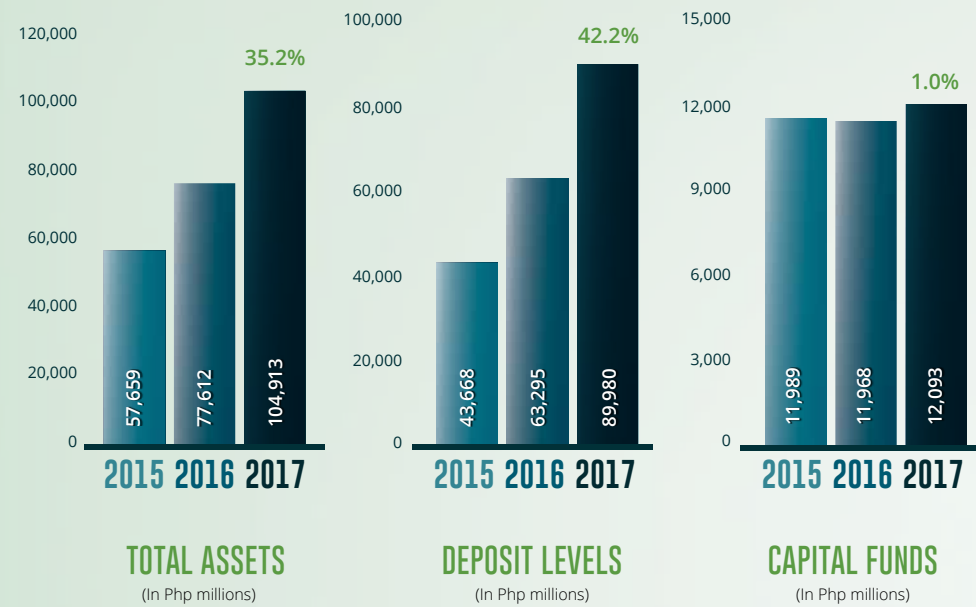
OWNERSHIP STRUCTURE OF THE BANK

“ ROBINSONS BANK IS THE FINANCIAL SERVICES ARM OF THE JG SUMMIT GROUP OF COMPANIES. THE BANK IS 60% OWNED BY JG SUMMIT CAPITAL SERVICES CORP. . . .

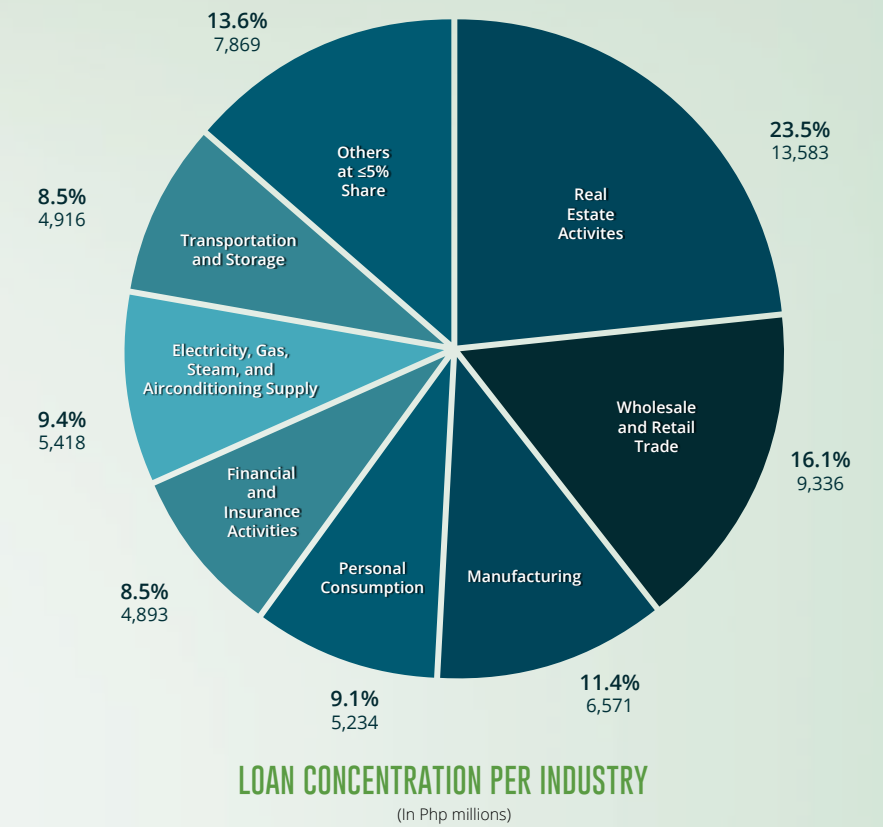
“ . . . AND 40% OWNED BY ROBINSONS RETAIL HOLDINGS, INC., A LISTED COMPANY SINCE NOVEMBER 2013.



CONSOLIDATED FINANCIAL HIGHLIGHTS



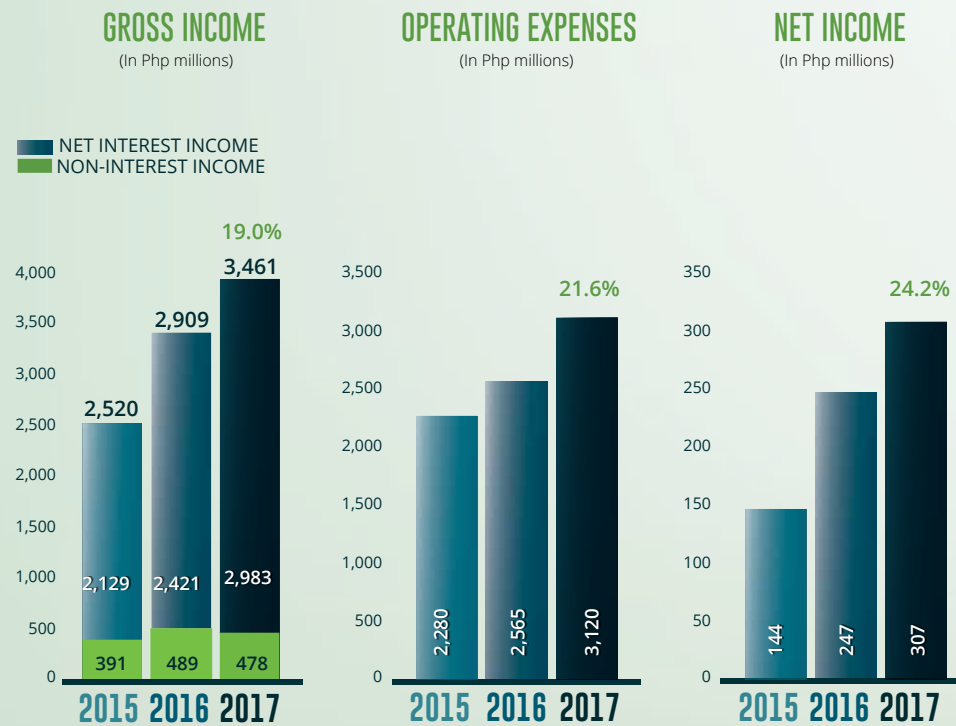
150*
BRANCHES



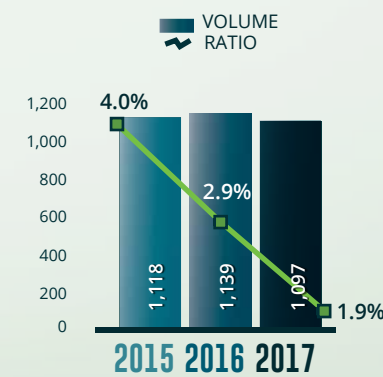
253* ATM

3*
MICRO BANKING

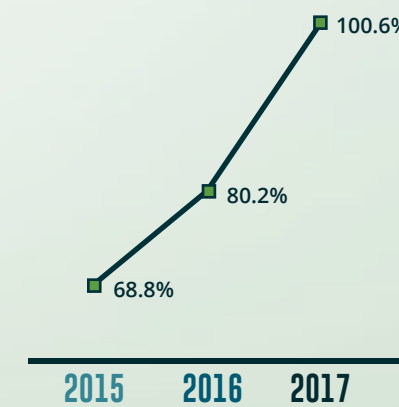
*As of May 31, 2018



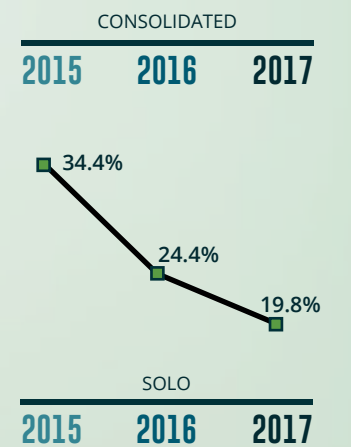
NON-PERFORMING LOANS (In Php millions)



NPL COVERAGE



CAPITAL ADEQUACY RATIO



CONSOLIDATED FINANCIAL HIGHLIGHTS

	CONSOLIDATED	
	2016	2017
Common Equity Tier 1 Capital	10,570	10,475
Additional Tier 1 Capital	-	-
Tier 1 capital	10,570	10,475
Tier 2 capital	331	491
Total qualifying capital	10,901	10,966
Credit RWA	46,439	49,861
Market RWA	222	1,340
Operational RWA	4,355	4,696
Total RWA	51,016	55,897
Common Equity Tier 1 Ratio 1	20.72%	18.74%
Additional Tier 1 Ratio	0.00%	0.00%
Tier 1 capital ratio	20.72%	18.74%
Tier 2 capital ratio	0.65%	0.88%
Risk-based capital adequacy ratio	21.37%	19.62%

	CONSOLIDATED	
	2016	2017
Profitability		
Total Net Interest Income	2,420,561,759	2,982,652,718
Total Non-Interest Income	488,860,815	478,363,240
Operating Expenses	2,565,262,652	3,119,972,137
Net Income	247,480,478	307,387,382
Selected Balance Sheet Data		
Liquid Assets	19,868,117,528	24,804,421,652
Gross Loans	38,941,019,737	57,820,089,820
Total Assets	77,611,891,486	104,913,030,870
Deposits	63,295,100,026	89,979,587,799
Total Equity	11,968,216,189	12,093,333,380
Selected Ratios		
Return on Average Equity	2.07	2.56
Return on Average Assets	0.37	0.34
CET 1 Capital Ratio	20.72%	18.74%

	PARENT BANK	
	2016	2017
Common Equity Tier 1 Capital	10,270	10,243
Additional Tier 1 Capital	-	-
Tier 1 capital	10,270	10,243
Tier 2 capital	318	478
Total qualifying capital	10,588	10,721
Credit RWA	38,931	48,542
Market RWA	223	1,340
Operational RWA	4,224	4,365
Total RWA	43,378	54,247
Common Equity Tier 1 Ratio 1	23.68%	18.88%
Additional Tier 1 Ratio	0.00%	0.00%
Tier 1 capital ratio	23.68%	18.88%
Tier 2 capital ratio	0.73%	0.88%
Risk-based capital adequacy ratio	24.41%	19.76%

	PARENT BANK	
	2016	2017
Profitability		
Total Net Interest Income	2,251,662,800	2,785,356,456
Total Non-Interest Income	463,642,477	449,086,971
Operating Expenses	2,398,759,020	2,929,214,814
Net Income	247,480,478	307,387,382
Selected Balance Sheet Data		
Liquid Assets	18,960,336,495	23,836,824,261
Gross Loans	37,959,119,839	56,733,541,000
Total Assets	75,838,014,994	103,093,463,816
Deposits	61,543,647,131	88,183,016,718
Total Equity	11,968,216,189	12,093,333,380
Selected Ratios		
Return on Average Equity	2.07	2.56
Return on Average Assets	0.38	0.34
CET 1 Capital Ratio	23.68%	18.88%

MESSAGE FROM THE CHAIRMAN AND FROM THE PRESIDENT & CEO



2017 WAS SURROUNDED BY DOUBLE-DIGIT GROWTHS FROM THE PREVIOUS YEAR. THE BANK'S ASSETS GREW 35.2% AGAINST 2016, BREACHING PHP 100 BILLION MARK AT PHP 104.91 BILLION FROM PHP 77.61 BILLION. THIS IMPROVED THE BANK'S INDUSTRY RANKING, A NOTCH HIGHER, TO 19TH FROM 20TH IN TERMS OF ASSET SIZE."

LANCE Y. GOKONGWEI
CHAIRMAN



In 2017, motivated by the strong financial results from the previous year, we set out strategies for Robinsons Bank to continue to achieve the goals defined in our Roadmap 2020, the Bank's five-year strategic plan. In 2015, the Bank embarked on strategic thrusts for the next five years to rev up the Bank's growth towards its goal of becoming the **Bank of Choice**. From then on, the Bank has implemented major initiatives to expand its key businesses and generated core income growth, while strengthening corporate governance and risk management. Two years after, with careful and planned execution, the Bank has since reaped substantial achievements in its financial performance, including strides in industry rankings. We are proud of the collective efforts of all Robinsonsbankers in making a successful 2017.

The Bank's key theme for 2017 is GEAR up: **G**enerate core income, **E**ngineer new products and services, **A**ccelerate digitization, and **R**each greater market coverage. The theme enfolded the Bank's achievements for 2017 substantiated by the improvements in the economic condition globally and domestically. The global economic recovery and the

rebound in global trade marked 2017. The global gross domestic product (GDP) firmed up to 3.1% in 2017^[1] from 2.4% in 2016. This global growth is characterized by the synchronized upturn in all major economies, driven by investment resurgence in advanced economies, continued robust growth in emerging Asia, and notable upswing in emerging Europe. The US economy grew 2.3% in 2017, well-above the 1.5% growth in 2016. China grew stronger than expected at 6.9% amid manufacturing slowdown concerns.

In the region, ASEAN remains as a stable and an attractive investment destination, with ASEAN-5 growing by 5.3% in 2017^[2]. Domestically, the Philippine economy continued to be among the fastest growing emerging markets in the region with 6.7% post-election GDP growth, slightly above the lower bound of the government's 6.5 to 7.5% target. The country's growth was backed by strong household consumption, capital investment expenditure, and exports recovery. The consumer demand was supported by the Overseas Filipino

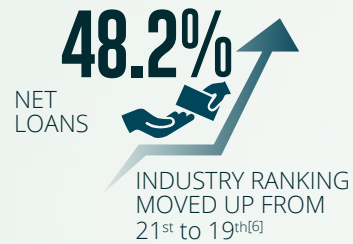
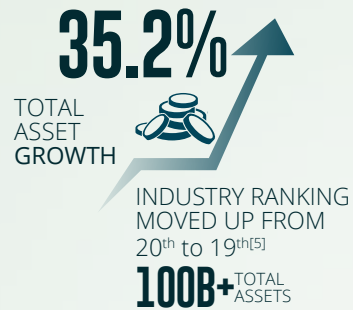
Workers' remittances, which grew 4.3% to USD 28.06 billion, and the USD 22.10 billion^[3] revenue from the Business Process Outsourcing sector which grew 9.6%. Productivity levels also went up with gross national income per capita growing 7.3% to Php 181,152.00, which was close to the upper middle-income status bracket of USD 4,036 to USD 12,475^[4].

We took advantage of these positive economic developments and business opportunities, which propelled the Bank to achieve strong financial results.



GENERATE CORE INCOME

In 2017, Robinsons Bank delivered a solid financial performance. 2017 was surrounded by double-digit growths from the previous year. The Bank's assets grew 35.2% against 2016, breaching Php 100-billion mark at Php 104.91 billion from Php 77.61 billion. This improved the Bank's industry ranking^[5], a notch higher, to 19th from 20th in terms of asset size. The Bank's net loans, which comprised 55.0% of the Bank's assets, recorded a strong growth of 48.2% to Php 57.65 billion from Php 38.90 billion a year ago, allowing the Bank to climb two notches up from 21st to 19th in its industry ranking^[6].



The Bank's funding source swiftly improved by 42.2% to Php 89.98 billion, outdoing 2016's performance which led to increase in industry ranking from 19th to 18th^[7].

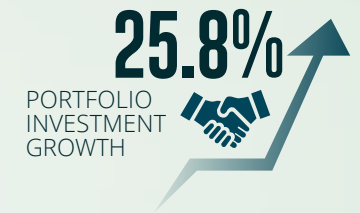
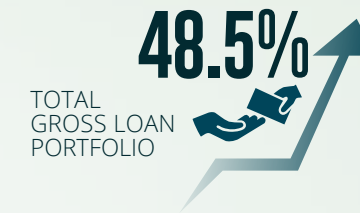
In June 2017, the Bank raised Php 4.18 billion from its first long-term negotiable certificates of deposit (LTNCD) issuance. This is a huge milestone for the Bank on our debut into the debt capital market. Robinsons Bank's LTNCD is now listed on fixed income trading platform Philippine Dealing and Exchange Corporation (PDEX). We are so happy that our peso-denominated primary issuance was favorably received, evidenced by the oversubscription of Php 1.18 billion from the Php 3.00 billion offer size. This will further support the Bank's expansion initiatives. This success is a testament of the public's trust and confidence in the Bank and in our shareholders JG Summit Holdings, Inc. and Robinsons Retail Holdings, Inc.

Moreover, the Bank has been successful in sustaining the loan booking volumes, notwithstanding, maintaining a sound credit quality. Amid loan expansion, the bad loans moved sideways. The Bank's gross non-performing loans (NPLs) improved a bit to Php 1.10 billion from Php 1.14 billion in 2016, with gross NPL ratio dropping significantly to 1.9% from 2.9% last year.

We also continued to build up buffers to further strengthen the overall stability of the Bank. Robinsons Bank maintained satisfactory asset quality and adequate provisioning. The Bank continued to set aside additional allowance for credit losses resulting to an improved NPL coverage ratio of 100.56% from 80.2% in 2016. Moreover, the Bank has strong capital buffers, with Capital Adequacy Ratio (CAR) of 19.6% and Common Equity Tier 1 (CET1) ratio of 18.74%, generally

well-above the Bangko Sentral ng Pilipinas (BSP) regulatory requirement.

In 2017, the Bank focused on lending activities. Our total gross loan portfolio expanded at a faster pace with 48.5% growth compared to the portfolio investment's growth of 25.8%.



Key Business Drivers (Consolidated)

Php in millions, except ratios and where otherwise noted		2016	2017	YoYΔ
Key Performance Indicators (KPIs)	Assets	77,611.89	104,913.03	35%
	Liabilities	65,643.68	92,819.70	41%
	Equity	11,968.22	12,093.33	1%
	Capital Adequacy Ratio (CAR)	21.37%	19.62%	-8%
	Net Income	247.48	307.39	24%
	ROAE	2.07%	2.56%	24%
	ROAA	0.37%	0.34%	-8%
	Net interest Margin	3.92%	3.50%	-11%
	Number of Branches (n)	134	146	9%
	Number of ATMs (n)	225	248	10%
Other banking offices (n)	8	8	0%	
Headcount (n)	1,608	1,868	16%	
Profitability	Interest Income	3,069.42	4,109.48	34%
	Interest Expense	648.86	1,126.83	74%
	Other Income	488.86	478.36	-2%
	Gross Income	2,909.42	3,461.02	19%
	Operating Expense	2,565.26	3,119.97	22%
	Provision for Tax	96.68	33.66	-65%
	Net Income	247.48	307.39	24%
	EBTDA	646.25	667.18	3%
	Cost to Income	82.81%	83.18%	0%
Cost to Assets	3.10%	2.74%	-12%	
Deposits	Total Deposits	63,295.10	89,979.59	42%
	Current and Savings Deposits	22,156.92	24,475.84	10%
	Term Deposit and Special Savings	33,591.96	53,206.81	58%
	LTNCD		4,152.24	
	FCDU Deposits	7,546.22	8,144.70	8%
Number of customers (n)	191,707	201,703	5%	
Loans	Current Loans	37,802.39	56,723.18	50.1%
	Non-Performing Loans (NPL)	1,138.63	1,096.91	-4%
	Gross Loans	38,941.02	57,820.09	48.5%
	Gross charge-off rate	2.92%	1.90%	-35%
	Net NPL	353.75	481.43	36%
	Net charge-off rate	0.91%	0.83%	-8%
Active customers (n)	59,471	71,938	21%	
Investments	Security Holdings	15,296.39	19,243.16	26%
	IBCL	677.83	3,327.39	391%
	Deposit in BSP and in Other Banks	17,505.88	19,837.73	13%
Asset Quality	Trust Volume	15,507.74	16,424.74	6%
	Gross NPL ratio	2.92%	1.90%	-35%
	Net NPL ratio	0.91%	0.83%	-8%

^[1] World Bank estimate; IMF estimates GDP growth by 3.8% in 2017 and 3.2% in 2016

^[2] IMF estimate from 5% in 2016

^[3] BSP estimate last November 2017

^[4] World Bank definition

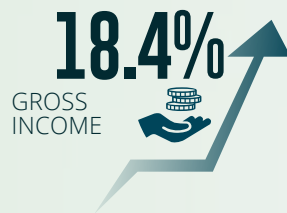
^[5] Ranking as to Total Assets as of December 17, 2017 according to BSP website http://www.bsp.gov.ph/banking/psoc/by_ranks/assets.htm

^[6] Ranking as to Total Loans as of December 17, 2017 according to BSP website http://www.bsp.gov.ph/banking/psoc/by_ranks/loans.htm

^[7] Ranking as to Total Deposits as of December 17, 2017 according to BSP website http://www.bsp.gov.ph/banking/psoc/by_ranks/deposits.htm

... OVERSUBSCRIPTION OF PHP 1.18 BILLION FROM THE PHP 3.00 BILLION OFFER SIZE.





Our gross income was recorded at Php 3.46 billion, an improvement by 18.4% from a year ago. The Bank's quality of earnings improved with greater reliance on core revenues.

The net interest income improved 23.2% to Php 2.98 billion from Php 2.42 billion last year. The Bank made an operating profit before tax of Php 341.0 million. The Bank's EBTDA increased by 3.2% to Php 667.18 million from Php 646.25 million in 2016.

The profitable operations anchored by the core lending activities resulted to a net income of Php 307.39 million, 24.2% higher than last year.

Robinsons Bank is in its growth trajectory. To sustain its momentum and align the Bank with the forthcoming growth strategies, organizational improvements were implemented. For market segmentation, the Lending Segment was split into Consumer and Regional Banking Segment and Corporate Banking Segment. Now, each group can focus on specific markets and offer products and services designed for their clients. On groups which services traverse the whole organization, they were consolidated under Enterprise Services Segment. To support the Bank's initiative of improving the customer experience through digital innovation and process improvements, the Customer Experience Group was created. Further, we formed the Cards Business Group and expanded the Cash Management Group to Transaction Banking Group.



ENGINEER NEW PRODUCTS AND SERVICES

Central to Robinsons Bank's strategic thrust is customer satisfaction. It is important to us that the new products and services introduced in the market will carry us towards customer-centricity. We launched a number of new and innovative products and solutions that considerably broadened the services we provide to customers.



ROBINSONS BANK SEES DIGITAL INNOVATION AS A GATEWAY TO EXPANSIVE OPPORTUNITIES IN DEVELOPING AND INTRODUCING WIDE ARRAY OF PRODUCTS AND SERVICES. THE BANK TAKES ADEQUATE STEPS IN THIS AGE OF DISRUPTION, INTENSE COMPETITION, AND EMERGENCE OF FINTECH COMPANIES, TO IMPROVE OUR EFFICIENCY AND DELIVER A DIFFERENTIATING CUSTOMER EXPERIENCE.”

ELFREN ANTONIO S. SARTE
PRESIDENT & CEO



CREDIT CARD BUSINESS: ROBINSONS BANK DOS[®] MASTERCARD

Ahead of schedule, the Bank rolled out Phase 3 of the Roadmap 2020. We set up and launched the credit card business in 2017.

This year, the Bank unleashed the power of 2-Gives through Robinsons Bank DOS[®] Mastercard. This is the Bank's response to our customers' needs. The DOS[®] Mastercard automatically splits all transactions into two monthly payments at zero percent interest rate. This consumer financial tool will help cardholders manage their finances and will give them greater power in spending. DOS[®] Mastercard, cardholders can now live life lighter.

The credit card business is inherent to Robinsons Bank being the financial arm of one of the largest conglomerates in the country, the JG Summit Group. The Bank will leverage on the conglomerate's business network to maintain a huge base and attract a large number of cardholders. Consequential to our cards business, soon, the Bank will venture into acquiring business.

DEBIT CARD BUSINESS: ROBINSONS BANK VISA

Robinsons Bank fully migrated our magstripe-based automated teller machine (ATM) cards to an EMV- (Europay, Mastercard, and Visa) chip enabled Visa Debit Card in 2017. This provided another level of security and convenience for the Bank's depositors. Our Visa debit card has enhanced security features, 3D secure with one-time password (OTP) and SMS confirmation features. Being a Visa branded debit card, our clients can have access to over 40 million Visa-affiliated merchants here and abroad with ease and protection.

BANCASSURANCE BUSINESS

The venture into bancassurance business is strategic to the Bank's Roadmap 2020. We find it important to choose the right partner who would help us deliver comprehensive financial protection products to our customers, carries an established business experience, and with global presence. We are happy to announce that the Board approved the partnership with Pru Life UK for the Bank's

bancassurance products. This synergy is seen to complement the Bank's vast footprint in retail and consumer businesses.

ACCELERATE DIGITIZATION

Robinsons Bank sees digital innovation as a gateway to expansive opportunities in developing and introducing wide array of products and services. The Bank takes adequate steps in this age of disruption, intense competition, and emergence of fintech companies, to improve our efficiency and deliver a differentiating customer experience.

Aligned with the Roadmap 2020, the Bank adapts digital strategies to support the Bank transform from a service organization to a customer-centric sales organization. As we move to be technology independent, we jumpstarted with the upgrade of the Robinsons Bank Personal Online Banking (POB) Web and the launch of the POB Mobile App in November 2017.

In the local setting, majority of the Filipinos with smartphones use mobile banking services due to its

convenience. We take advantage of the technological advancement in retail internet banking and added more capabilities to the POB Web to simplify online banking. Our new and improved POB Web has better bills payment, money transfer, security, and website navigation features and functionality. The website is designed to provide optimal view experience for easy reading and navigation across a wider range of devices, from mobile phones to desktop computer monitors. As an added security feature, the POB Web has Multifactor Authentication (MFA) thru OTP. We ensured it has secure infrastructure, email confirmation, micro-services infrastructure, and regular vulnerability assessment and penetration testing (VAPT).

The POB Mobile App allows the customer to perform the same transactions that may be found on the web version. The app can be downloaded by Android and iOS users. This mobile app is the Bank's omni-solution to handle all Bank products. The POB Mobile App has fingerprint scanner and secure device controls as security features.

The Bank will leverage on the capacity of the POB Web and POB Mobile App as one-stop shop service/selling channels for the Bank's products and services. This way, our clients can do banking with ease, anytime, anywhere.

Along with the products and services development, we are steadily investing substantial resources in our back office and operations side to support the digitization initiatives. Various systems enhancements and key IT security measures were implemented in 2017.

Last January, we put into effect the Check Image Clearing System (CICS), in time for the

National Go-Live mandated by the Philippine Clearing House Corporation. The CICS combines check image capture, workflow, archival, distribution, and exception item handling. This initiative reduced the costs associated with check handling and processing, raised back-office productivity, and overall improved the Bank's Check Clearing Operations.

We also developed and implemented Acacia LOS, the loan origination system for auto and housing loans, with built-in Credit Score Card Facility. This is the Bank's efficiency solution to the increasing volume of auto and housing loans.

In June, we implemented the Document Management System. This is the Bank's digital transformation initiative in our effort to store, archive, index, secure, and enable access to our documents in digitized form anytime and anywhere. This sophisticated system improved the Bank's document processing strategy, expedited the document processing cycles, improved the Management decision making, resulted to first-rate customer service, and aided in the compliance requirements as regulations evolve.

Likewise, the Bank instituted a card management system when we entered the credit card market space. For cost advantages, increased efficiency, and focus on core business, the Board chose an offshore partner in which the Bank can utilize as we enter the acquiring business. Also, we implemented 3D Secure Solution for the Mastercard Credit Card and VISA Debit Card as an additional security layer for online credit and debit card transactions. Moreover, we put in place an SMS Gateway system as part of the Bank's customer communication strategy and also to address the

Bank's requirement on MFA to prevent fraud and theft for e-banking customers.

Additionally, we continued to strengthen the Bank's cybersecurity infrastructure with the implementation of key IT-security initiatives, namely, Palo Alto Firewall, F5 Web Application Firewall, and Check Point Firewall to ensure high-level of protection.

These digital transformation initiatives that the Bank is pursuing is aligned with the digital roadmap that the entire JG conglomerate is undertaking. We are confident that this will fortify and expedite our goal in providing seamless user experience.

REACH GREATER MARKET COVERAGE

In 2017, we were successful in opening 12 branches. Together with our subsidiary Legazpi Savings Bank (LSB), we have a combined 150 network of branches and three (3) micro-banking offices. To date, the Bank is operating in 36 provinces in 15 regions. Majority of our branch remains in Metro Manila and we intend to strengthen our footprint in Visayas and Mindanao.

In the future, the Bank will be strategic in opening branches. With the liberalization initiatives of BSP as it responds to the changing preferences of the financial consumers and market conditions, we would like to take advantage of the recently approved 'branch lite' units.

CONCLUSION

2017 was an important year for Robinsons Bank. As we celebrate 20 years of delivering financial services to our clients, the Bank takes pride of the major achievements that led us to where we are today. Now that the Bank is on its journey towards digital transformation, we will integrate technology into all areas of our

business to fundamentally improve the way we deliver and add value to our customers' needs. This we see fit to make our Bank relevant.

Overall, Robinsons Bank delivered a strong 2017 performance. We made important steady steps to bring the Bank towards the right direction. It is ambitious and yet relative, but Robinsons Bank will utilize resources to fulfill its goal to be among the top banks in the country through continuous improvement.

We want to thank the Board, who has wealth of expertise, for their commitment and guidance in enabling the Bank deliver significant growth. Likewise, we would like to recognize the hard work of our senior officers in executing the strategies laid out in our Roadmap 2020. We share this success to the more than 1,800 Robinsonsbankers who have been instruments in building Robinsons Bank achieve its goals.

In 2018, Robinsons Bank will continue to execute the strategies designed in our Roadmap 2020 towards our vision of becoming the **"Bank of Choice driven to fulfill your changing needs."**



LANCE Y. GOKONGWEI
CHAIRMAN



ELFREN ANTONIO S. SARTE
PRESIDENT & CEO



OPERATIONAL HIGHLIGHTS



“ THE ACHIEVEMENTS IN 2017 ARE TESTAMENTS OF THE BANK’S SUSTAINED DETERMINATION TO BE AMONG THE TOP BANKS IN THE COUNTRY. ROBINSONS BANK MADE A SIGNIFICANT LEAP AS IT TURNS 20.

Robinsons Bank is extremely pleased to present to you our 2017 annual report. Our strong results across key performance metrics are highlighted by a significant milestone in surpassing Php 100 billion in assets. While we reflect on this collective achievement, we cannot become complacent. Your Company has established a solid foundation, and we remain focused on building market share and expanding delivery of our brand.

As of December 31, 2017 our net income stood at Php 307.39 million, 24% higher than 2016. In the face of an increasingly competitive interest rate environment, we managed substantial growth in loans of 49% to Php 57.82 billion from Php 38.94 billion in 2016. This was anchored by the 49% growth in both Bank's Commercial and Consumer Loans segments at Php 41.53 billion and Php 16.35 billion, respectively. The strong

growth in the lending business and robust deposit increase drove the Bank's net interest income by 23% to Php 2.98 billion.

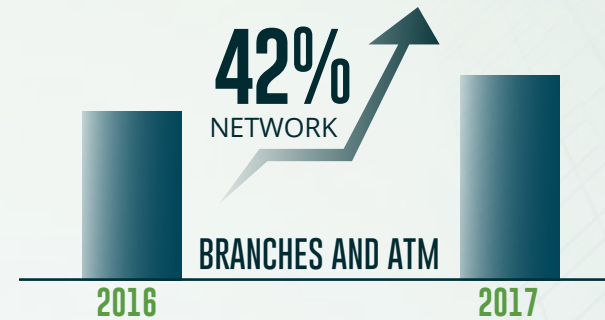
Moreover, the Bank's total deposits jumped 42% to Php 89.98 billion from Php 63.3 billion last year. This deposit level was sustained by the growing branch network, adding 12 branches in 2017, bringing the Bank's total nationwide footprint to 146 branches.

The achievements in 2017 are testaments of the Bank's sustained determination to be among the top banks in the country. Robinsons Bank made a significant leap as it turns 20. Moving forward, major initiatives are still in the pipeline which will contribute to the continued growth of the Bank. With the support of its 1,629 employees, Robinsons Bank is confident that it will fulfill its vision to be "the Bank of Choice."

RETAIL BANKING SEGMENT

“THE FUTURE OF RETAIL BANKING LIES IN ITS STRATEGIC INITIATIVES OF INVESTING IN INNOVATIONS THAT PLACE CUSTOMERS AT THE CENTER OF THE BANKING EXPERIENCE...”

In 2017, Robinsons Bank took a full leap of going the extra mile in delivering convenience and fulfilling its clients' needs. Robinsons Bank's efforts in creating an intuitive online banking experience has resulted in greater convenience for its customers and, in turn, enabled the bank to allocate greater resources to sales and advisory services at its branches.



The Retail Banking Segment (RBS) has delivered robust business results in 2017. As part of its growth and expansion, Robinsons Bank consistently increased its network by 42% to 152 branches and 253 ATMs nationwide as of May 31, 2018, with 15 branches and 16 ATMs from Legazpi Savings Bank, a wholly owned subsidiary of the Bank. The Bank's deposit levels swiftly improved by 42.2% to Php 89.98 billion, outdoing 2016's performance of 29.7% to Php 63.29 billion.



The conversion of the ATM cards to chip [EMV] rests primarily on the foundation of fraud control. As mandated by the BSP, the bank has worked hard to achieve full compliance

with this migration. In fact, Robinsons Bank has issued Visa Debit cards to the customers where they can transact nationwide within RBank ATMs.

Face-to-face personal interaction between customers and banking officers remains essential in establishing trust for longer term and more rewarding relationships. By doing so, the Bank conducted campaigns and even more trainings to equip the branch personnel with higher level of knowledge and skills in offering new products and services:

- A 2-day certification for Cash Management Services (CMS) for Business Center Heads conducted during the 3rd quarter of 2017.
- RBank's first issuance of Long Term Negotiable Certificate of Deposit (LTNCD), where the Retail Banking Segment generated Php 1.5 billion out of the total Php 4.1 billion subscription.
- The newly launched credit card of the Bank, where road shows were conducted during the 3rd quarter of 2017.

A stronger synergy between the Bank and the JG Summit conglomerate is also a priority, thus, Robinsons Bank's Transaction Banking Group participated in the Newly Accredited Supplier's Orientation Program (NASOP) held in March and in October 2017 which aims to develop new businesses with the partners and suppliers of the JG conglomerate.

Ultimately, the future of retail banking lies in its strategic initiatives of investing in innovations that place customers at the center of the banking experience.



CONSUMER AND REGIONAL BANKING SEGMENT

CONSUMER FINANCE GROUP

Consumer lending has been in a very competitive environment. Products like Auto and Housing Loans used to be offered by the smaller banks – the thrift and savings banks, but as the commercial and universal banks faced increasing competition for their core businesses of providing deposits and making loans, they too started offering consumer loans. The stiffer competition prompted better offers for the borrowing publics – lower equities, lower rates and faster processing turn – around time.

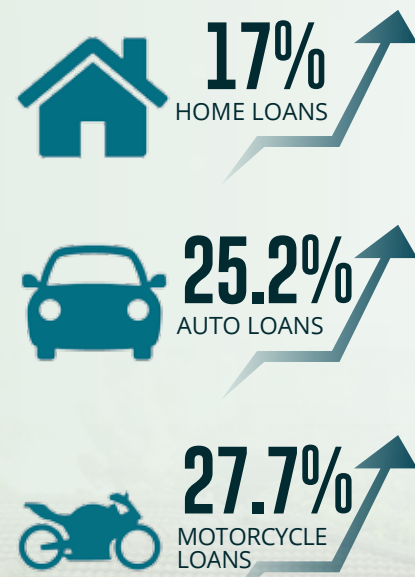
In addition to greater competition, banks faced greater competition from a variety of institutions in making and holding loans. Banks have long faced loan competition from consumer finance companies, particularly the “captive” finance arms of auto

companies and retailers. They also had to compete with Financial Technology (FinTech) companies that are also offering consumption loans that necessitate players to adopt more and be proactive to the changing needs of clients and financing environment.

For Robinsons Bank, consumer loans have made a significant contribution to the Bank’s growth from its early years as it continues to bring in more for the Bank. The Housing, Auto and Motorcycle Loans continue to be the primary drivers for consumer loans in the Bank with a 4-year Compound Annual Growth Rate (CAGR) of 17%, 25.2% and 27.7%, respectively. The steady middle-income base in the Philippines remains to be the target market for this segment, particularly in Housing Loan. On the other hand, the impact of the Tax Reform for Acceleration and Inclusion (TRAIN) Law has brought a slow to almost a flat growth in the Auto Loan segment this year. Hence, the Bank foresees an opportunity to increase its market share as it expands its reach to both branch and dealer channels.

The Bank’s strategy for Personal Loan remains to focus on the salary deducted segment to maintain the credit quality of its portfolio, with the existing corporate accounts of the Bank as its primary target market. In fact, Robinsons Bank recently launched its credit card product that initially taps the huge ecosystem of the JG Conglomerate. The public launch will be on the second quarter of 2018.

With the Bank’s partnership with Prulife of UK, the Housing and Personal Loans are seen to be a natural base for the bank assurance business. Maximizing its client base, the Bank will continue to leverage in cross selling its products amongst its existing clients to provide a steady source of quality accounts.



CONSUMER LOANS IS ABOUT 30% OF THE BANK’S TOTAL LOAN PORTFOLIO WITH A REGISTERED 49% GROWTH IN 2017 VERSUS 2016.

As part of its new business initiatives, the Bank has entered into wholesale lending for real estate wherein seasoned portfolio of selected developers is bought for eventual conversion to regular Housing Loans. The mSME Loan was launched focusing on microfinance graduates and smaller businessmen to tap the under bank business segment. The Bank is also focused on tapping the existing depositors, repeat clients, smaller suppliers and customers of existing corporate and commercial accounts for its Small Business Loans product.

In addition to its new business offering, the Bank launched the Dos Credit Card, an innovative credit card variant that automatically splits all straight transactions into two equal installments at 0% interest; making Robinsons Bank the first to offer this variant amongst all local banks.

Robinsons Bank remains to be a small player in the banking industry considering it being a relatively new entrant in the business and has since chosen to put a balance in volume and quality. The Bank’s Motorcycle Loans has shown an impressive growth of 19%. Consumer loans is about 30% of the Bank’s total loan portfolio with a registered 49% growth in 2017 versus 2016.



CONSUMER AND REGIONAL BANKING SEGMENT COMMUNITY BANKING GROUP

MOTORCYCLE LOANS

With online shopping growing traction, more products from food, fashion items to tech gadgets and even medicines and grocery items are ordered over the internet and delivered to customers' homes. Many businesses are modifying their service platform or strategy to adapt to the trend of fulfillment and delivery through motorcycle riders.

With the upward trend in sales, the Community Banking Group through its alliances with the major dealerships continues to expand its business with gross loan booking increased by 13.1% from last year where the MC portfolio also grew by 19% from last year's portfolio. The Group's total contribution to the Bank's Net Interest Income has reached Php 387.725 million where it has increased by 16% from last year. NPL stands at 8% which is 1.7% lower from last year's 9.7%.

At the end of 2017, total partner store network reached 131, a 9.2% increase from last year's 120 partner stores. The continued network expansion by partner dealers fueled further increases in the MC Business, leveraging on the continued expansion of the market, with the Philippines enjoying one of the highest possession ratio at 17:1 (population - to - motorcycle) compared to the more mature markets in the ASEAN with a 4:1 possession ratio like Indonesia, Thailand and Vietnam. Taiwan is now at 1.5:1.

MICRO FINANCE LOANS

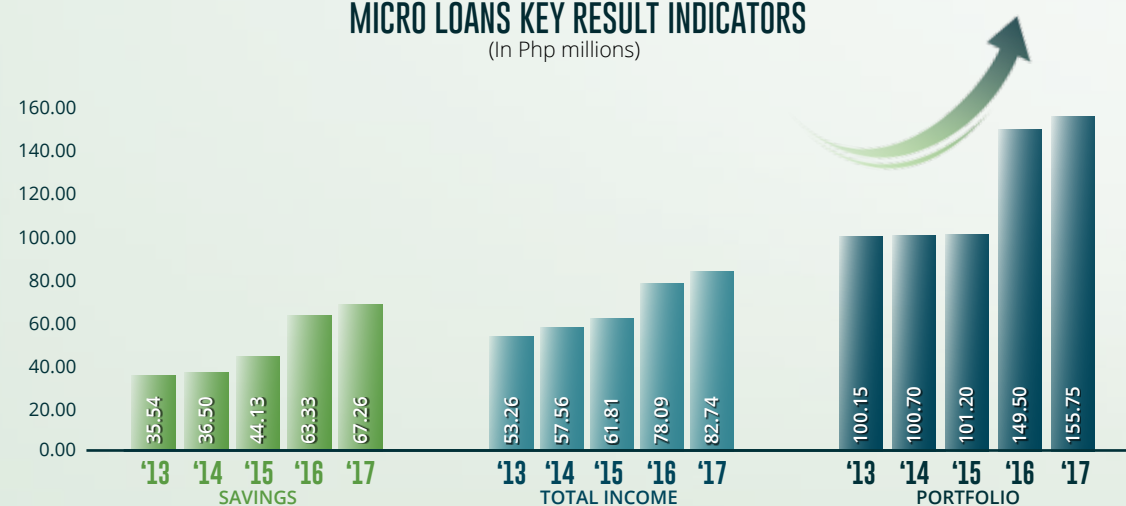
Through the support of the Bank's Microfinance Unit, low income entrepreneurs have improved the quality of their living conditions through access to additional capital. It has helped small entrepreneurs extend their cash flows and avoid seasons where access to food, clothing, shelter, or education are sacrificed. External shocks such as illnesses of wage earners, theft, or natural disasters are easily managed through the assistance of the microfinance loans.

The Microfinance Loans continues to provide a sustainable and scalable access to credit for small entrepreneurs. With an average of 10% growth in terms of total income for the last five (5) years, the unit sees an expansion in its product offerings and income increase.

One of the bank's microfinance products, dubbed as "Super Loan ng Bayan" provides affordable loans to low income entrepreneurs. This loan product helps clients shift from high-cost lenders and other loan sharks, allowing them to expand their small businesses and grow at a minimal cost. RBank's Super Loan ng Bayan aids in improving living conditions of clients by sustaining finances for daily necessities, better education, expanding business opportunities, and self-actualization.

Thru a viable and sustainable loan product with an acceptable return on Asset (ROA) ratio, Microfinance loans is gearing towards expanding the Super Loan ng Bayan from 27 to 29 branches and aggressively expanding it in with our newly acquired Legazpi Savings Bank which shall act as the platform to expand microfinance loan products and services to the countryside.

MICRO LOANS KEY RESULT INDICATORS
(In Php millions)



CARDS BUSINESS GROUP

As revolving debt grows, Robinsons Bank's Cards Business Group has also grown over the years in terms of number of issued cards and issuers of financial cards.

In 2017, Robinsons Bank took a full leap of going the extra mile towards delivering convenience and fulfilling clients' needs. The bank recently introduced two new credit cards: the UNO[®] and DOS[®] Mastercard. With both companies being major players in the industry, the partnership between Mastercard and Robinsons Bank aims to provide new banking options and benefits that will give every Filipino a better banking experience.

Unlike the UNO[®] Mastercard, the DOS[®] Mastercard has a twist in its payment scheme. **DOS[®] Mastercard has the benefit of stretching out all straight retail purchases in 2- Gives at zero interest**, where the

amount of the purchased item is equally divided into two, and the amount of the second half is paid on the following month. It is the most fitting card that gives flexibility and extra boost to manage finances.

Robinsons Bank also launched the Visa Debit Card that allows RBank clients the convenience of shopping online or through a Point-of-Sale (POS) terminal. The Visa Debit Card is EMV ready. In fact, the Bank has complied with the mandate of the Banko Sentral ng Pilipinas (BSP) to upgrade and make all its ATM terminals compliant to process chip-enabled cards using Europay MasterCard Visa (EMV) technology.

With the Bank's 20 successful years in the business, the Cards Business Group is expected to further develop programs geared towards enhancing customer experience and improve the quality of service that cater to specific needs and interest of clients.



CORPORATE BANKING SEGMENT TRANSACTION BANKING GROUP

Transaction Banking Group (TBG), a business that supports a corporate client's cash management needs, continued to deliver innovative products and services that are relevant to a Corporate Treasurer's goals. TBG launched eight new products and services in 2017 which supported the group's healthy client pipeline. The commitment to providing meaningful and bespoke solutions has led to a 34% growth in client base in 2017. The group has been rewarded with new and incremental businesses from its client base which has benefited the Bank in terms of cross-sell opportunities,

deepening of wallet share, and increase in ADB and fee income.

By 2018, TBG will continue to build the business for the long-term and this means consistently innovating on solutions and investing in technology to meet and address new demands in the market. Where the objective is to help the bank's clients achieve their goals, the group is unwavering in its commitment to remain relevant to its customers and will continue to put clients in the front and center of the TBG business.

**THE COMMITMENT TO PROVIDING
MEANINGFUL AND BESPOKE SOLUTIONS
HAS LED TO A 34% GROWTH IN
CLIENT BASE IN 2017.**



ACCOUNT MANAGEMENT GROUP

As a major commercial bank with 20 years of experience, Robinsons Bank remains a major force in traditional commercial banking, extending short, medium, and long-term loans to large corporations nationwide. The Bank also provides such customers with access to the commercial paper and bond markets.

The weight that loans occupy in the Group's business is high. While continuing to provide a high level of service in this traditional mainstay, the Bank intends to increase the proportion of the higher value-added, fee-based services it provides.



CORPORATE BANKING SEGMENT

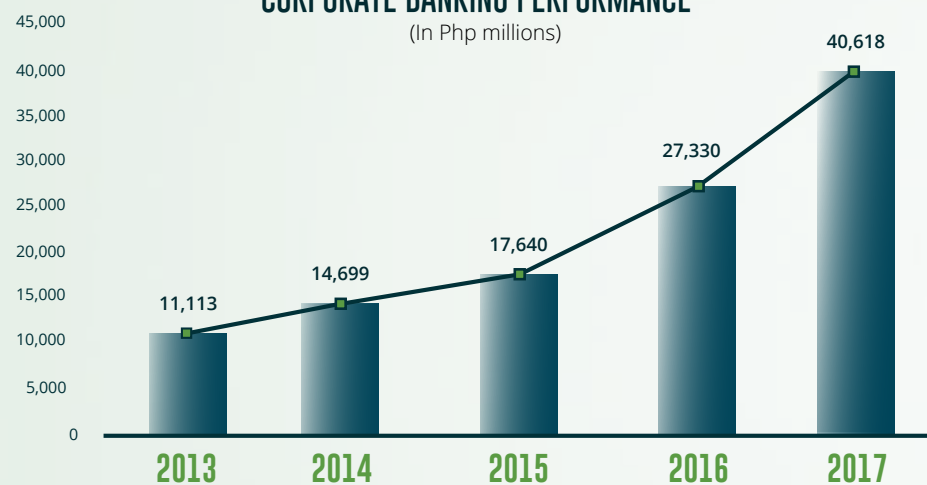
ACCOUNT MANAGEMENT GROUP

The bank has successfully maintained the continuous growth of its loan portfolio by cultivating the relationships with its corporate and commercial accounts. For the past 5 years, the bank's loan portfolio grew 37% annually from 2013 to 2017.

As part of its strategy, the Corporate Banking Segment will continue to develop the JG Ecosystem accounts, as well as the commercial and corporate accounts, by strengthening the relationship between the

bank and its clients through "stickier", value enhancing products and services. The bank is expanding its market coverage by penetrating its target market and their respective value chains through innovative loan and transaction banking products. It aims to exploit this competitive edge to offer a broad spectrum of traditional and advanced products to become the financial service provider of choice.

CORPORATE BANKING PERFORMANCE
(In Php millions)



TREASURY SEGMENT

In its treasury operations, the Bank continued to be a leading force in the domestic arena. Started as a fundamental fund management, RBank's Treasury Division has grown to offer a wide range of products at par with the top commercial banks in the market. The Bank also continued to broaden its marketing coverage to provide treasury products and services to small and medium-sized businesses.

We played a key role in the further development of the domestic corporate bond markets, as RBank offers sovereign and corporate bonds in Pesos and US\$, FX trading of US\$ and 3rd currencies, Peso and US\$ special savings deposits and plain vanilla derivatives. Our FX volume with clients, individual and corporate accounts, grew by 56.30% while our bond trading with clients grew by 1,490%. Interest income also rose from

Php 741.3 million in 2016 to Php 917.3 million in 2017. Despite unfavorable market condition, our trading and foreign exchange gains likewise improved from Php 260.2 million in 2016 to Php 278.4 million in 2017.

We continued to grow our manpower compliment to enable us to cover more clients and meet their requirements without compromising our compliance to regulatory requirements.

We also issued our first LTNCD offering for liability management and sustain proper liquidity coverage ratio compliance. It was oversubscribed with a total amount of Php 4.182 billion from the original offering of Php 3.0 billion.

Treasury has remained consistent in its role to support the bank in its first 20 years of serving its clients.

56.30%

FX VOLUME WITH CLIENTS, INDIVIDUALS AND CORPORATE ACCOUNTS

1,490%

BOND TRADING

OPERATIONS & CONTROL SEGMENT

CUSTOMER EXPERIENCE GROUP

Customer experience is a vital element of business operations that can impact the company's bottom line and affect how the company is viewed in the public eye, thus, RBank has created the Customer Experience Group to strengthen customer relationship through digital technology, innovation and continuous process improvements that adapt to the changing customer demands and expectations.

The Customer Experience Group embarks on a digital transformation roadmap, using the newly launched Personal Online Banking system – which is an upgraded retail internet banking system with mobile app and micro-services architecture, as the central digital hub for all retail customer banking needs.



TRUST & INVESTMENTS GROUP

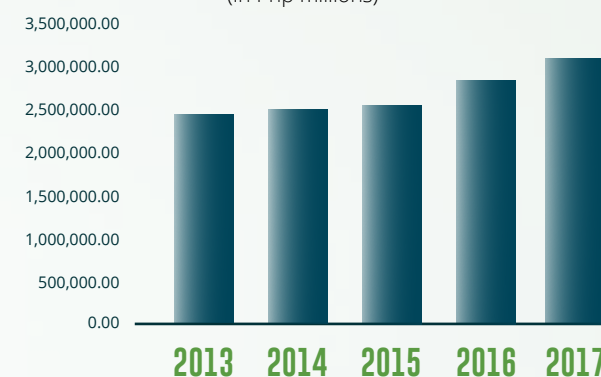
As of December 31, 2017 the total Trust industry of universal, commercial and thrift banks stood at approximately Php 3.1 trillion as disclosed by the Bangko Sentral ng Pilipinas. Despite regulatory changes, consolidations and mergers amongst industry players, the Trust industry has steadily increased from 2013 to 2017 with an annual growth rate of 6%.

TIG continued to actively participate in the capital markets in both primary and secondary market offerings. Its portfolio holdings is skewed to fixed-income securities, with holdings in Corporate Bonds, Government Securities and Bank securities (Tier 2/ LTNCDs/ Dollar Notes) totaling around 88% of its AUM as of year-end 2017. Equities amount to less than 3% of total assets while deposits and other assets make up the balance.

TIG directly solicits clients and other clients are branch-referred, where 80% of our client base is personal accounts while 20% is corporate or institutional accounts. We are also fortunate that the JG Ecosystem is also tapped for our trust services.

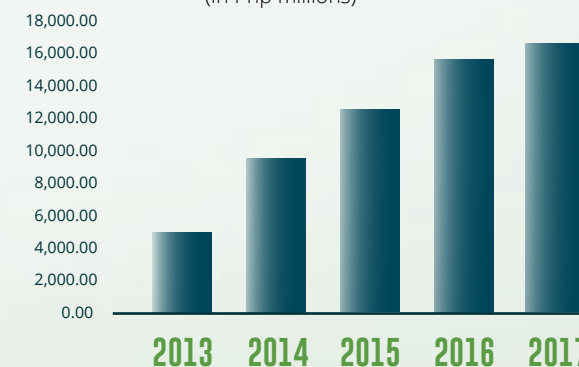
Trust products and services include Investment Management Agreement (IMA) both in peso and dollar-denominations, Personal Management Trust accounts, Unit Investment Trust Funds (UITFs), Retirement Fund Management, Escrows, Safekeeping. For the UITFs, TIG carries the Peso Money Market UITF, the Balanced UITF, and the Tax-Exempt Retirement UITF (Balanced Fund).

TRUST INDUSTRY
(In Php millions)



The strong performance of our Trust and Investments Group in 2017 was the result of our regional expansion efforts, the deepening of our relationships with clients and the close collaboration with Group. Assets under Management (AUM) stood at Php 16.42 billion as of year-end 2017. Compared to 2013 figures of Php 4.98 billion, trust assets have considerably expanded to double digit growth and registered a Compounded annual growth rate of 35% over the years.

RBANK-TIG
(In Php millions)



OUTLOOK

Trust system upgrade/ new system – TIG is currently looking at a new system to improve on KYC, customer suitability and Account Review process. The new system will also support digital initiatives of TIG (i.e. alternative delivery channels via online UITF transactions, web/mobile and interactive ePortfolio Reports/ Financial Statements to clients)

Reorganization of Trust Marketing unit – Divided Trust marketing into two units – the Trust Sales unit to focus on business development and new client generation and the Trust Relationship Management/ Account Management to focus on client retention & generation of additional trust business from existing client base thru relationship/account management tools.

Product development – Aside from its core trust products and services, TIG is looking into developing more retail starter UITFs for its clientele.

ENTERPRISE SERVICES SEGMENT

HUMAN RESOURCE MANAGEMENT GROUP

ADVANCEMENT PLANNING AND RETIREMENT POLICY

Advancement planning is well in place in the Bank, wherein possible successors are yearly reviewed during one-on-one discussions with the leaders of the institution. 124 potential successors were identified in 2017 and are being developed based on the Advancement Plan. This reflects a stronger leadership bench as compared to last year's 99 successors. As part of implementing the Plan, twelve key personnel were appointed to bigger roles.

The professional culture, pay-for-performance environment, and career opportunities are some of the compelling factors that make an RBanker invest long years in the institution. As loyalty is of high regard, alongside with it is the eminence of retirement. Robinsons Bank has a competitive retirement plan policy for employees. Under the plan, non-managerial employees with at least ten (10) years of service and at least forty-five (45) years old may apply for early retirement. For managerial employees, tenure of at

least ten (10) years and at least fifty (50) years old is required to qualify for the same. An employee who has reached sixty (60) years of age is compulsory retired. A compulsory retired employee with at least five (5) years of service shall also be entitled to a retirement benefit.

PERFORMANCE ASSESSMENT PROGRAM

Quantifiable performance targets with the use of Key Result Area (KRA) and measured by the Balanced Scorecards are continuously administered yearly to all employees. The initial process of KRA-setting ensures alignment of the Bank's key thrusts with each employee's business targets. The employee is assessed on four perspectives: Financial Indicators, Governance and Controls, Customer-Centricity and Values of the Bank. While final assessment takes place at year-end, there is a mid-year review where catch-up plans are discussed to achieve the desired results. The review is also an opportunity for supervisor to dialogue and give feedback on employee's performance.

ORIENTATION AND EDUCATION PROGRAM

As Robinsons Bank progresses to be one of the top Banks in the country, it also builds and develops its most important resource – the people. Thus the Bank continues to enhance employee competence and development. In 2017, new learning and development programs were launched that focus on customer centricity, aligning branch personnel's technical competencies, re-orientation of existing products and services, and training on new product ventures. Last year there was a substantial rise in the number

of employees trained due to various e-Learning offerings. The online learning paved the way for learning sessions to reach the provincial employees.

The rapid growth of the Bank required the development of more leaders from our internal talent bench through Officers Development Program (ODP). In 2017, the Program produced 39 new Officers deployed at the Head Office and Retail Banking. The pioneer run of Sales Officers Development Program (SODP) was also conducted to reinforce the current stock of Sales Officers.

TRAINED EMPLOYEES		
NATURE OF PROGRAM	2016	2017
Internal	1,713	3,836
External	99	215
Officers Development Program	26	39
e-Learning	1,543	3,689

2016 TRAINING HOURS			
Internal	31,343	EO	14,091
External	1,343	RBS	18,649

2017 TRAINING HOURS			
Internal	46,599	EO	20,228
External	2,783	RBS	29,154



CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

“RBANK CREATES VALUE. ANCHORED IN ITS MISSION STATEMENT WHICH IS AIMING TO BE BETTER EVERYDAY ...”

Robinsons Bank is committed to strong standards of corporate social responsibility through volunteer works focused on financial education to school children.

Drawn together by our mission statement: “Aiming to be better everyday,” RBank’s CSR came up with the theme “RBank Creates Value,” to have a more meaningful purpose in serving.

Fourteen CSR Teams composed of volunteer RBankers from different units and regions nationwide were formed. These volunteers raised additional funds for the activity by selling recycled materials, which were mostly personal items. A total of 263 RBank volunteers participated in the activity. The teams were provided teaching kits with a corresponding script on how to facilitate the activity.

To connect with the children, storytelling sessions were conducted by the volunteers using the fable “The Ant and the Grasshopper” which talks about the importance of saving. The activity was followed by a group discussion with a short lecture on practical tips on saving money and planning for the future to the children.

The discussion became interactive as children shared their thoughts and their own personal experiences on saving money. The activity was happily concluded with the distribution of coin banks and a few pieces of coins which the kids simultaneously dropped into their coin banks. The children went home with bags of goodies and school supplies.



CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

POSITIVE IMPACT TO THE CHILDREN

The kids during the session did not only realize the value of saving but dreams were also planted in their hearts. They articulated their dreams during the session with a number of kids saying that they want to save to help their family have better lives. Other than learning the basics of saving money, they started developing their purpose in life. The children were evidently motivated.

ENHANCED EMPLOYEE MORALE/ENGAGEMENT

The initiative made the employees feel good about having contributed to a worthwhile endeavor. It also made the employees proud to be part of an organization that contributes to the development of the community. Ultimately, the volunteers have actively helped children re-imagine a life without poverty and empowered them participate in a changing world.

INCREASED BRAND AWARENESS

The initiative further introduced Robinsons Bank to the market. Some of the parents who accompanied their children approached RBankers at the end of the activity inquiring about the nearest RBank branch where they can open an account to start saving for their children's future.





CORPORATE GOVERNANCE



THE BOARD IS PRIMARILY RESPONSIBLE FOR THE OBSERVANCE OF GOVERNANCE, INCLUDING BUSINESS AND RISK STRATEGIES, ORGANIZATION, AND FINANCIAL SOUNDNESS OF THE BANK.

BOARD GOVERNANCE

The Board of the Bank represents the owners' interests in the Bank's objective to sustainably increase shareholder value and to ensure the long-term success of the business. The Board is actively responsible in ensuring that the Bank is properly managed in attaining this objective. In addition to fulfilling the Board's obligations for increased shareholder value, it also has the responsibility to protect the interests of other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

The Board is primarily responsible for the observance of governance, including business and risk strategies, organization, and financial soundness of the Bank. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent checking and effective oversight of the Management.

COMPOSITION OF THE BOARD

The Board is composed of 11 members elected by the stockholders, five of whom are independent. All members of the Board are Filipinos and possess all the qualifications and none of the disqualifications to hold a directorship as prescribed under the Corporation Code and existing rules and regulations of the BSP and the Securities and Exchange Commission (SEC). They all passed the fit and proper test for the position of a director of the Bank, taking into account their integrity

and probity, physical and mental fitness, competence, relevant education, financial literacy and training, diligence and knowledge and expertise. They are known for their independence and professionalism, and for making decisions with complete fidelity to the Bank while cognizant of their responsibilities under existing applicable laws, rules, and regulations.

The Board determines the appropriate number of its members to ensure that the number thereof is commensurate with the size and complexity of the Bank's operations. To the extent practicable, the members of the Board of Directors have been selected from a broad pool of qualified candidates. A sufficient number of qualified non-executive members had been elected to promote independence of the Board from the views of the senior management. For this purpose, non-executive members of the Board are those who are not part of the day-to-day management of banking operations.

The Chairman of the Board ensures that the meetings of the Board are held in accordance with the by-laws; makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation; and guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable to make sound decisions. Likewise, the Chair makes sure that performance of the Board is evaluated at least once a year and discussed / followed up on.

CORPORATE GOVERNANCE

The five independent directors (ID) are independent of Management and are free from any business or other relationship which could or could reasonably be perceived, to materially interfere with their exercise of independent judgment in carrying out their responsibilities as a director. They hold no interests or relationships with the Bank that may hinder their independence from the Bank or management or will interfere with the exercise of independent judgment in fulfilling their responsibilities. They are compliant with all the qualifications required of an independent director and none of the disqualifications as provided in the MORB. There was no change in the Board composition for this year.

BOARD MEETINGS AND SUPPLY OF INFORMATION

As provided for in the Bank's By-Laws, the Board schedules and holds regular monthly meetings and convenes special meetings when necessary. The Corporate Secretary provides

the directors the notice, agenda, and meeting materials prior to each meeting. Proceedings of the meetings are properly documented and duly minuted.

In accordance with the rules and regulations of the SEC and the BSP, the members of the Board attend regular and/or special meetings in person or through teleconferencing and video conferencing which allows the directors to actively participate in the deliberations on matters taken. The Bank ensures availability of teleconferencing facilities if and when a director cannot physically attend due to unavoidable circumstances. A director may also attend the meetings by submitting written comments on the agenda to the Corporate Secretary and the Chairman prior to the meeting pursuant to Subsection X141.1 of the MORB.

In 2017, all members of the Board have substantially complied with the attendance requirement and actively participated in the deliberations on matters taken up during the regular and/or special meetings.

Name of Directors	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. Lance Y. Gokongwei	13	13	100.00
2. Frederick D. Go	13	12	92.00
3. Elfren Antonio S. Sarte	13	13	100.00
4. Robina Y. Gokongwei-Pe	13	10	77.00
5. Patrick Henry C. Go	13	12	92.00
6. Omar Byron T. Mier	13	13	100.00
7. Angeles Z. Lorayes (ID)	13	13	100.00
8. Hermogenes S. Roxas (ID)	13	13	100.00
9. Esperanza S. Osmeña (ID)	13	11	85.00
10. David C. Mercado (ID)	13	12	92.00
11. Roberto S. Gaerlan (ID)	13	13	100.00

BOARD COMMITTEES

In order to increase efficiency and gain deeper focus in specific areas, the Board has created committees, which are relative and consistent to the size, complexity of operations, long-term strategies, and risk tolerance level of the Bank. The scope, authority and responsibilities of these committees are defined in their respective board-approved charter which is subject to regular review and updated at least annually or whenever there are significant changes.

The Board has appointed the members of the committees taking into account the optimal mix of skills and experience which would allow them to

fully understand, be critical and objectively evaluate the issues. To promote objectivity, the Board has appointed independent directors and non-executive directors to the greatest extent possible and ensures that such mix will not impair the collective skills, experience and effectiveness of the committees. Each of these committees maintains appropriate records (e.g. minutes of meeting) of their deliberations and decisions, subject to notation and or confirmation of the Board. The records document the committees' fulfillment of their responsibilities and facilitate the assessment of the effective performance of their functions which is regularly and periodically conducted.

The Board has established and delegated responsibilities to seven committees, namely: the Executive Committee, the Corporate Governance Committee, the Risk Management Committee, the Audit Committee, the Trust Committee, the Related Party Transactions Committee, and the IT Steering Committee.

A. EXECUTIVE COMMITTEE

The Bank's Executive Committee has been created as the highest credit approving body of the Bank after the Board. The Committee provides the necessary

approvals for applications, deviations and other loan transactions. Resolutions of the Committee may be overruled only by the Board.

The Executive Committee provides decisions regarding applications for critical loan accounts and deviations that require careful deliberation. Approvals made are in compliance with internal policies and those required under existing laws, rules and regulations. Decisions made are influenced by the latest profitability and delinquency figures of an account or loan product.

Executive Committee Members	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. Lance Y. Gokongwei	50	43	86.00
2. Frederick D. Go	50	43	86.00
3. Elfren Antonio S. Sarte	50	45	90.00
4. Omar Byron T. Mier	50	50	100.00

B. CORPORATE GOVERNANCE COMMITTEE

In order to proactively assist the Board in its fulfillment of its corporate governance responsibilities and ensure transparency in all of the Bank's transactions, it created the Corporate Governance Committee. The Committee ensures the Board's effectiveness and due observance of corporate governance principles, best practices and guidelines which are necessary components of what constitute sound strategic business management. It generates awareness of corporate governance within the Bank.

In particular, the Committee oversees the development and implementation of corporate governance principles and policies, reviews and evaluates the qualifications of the persons nominated to the Board

as well as those nominated for election to other positions requiring appointment by the Board, decides the manner by which the Board's performance is evaluated and assists the Board in the periodic performance evaluation of the Board and its committees and executive management, and oversees the development and implementation of professional development programs for directors and officers.

The Committee is composed of five members, three of whom are independent directors including the Chairperson and Vice-Chairperson. The Committee holds regular meetings and may call for special meetings as deemed necessary. To properly evaluate its performance, the Committee meetings are properly and duly minuted.

Corporate Governance Committee Members	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. Hermogenes S. Roxas (ID)	12	12	100.00
2. Angeles Z. Lorayes (ID)	12	12	100.00
3. S. Osmeña (ID)	12	10	83.33
4. Patrick Henry C. Go	12	10	83.33
5. Omar Byron T. Mier	12	12	100.00

CORPORATE GOVERNANCE

C. RISK MANAGEMENT COMMITTEE

To aid the Board in efficiently carrying out its function on risk management, it created the Risk Management Committee. This committee oversees the development and oversight of the Bank's risk management program including Trust Group and ensures an acceptable level of risk while minimizing losses. The Committee oversees the system of limits to discretionary authority that the Board delegates to management, supervises the system and ensures

its effectiveness, provides and set limits and ensures that these are properly observed and that immediate corrective actions are taken should breaches occur.

The Board has appointed five members of the Committee who possess a broad-range of expertise as well as adequate knowledge of the Bank's risk exposures which enables them to develop appropriate strategies for preventing more losses when they occur. The committee members meet regularly and may call for special meetings whenever necessary.

Risk Management Committee Members	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. Esperanza S. Osmeña (ID)	12	10	83.33
2. David C. Mercado (ID)	12	12	100.00
3. Roberto S. Gaerlan (ID)	12	12	100.00
4. Elfren Antonio Sarte	12	12	100.00
5. Omar Byron T. Mier	12	11	91.67

D. AUDIT COMMITTEE

The Board has constituted an Audit Committee to provide oversight over the Bank's financial reporting policies, practices and control, and internal and external audit functions. In particular, the Committee aids the Board in monitoring and evaluating the adequacy, effectiveness, and efficiency of the Bank's internal controls system. Further, the Committee assists the Board in fulfilling its oversight responsibilities with regard to the integrity of the Bank's financial reporting process, the independence and performance of the Bank's external and internal auditors, the compliance to corporate governance policies and guidelines, and the Bank's compliance with regulatory requirements.

To carry-out its mandate, the Committee has explicit authority to investigate any matter within its

terms of reference, full access and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

As prescribed under existing rules and regulations, the Committee is composed of, to the greatest extent possible, sufficient number of independent and non-executive board members. All members of the Committee, including the Chairperson who is an ID, possess the required qualifications and none of the disqualifications.

The Committee holds regular meetings and may call special meetings upon the request of the Chairperson or by at least two of its members, which proceedings are duly minuted.

Audit Committee Members	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. Angeles Z. Lorayes (ID)	9	9	100.00
2. Roberto S. Gaerlan (ID)	9	9	100.00
3. David C. Mercado (ID)	9	9	100.00
4. Hermogenes S. Roxas (ID)	9	9	100.00
5. Omar Byron T. Mier (Resource Person)	9	9	100.00

E. TRUST COMMITTEE

The Trust Committee provides the overall direction and guidelines in the conduct of the Trust business, reviews plans for new investments, trust products

and business development, and conducts assessment of Trust and Investments Group's performance and operational effectiveness.

Trust Committee Members	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. Robina Y. Gokongwei-Pe	12	11	92.00
2. Patrick Henry C. Go	12	11	92.00
3. Lance Y. Gokongwei	12	12	100.00
4. Esperanza S. Osmeña (ID)	12	10	83.00
5. Elizabeth T. Aquino	12	11	92.00

F. RELATED PARTY TRANSACTIONS COMMITTEE

Pursuant to existing rules and regulations on related party transactions issued by the BSP, the Board created a Related Party Transactions Committee. This stems from the recognition of management that the Bank engages in transactions between and among related parties, which brings a need to exercise appropriate oversight and implement control systems for managing said exposures as these may potentially lead to conflict of interests if not abuses that are disadvantageous to the Bank and its depositors, creditors, and other stakeholders.

The Committee supports the Board in the exercise of appropriate oversight and implements a control system for managing exposures to related parties.

It assists the Board in ensuring that transactions with related parties are handled in a sound and prudent manner and in compliance with applicable laws, rules and regulations to protect the interest of its depositors, creditors, and other stakeholders.

In particular, the Committee identifies related parties and monitors their transactions, evaluates related party transactions which are classified material and endorse the same to the Board for approval, ensures disclosure and reporting of related party transactions and oversees the implementation of a system to facilitate its functions as well as the development and periodic review of policies and procedures for related party transactions.

CORPORATE GOVERNANCE

The Committee is composed of four members of the Board who are all independent directors. In case a member has a conflict of interest in a particular transaction, he should refrain from evaluating that

particular transaction. The Chief Compliance Officer and Chief Audit Officer and/or their representatives including an executive director sit as resource persons in the said Committee.

Related Party Transactions Committee Members	Number of Meetings Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. Roberto S. Gaerlan (ID)	11	11	100.00
2. Esperanza S. Osmeña (ID)	11	9	82.00
3. Angeles Z. Lorayes (ID)	11	11	100.00
4. Hermogenes S. Roxas (ID)	11	11	100.00

G. IT STEERING COMMITTEE

In compliance with BSP Circular 808, the Board has created the Information Technology Steering Committee which oversees a safe, sound, controlled and efficient information technology operating environment that supports the Bank's goals and objectives. In particular, the Committee, among others: reviews and monitors the performance of all IT projects; reviews the Bank's current IT infrastructure, system performance, associated risks and other significant issues and events and institutes appropriate actions to achieve the desired results; monitors and evaluates the performance of third party

service providers on all information technology initiatives subject of the service contract; and reports to the Board relevant and adequate information regarding IT performance, status of major IT projects and significant issues affecting the Bank's IT operations.

The Committee is chaired by a non-executive and independent director, assisted by the Head of IT Group as Vice-Chairperson and executive officers of the Bank. The heads of Audit, Risk and Compliance are also invited in the regular and/or special meetings of the Committee as resource persons.

IT Steering Committee Members	Number of Meeting Held During the Year	Number of Meetings Attended	Percentage of Meetings Attended %
1. David Mercado	12	11	91.67
2. Mr. Elfren Antonio Sarte	12	11	91.67
3. Mr. Angelito Evangelista	12	12	100.00
4. Mr. Eric Macalintal	12	12	100.00
5. Ms. Agnes Salvador	12	11	91.67
6. Mr. James Chua*	12	10	83.33
7. Ms. Irma Velasco	12	12	100.00

*Resigned February 2018

CORPORATE SECRETARY

The Bank's Corporate Secretary, who is a separate individual from its Compliance Officer, assists the Board in its duties and is responsible primarily to the corporation and its shareholders. His duties and responsibilities, among others, include assistance to the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings; Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well other documents such as the corporate seal, stock certificates, stock and transfer books, records, documents and papers of the Bank; Prepare ballots for annual elections and keep a complete and up-dated list of the stockholders and their addresses; Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise. The Bank also makes sure that the Corporate Secretary annually attends relevant trainings on corporate governance and other related topics.

BOARD TRAINING

In accordance with the Corporate Governance Manual and Subsection X141.3 of the MORB, the Corporate Governance Committee is responsible for making recommendations to the Board on the required trainings and continuing education of the directors. Relative thereto, all members of the Board have attended the required corporate governance seminar for bank directors at BSP-accredited training providers, a pre-requisite for Monetary Board confirmation. These include topics on risk and governance, audit and control, and accountability.

To remain relevant and abreast with the evolving regulations, all of the directors have attended the Anti-Money Laundering Refresher Course as required by the MORB.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

The Bank's Board represents the owner's interests in its objective to continuously improve its shareholders value and to achieve a successful and long-term business. The Board is actively responsible in ensuring that the Bank is properly managed to attain this result. In addition to fulfilling its obligations for increased shareholder value, it also has the responsibility to other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

The Board is primarily responsible for the governance, including business and risk strategy, organization, and financial soundness of the Bank. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on and effective oversight of Management.

In order to increase efficiency and allow deeper focus in specific areas, the Board has created committees, which are relative and consistent to the size, complexity of operations, long-term strategies and risk tolerance level of the Bank. The scope, authority and responsibilities of these committees are defined in their respective board-approved charter which is subject to regular review and updated at least annually or whenever there are significant changes.

The Board has appointed the members of the committees taking into account the optimal mix of skills and experience which allow them to fully understand, be critical and objectively evaluate the issues. To promote objectivity, the Board has appointed independent directors and non-executive directors to the greatest extent possible and ensures that such mix will not impair the collective skills, experience and effectiveness of the committees. Each of these committees maintains appropriate records (e.g., minutes of meeting) of their deliberations and decisions, subject to notation and/or confirmation of the Board. The records document the committees' fulfillment of their responsibilities and facilitate the assessment of the effective performance of their functions which is regularly and periodically being conducted.

CORPORATE GOVERNANCE

In order to pro-actively assist the Board in its fulfillment of its corporate governance responsibilities and ensure transparency in all of the Bank's transactions, it created the Corporate Governance Committee. The Committee ensures the Board's effectiveness and due observance of corporate governance principles, best practices and guidelines which are necessary component of what constitutes sound strategic business management. It creates awareness of corporate governance within the Bank. In particular, the Committee oversees the development and implementation of corporate governance principles and policies, reviews and evaluates the qualifications of the persons nominated to the Board as well as those nominated for election to other positions requiring appointment by the Board, decides the manner by which the Board's performance is evaluated and assists the Board in the periodic performance evaluation of the Board and its committees and executive management, among others. In this regard, annual performance evaluation of the board and board-committees is being conducted in accordance with the Bank's existing policies.

PRESIDENT & CEO EVALUATION

The performance of the President and CEO is evaluated as member of the Board and Senior Management where the results are discussed and approved by the Corporate Governance Committee and confirmed by the Board.

COMPLIANCE SYSTEM

The BSP issued Circular 747 "Revised Compliance Frameworks for Banks" as amended by Circular 972, in order to actively promote the safety and soundness of the Philippine Banking System through an enabling policy and oversight environment. Such an environment is governed by the high standards and accepted practices of good corporate governance as collectively designed by the BSP and its supervised institutions. Towards this end, a robust, dynamically-responsive and distinctly-appropriate Compliance Risk Management System has been put in place as an integral component of the Bank's culture and risk governance framework. In this respect, it is the responsibility and shared accountability of all personnel, officers and the board of directors.

A compliance risk management system is designed to specifically identify and mitigate risks which may erode the franchise value of the Bank. Compliance is everybody's concern and should form part of the Bank's day-to-day operations. As a Bank employee, everyone should conduct business activities in adherence to high standards of honesty and integrity and shall abide by the laws, regulations, rules, standards and codes of conduct and good governance applicable to our banking activities. This may cover observing market rules, managing conflict of interest, proper accounting and recording, applying best practices, compliance with tax laws, developing new products and electronic delivery channels, providing e-banking services and may also include specific areas such as prevention of money laundering and terrorist financing. Failure to comply with regulatory requirements may bring adverse effects on our relationships with our shareholders, customers, co-employees and the market and exposures to significant losses and severe sanctions of regulatory or judicial authorities.

The Bank's Board, in an effort to address effectively compliance risks, established the Compliance Group that will identify, measure, monitor and control such risks that the Bank is exposed or may be exposed to. This is also in the exercise of Board's oversight function of overseeing the implementation of compliance policy, ensuring policies and procedures are followed and corrective actions are taken by the management to address breaches, failures and control deficiencies identified.

EDUCATION AND TRAININGS

The Bank is committed to continually strengthen its compliance culture through education and training. The Compliance Group in coordination with HRMG Training Department regularly conducts briefings to employees to raise the level of awareness and understanding of the principles, concepts, and elements of good corporate governance and compliance. All new employees of the Bank undergo basic orientation on Compliance System, Anti-Money Laundering (AML), Risk Awareness, and Corporate Governance.

GOVERNANCE POLICIES AND MECHANISMS

CORPORATE GOVERNANCE MANUAL

The Board and its management committed themselves to the principles and best practices on corporate governance. They believe that corporate governance is a necessary component of what constitutes sound business management and therefore undertake every effort necessary to create awareness within the Bank.

Toward this end, the Board adopted a corporate governance framework or the Corporate Governance Manual (Manual) that embodies the rules, systems and processes in the Bank. The framework governs the performance of the Board and management of their respective duties and responsibilities to stockholders and other stakeholders. The Manual is periodically reviewed with the objective of continually aligning the Bank's policies with the BSP and SEC circulars or issuances on corporate governance including best practices issued by the Basel Committee on Banking Supervision. This ensures that the interests of stockholders and other stakeholders are always taken into account, the directors, officers, and employees are aware of their responsibilities and the business of the Bank is conducted in a safe and sound manner.

BOARD COMPENSATION POLICY

Board of Directors compensation is a fee or per diem in an amount as may be determined by the Board shall be paid to each director for attendance at any meeting of the Board; provided, however, that nothing herein contained shall be construed to preclude any director from serving in any other capacity and receiving compensation therefore, The Board shall fix the compensation and other remuneration of any compensation therefore. The Board shall fix the compensation and other remuneration of any Director or any other officer of the Bank should they be designated to perform executive functions or any special service to the Bank. In no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income before income tax of the corporation during the preceding year.

REMUNERATION POLICY

The Robinsons Bank's employee compensation structure is designed to be at par with the prevailing banking industry rates. Guaranteed compensation consists of 15 months pay, inclusive of 13th month pay, Mid-year and Christmas bonuses. Its policy is pay for performance or meritocracy, highlighted by a competitive salary scale, annual merit increase and employee promotion which are hinged on employee performance and attainment of the Bank's key indicators. On top of the regular compensation, the Business Center Heads and Sales Officers are provided with the variable compensation scheme based on their achievement of defined categories and their contributions to the Bank's objectives. Competitive fringe benefit programs such as various types of leave benefits, uniform assistance, financial assistance programs in the form of employee personal loan, car plan, vehicle loan, motorcycle plan and housing loan, are provided to eligible employees aimed to assist them in their time of financial need and to improve their standard of living. The health and well-being of the employees are given importance through the Group Hospitalization Plan or HMO Card, the Group Life Insurance and Personal Accident Insurance, Hazard Pay and the Medicine Assistance.

CORPORATE GOVERNANCE

RELATED PARTY TRANSACTIONS

In compliance with BSP Circular 895, as amended, the Bank has created a Related Party Transactions (RPT) Committee that supports the Board in managing exposures to related parties. Under its policy, the Bank defined related parties to include directors, officers, stockholders or related interests (DOSRI) of the Bank and their close family members. It also includes corresponding persons in affiliated companies, subsidiaries and affiliates, any party that the Bank exerts control over or that exerts control over the Bank, and such other entity whose interest may pose potential conflict with the interest of the Bank.

The Committee evaluates material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties that similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

All material RPTs are evaluated and endorsed by the Committee to the Board for approval. Refer to the Notes to Financial Statements for the Bank's related party transactions.

MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM

As approved by the Board and as required by the BSP, the Bank implements a program to combat money laundering and terrorist financing. The Program has been issued and is regularly updated to comply with RA No. 9160, as amended, BSP Circular No. 706 and other policies of the State. The Program is intended to protect the integrity and confidentiality of the accounts of the clients, and ensure that the Bank is not used as money laundering site for the proceeds of any unlawful activities, taking into consideration best practices to combat terrorist financing.

The Program has been developed to disseminate information which will help the employees understand and prevent money laundering activities, detect and report suspicious transactions, and know better the Bank's customers; understand the penalties for non-compliance; take the required AML training for responsible officers and personnel of the Bank; satisfy legal and ethical responsibilities with a minimal adverse impact on the Bank's overall daily business responsibilities and performance goals. Moreover, the Program has been promulgated to protect the Bank as well as its employees' interests.

Laws governing secrecy on bank deposits have been strictly complied with by the Bank when implementing procedures related to combating money laundering and terrorist financing. The Program provides guidance in complying with the Anti-Money Laundering Law as well as other applicable regulations without violating relevant laws and without losing legitimate business or clients in the process.

INTERNAL CONTROL AND AUDIT

The Bank has implemented its internal control processes which are designed and effected by its Board of Directors, senior management and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, supervisory requirements and the Bank's policies and procedures.

The Bank put in place an adequate and effective internal control framework for the conduct of its business, taking into account the size, risk profile and complexity of operations. The framework embodies management oversight and control culture, risk recognition and assessment; control activities; information and communication; and monitoring activities and correcting deficiencies.

The control environment of the Bank consists of:

- (a) the Board which ensures that the Bank is properly and effectively managed and supervised;
- (b) Management that actively manages and operates the Bank in a sound and prudent manner;
- (c) the organizational and procedural controls supported by effective management information and risk management support systems; and
- (d) an independent audit mechanism to monitor the accuracy and effectiveness of the Bank's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The Bank has an internal audit system that reasonably assures the Board, Management and stockholders that the Bank's key organizational and operational controls are faithfully complied with. The Board appointed an Internal Auditor to perform the function, and required the Auditor to report to the Audit Committee, a board-level committee, which allows the internal audit activity to fulfill its mandate. The Internal Auditor is guided by the International Standards on Professional Practice of Internal Auditing and existing laws, rules and regulations. With the Board appointment, the Chief Audit Officer oversees the implementation of the internal audit system.

DIVIDEND POLICY

Subject to BSP's approval, dividends may be declared annually or oftener as the Bank's Board may determine. The Board, however, may only declare dividends out of its surplus profits or unrestricted retained earnings after making due provisions for the necessary reserves (losses and bad debts) in accordance with the Corporation Code, Securities Regulation Code, General Banking Law, MORB, and all regulations and circulars issued by the BSP.

WHISTLEBLOWING

Employees of the Bank are encouraged to perform the duty of disclosing to their immediate superior the existing or potential violations and wrongdoings that they are or may become aware of. The Bank's Policy on Timely Reporting of Concerns and Incidents, otherwise known as the Whistle-Blowing Policy, serves as a guide for all employees for reporting matters that breach integrity and the Bank's Code of Conduct.

CODE OF ETHICS AND POLICY ON CONFLICT OF INTEREST

The Bank's Code of Conduct for Employees exists to develop or pattern behavior in accordance to the Bank's standards, to instill professional conduct, and to enforce discipline and order. The Code is implemented by the Human Resources and Management Group. Copies of the Code of Conduct are given to employees upon hiring, while seminars are conducted regularly to further expound on the subject.

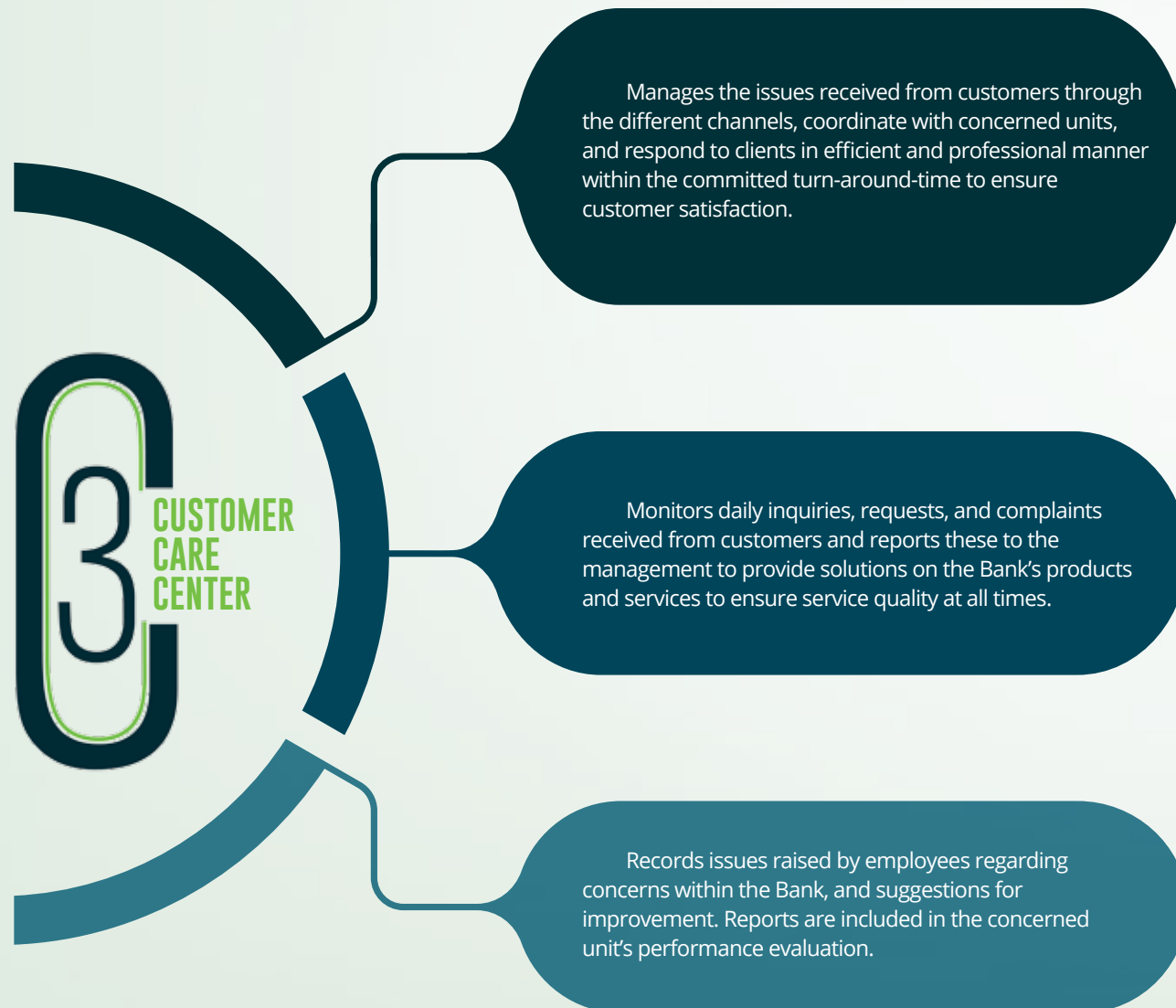


CORPORATE GOVERNANCE

CONSUMER ASSISTANCE MANAGEMENT SYSTEM



THE BANK RECEIVES INQUIRIES, REQUESTS, FEEDBACKS AND COMPLAINTS FROM CUSTOMERS REGARDING ITS PRODUCTS AND SERVICES. VARIOUS COMMUNICATION CHANNELS SUCH AS HOTLINE, EMAIL, FEEDBACK FORMS, WEBSITE, SOCIAL MEDIA, ETC. ARE MADE AVAILABLE TO CLIENTS SO THEY CAN EASILY CONTACT THE BANK REGARDING THESE CONCERNS. THE **CUSTOMER CARE CENTER (C3)** WAS CREATED.”



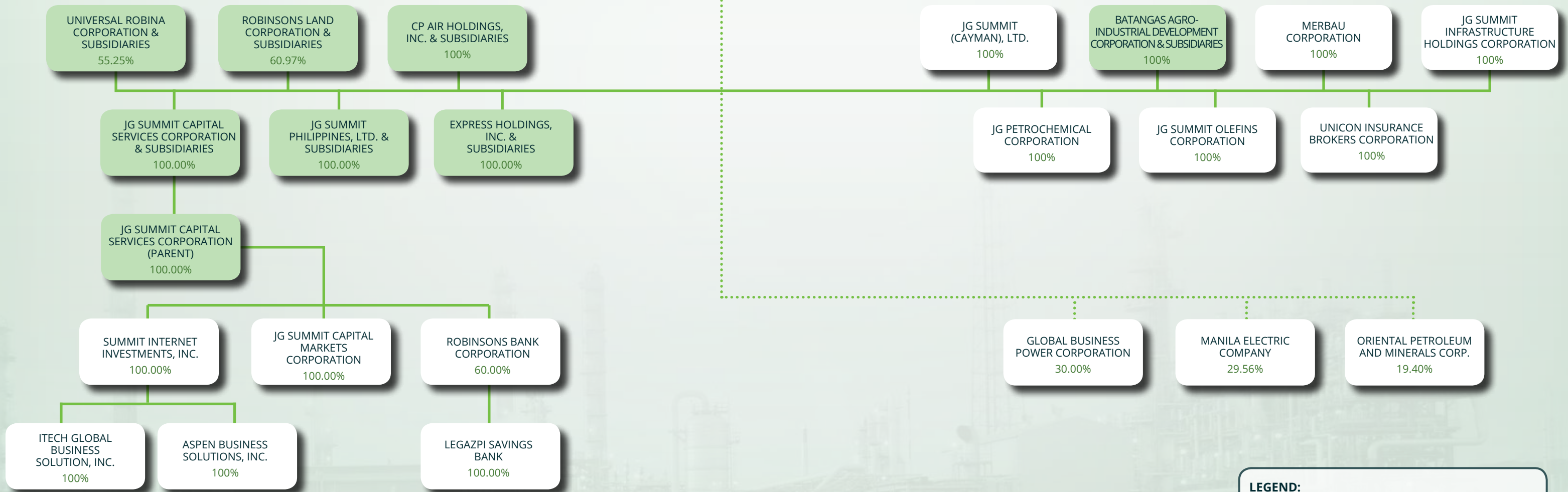
CONGLOMERATE MAP

JG SUMMIT HOLDINGS, INC.

*As of December 31, 2017

JG SUMMIT HOLDINGS, INC. & SUBSIDIARIES

JG SUMMIT HOLDINGS, INC. (PARENT) 100%



LEGEND:
 — SUBSIDIARY
 - - - ASSOCIATE

CONGLOMERATE MAP

ROBINSONS RETAIL HOLDINGS, INC.

*As of June 30, 2018





RISK MANAGEMENT

“ WE LOOK OUT FOR EVERYBODY ... ALL BUSINESS UNITS ARE MANDATED TO MANAGE RISKS RELEVANT TO THEIR OWN OPERATIONS.

Robinsons Bank recognizes that risk management is the responsibility of the entire organization. In this regard, the Bank's mandate is simple: "We look out for everybody."

As such, all business units are mandated to manage risks relevant to their own operations. This is undertaken in conjunction with the specialized entities within the Parent Company that perform certain risk management functions.

The overall risk management policy is to ensure that risks taken are within the Bank's risk appetite, which is assessed yearly considering earnings target, risk capacity (capital adequacy), regulatory standards, strategic initiatives and direction set by the Board of Directors.

EXPOSURE AND ASSESSMENT

The major risks inherent to the Bank's operations are credit, market and operational. In addition—and considering the Bank's assets and liability structure the other attendant risks include credit concentration, interest rate risk in the banking book, liquidity risks, strategic risk and business risk.

The Bank's risk management process involves risk identification, quantification, proactive monitoring and control through established process, policies, guidelines, measurement models and limits, among others.

MAJOR ENHANCEMENTS

RBC adopts a risk management framework that is forward-looking and dynamic. Major steps have been taken in response to new regulations (IFRS 9) and newly issued BSP circulars 839, 855, 905, 941 and 982, among others that impact the operations of the Bank.

In response to BSP observations, the existing consumer protection risk management system (CPRMS) was amended. The CPRMS manual as amended,

was presented to and approved by the RMC and confirmed by the BOD.

The Bank has enhanced its various operational tools such as Loss Event Database (LED), Risk & Control Self-Assessment (RCSA), and Key Risk Indicators (KRI) in compliance with BSP Circular 900.

Automation of the reporting requirement pursuant to BSP Circular 905 was initiated considering the required frequency and tediousness of the reports. Automation is a must since daily computation of LCR (liquidity coverage ratio) is required commencing January 2018 while reporting will be on a monthly basis.

To comply with IFRS 9, a new accounting standard for impairment, the bank engaged the services of a consultant in two modules. The first module covered the classification and measurement (C and M) and this was completed last July 2017. The second module is the development of ECL or expected credit loss models which commenced last September 2017. This engagement is ongoing and the models are expected to be completed on or before the first quarter of 2018.

The Bank will also automate the computation of ECL for all products considering the level of sophistication, volume, frequency and other considerations including cross-selling activities and collection, among others.

Finally, to support the strategies and major initiatives as envisioned under the new Journey Map (2018 and beyond), last December 2017, the Board of Directors approved to infuse Php 3.00 Bn additional equity in July 2018. This will increase the total capital of the Bank to at least Php 15.00 Bn, excluding retained earnings and internally generated profit in 2018. With this, the Bank will be able to comply with the minimum Php 15.00 Bn required capital for commercial banks, pursuant to BSP Circular 854, ahead of the 2019 BSP timeline.

CREDIT RISK

The Bank's credit risk policies intend to maximize the return on the risk-adjusted capital by maintaining a credit risk exposure within defined parameters including asset quality and portfolio mix, among others.

- The Bank has several credit risk mitigation practices:
 - The Bank offers a variety of loan products with substantial collateral values. The latter part of this credit risk section discusses collateral and other credit enhancements.
 - Limits are set on the amount of credit risk that the Bank is willing to take for customers and counterparties, and exposures are monitored against such credit limits.
 - The Bank also observes related regulatory limits such as industry, portfolio, single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling, among others.
 - To protect against settlement risk, the Bank employs a delivery-versus-payment (DvP) settlement system, wherein payment is effected only when the corresponding asset has been delivered.
 - For commercial loan borrowers, there is an internal credit risk rating system (ICRRS) in place, providing a structured format for collating and analyzing borrower data to arrive at a summary indicator of credit risk. Rating models have been established for both loan accounts with asset size of more than P15Million and loan accounts with asset size of P15Million and below. These rating models have undergone both internal and external independent validation.
 - For Consumer loans, the Bank utilizes credit scoring models to determine and analyze the level of exposure to credit risk of each loan applicant. The scorecards for Motorcycle and Personal loans were configured by FICO (Fair Isaac Company) while scorecards for Auto and Housing loans were internally developed based on the existing scorecards (FICO model and static scorecards)

enhanced using information from previous Portfolio Quality Reports and inputs from concerned business units. To ensure the adequacy of the models, the performances of these scorecards as to their predictive capabilities are regularly monitored and reported to the CRECOM and RMC. In addition, loan applications are continuously being evaluated based on policy rules and deviation guidelines stated in the product manuals.

- Past due and nonperforming loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.

To proactively manage risk, the ERMG conducts PQR (portfolio quality review) both for commercial and consumer loan products.

PQR for Commercial Loans is a comprehensive credit review of the Bank's commercial loan portfolio. Individual borrowers are reviewed in detail and portfolio analysis is being prepared to assess not only the quality of the whole portfolio but the management of the credit process as well. One of the measures undertaken is the rating migration analysis wherein rating history of each account is being monitored to determine the account's loan performance and its probability of default.

PQR for Consumer Loans provides a snapshot of the Bank's portfolio per consumer loan product. It focuses predominantly on the performance of the accounts based on various indicators across different demographics. Result of the PQR is used by the Bank as a reference in establishing business objectives and strategies for its consumer lending business.

The highlights of the PQRs are discussed and presented to the loan originating units, CRECOM and the RMC. The results of the deliberation are then used to improve existing products, design new products, define new market strategies, formulate action plans on asset quality management as well as calibration of existing policies.

The responsibility of the credit risk management function rests upon the following bodies:



CREDIT RISK

The ERMG makes recommendations and submits reports to the RMC on risk management matters affecting the Bank. The Bank coordinates with the various units (e.g. originating units, FRD and CorPlan) of the Bank in monitoring the established credit risk limits and performance of each product.

The ERMG is also responsible for preparing the Credit Risk Reporting Package to monitor and report the Bank's credit risk profile. This reporting package is submitted to the Bank's Management Committee (MANCOM) and Risk Management Committee (RMC) on a regular basis. The report covers the following: Portfolio Mix; Risk Appetite and Tolerance; NPL Trend; Large Exposures Monitoring; SBL Monitoring; TOFA Exposures; Commercial Loan Details; Consumer Loan Details, among others.

CREDIT CONCENTRATION RISK

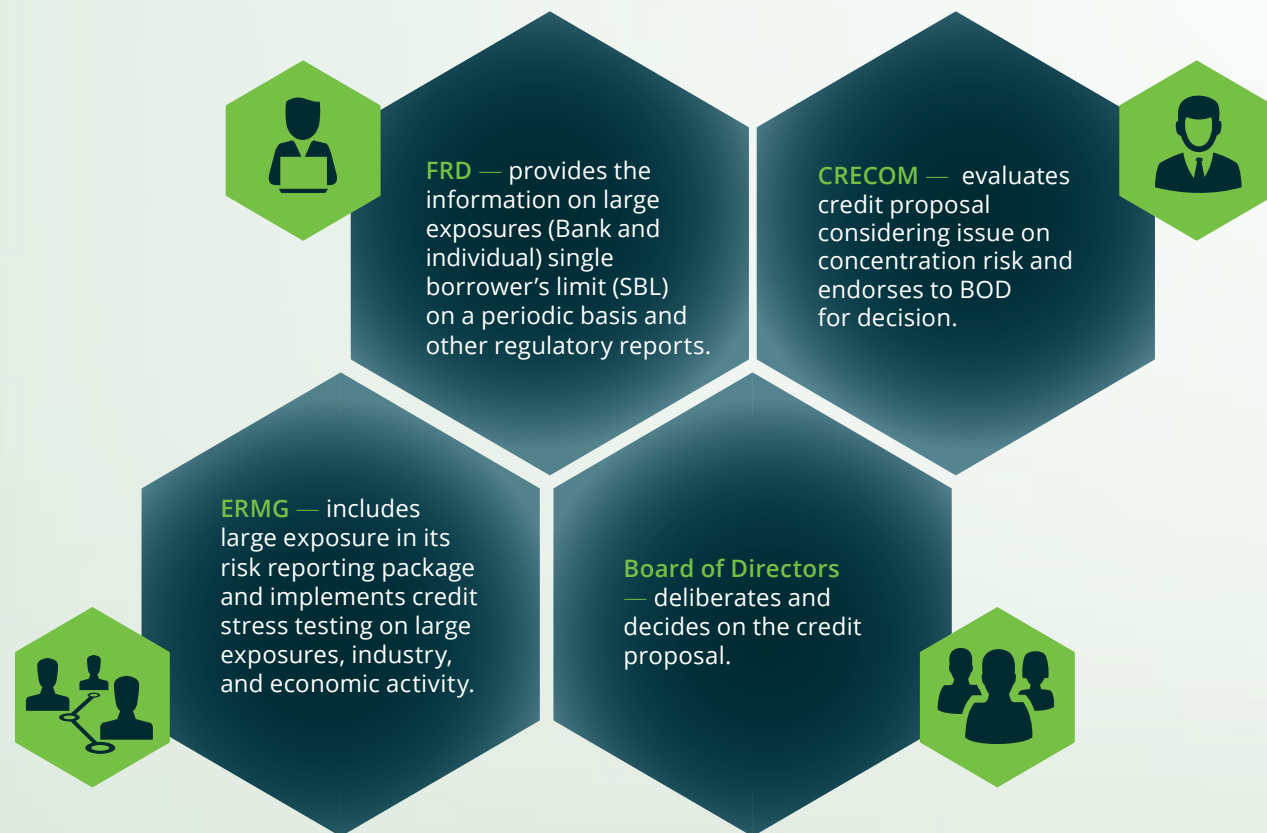
The Bank aims to minimize the potential adverse effect of credit risks that are particular to a single borrower or family of borrowers through adequate diversification of loan portfolio.

The Bank monitors credit concentration by SBL (single borrower limit), Bank large exposures and individual exposures as well as credit concentration per industry.

In order to mitigate risk, the Bank sets its internal SBL (ISBL) at 20% of its qualifying capital versus the 25% BSP-imposed SBL. The 5% is a cushion or allowance to absorb market volatility that affects the qualifying capital of the Bank.

On the other hand, industry concentration and top borrowers concentration are covered in details in the yearly ICAAP of the Bank. The Bank uses the simplified option in computing the capital charge for credit concentration risk. This option involves the computation of the Sectoral Concentration Index (SCI) and Individual Concentration Index (ICI) of the Bank's credit portfolio and further validates by using the Herfindahl-Hirschman Index (HHI). The rationale in using these tools lies with the need to be commensurate with the growing complexity of the bank's business and the environment in which it operates.

The following units are involved in managing credit concentration risk:



MARKET RISK

The Bank's market risk policies seek to ensure that the market risk exposures from its traded portfolios of financial instruments satisfy its expressed risk appetite and risk capacity.

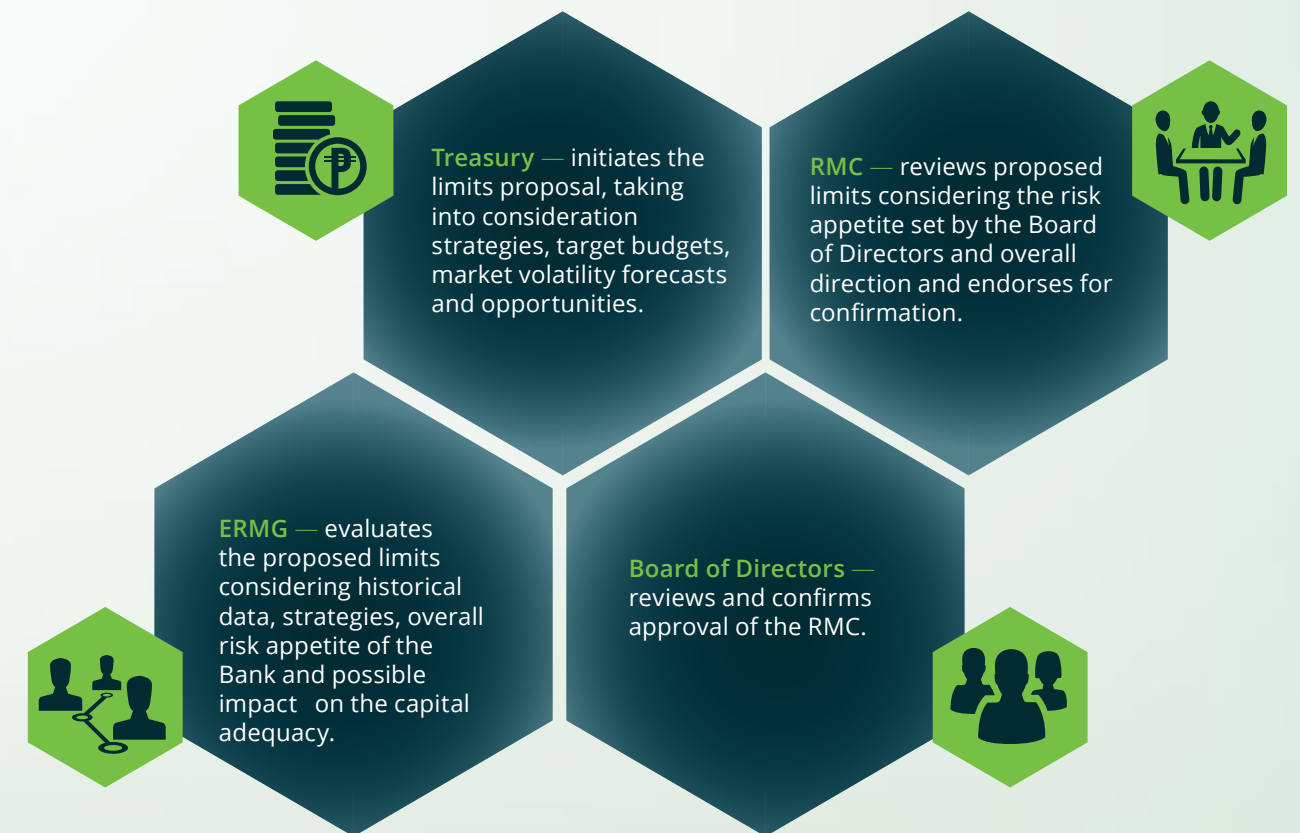
For initial risks taken, risk-taking personnel and business units follow the Product Approval Process for new market risk exposures due to different types of financial instruments. The risk-taking personnel make proposals for evaluation and/or approval by different committees (ALCO, CRECOM, RMC and BOD). The proposals are formalized by these risk sponsors into a Product Manual.

Approved guidelines are being followed whether to accept or reject an investment proposal. Some of the evaluation criteria include risk acceptance criteria, yield analysis, credit rating, and market liquidity, among others.

Risk mitigation continues even after acceptance of risks, through the monitoring of compliance with approved limits which serve as boundaries within which the Bank can expose itself.

One of the many market risk exposures measured, monitored and controlled daily by the Bank is the Value-at-Risk (VaR). It measures the potential loss of value resulting from unlikely, adverse event in the normal market environment in a specified period of time within a specified probability of occurrence. It allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite. Our VaR models have been validated by both external and internal auditors.

The Enterprise Risk Management Group prepares a daily risk reporting package to provide Treasury, senior management, ALCO and RMC with timely and relevant covering actual exposures, limits compliance and facilitate regularization, when any breach is noted. The Bank has established structure and organization to manage market risks with the involvement of the following units:



INTEREST RATE RISK IN THE BANKING BOOK

The Bank's lending activities, taking deposits with different maturities and interest rates and investing in a portfolio of fixed income securities expose it to interest rate risk.

In this case, the Bank aims to achieve the optimum level of net interest income while managing its volatility and susceptibility to changes in interest rates.

The Bank utilizes a repricing gap analysis as a tool for measuring interest rate risk. The analysis is created by distributing the Bank's inflows/assets and

outflows/liabilities into time bands according to each instrument's remaining term to next repricing.

Specific assumptions are used to reflect the behavior of interest-sensitive assets and liabilities in the preparation of repricing gap:

The repricing gap per time band is derived by computing the difference between the rate-sensitive assets (RSA) and the rate-sensitive liabilities (RLA) within the time band.

Loans — Performing loans are bucketed according to either the maturity date (for accounts paying fixed interest rate) or next repricing date (for accounts paying floating interest rate). No prepayment is assumed. Non-performing loans are placed under "Non-rate sensitive".

Deposits — Non-maturity deposits such as Current Accounts and Savings Account are placed under "Non-rate sensitive" while Time Deposits and Special Savings Account are bucketed based on their contractual maturity.



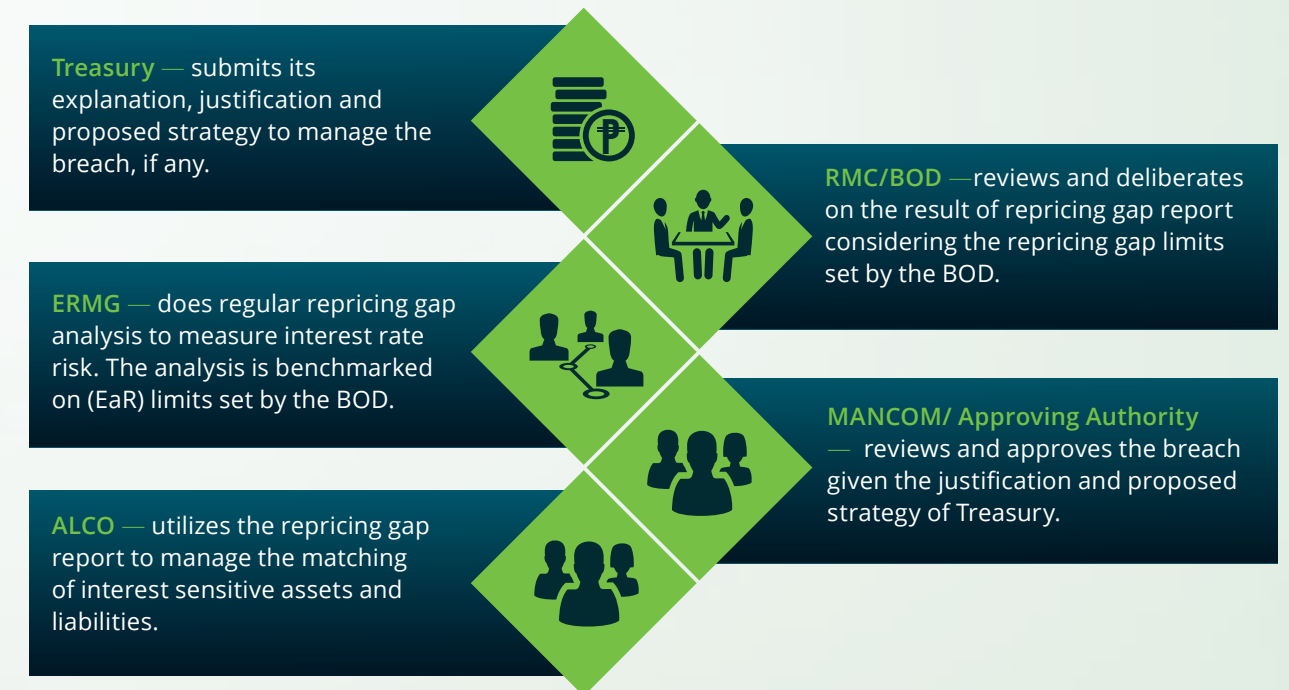
To control interest rate risk arising from repricing gaps, maximum repricing gap and Earnings at Risk (EaR) limits are set for time bands up to one year. Earnings-at-Risk is a statistical measure derived from the repricing gaps, and calculates the likely impact of changes in

interest rates to the net interest income (NII). Based on December 31, 2017 figures, the increase (decrease) in NII for upward and downward rate shocks of 100 basis points is as follows (in Php Millions):

MARKET RISK WEIGHTED ASSETS (In Php millions)	Up 100 BPS Rate shock	Down 100 BPS Rate shock
Instruments sensitive to local interest rates	281.51	281.51
Instruments sensitive to foreign interest rates	23.75	23.75
Total Risk Weighted Interest Rate Exposure	305.26	305.26

The repricing gap analysis is presently being reported on a monthly basis to RMC and ALCO.

The following is the management structure and the units involved in the management of interest rate risk:



LIQUIDITY RISK

The objective of the Bank's liquidity risk policies is to ensure that all future obligations, anticipated or not, can be met when due with little or no impact to the Bank's capital and earnings.

The Bank seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market. It also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Bank, complying with BSP reserve requirements, which may be a buffer against unforeseen liquidity drains.

The Bank employs the liquidity or maturity gap report for measuring liquidity risk. Although available contractual maturity dates are generally used for slotting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. Unreserved and liquid government securities under HFT and AFS are placed in the earlier buckets. Deposits are bucketed based on their historical behavior as observed through statistical analysis of their balances.

The liquidity gap per time band is derived by computing the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Bank's net excess funds for the time band. A negative liquidity gap is an estimate of a future

funding requirement of the Bank. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk. To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to 1 year.

To ensure proper identification of liquidity risk exposures, the Bank regularly reviews its plans of action depending on the magnitude of the liquidity risk at hand. These plans of actions are identified based on the liquidity gap report, projected MCO and liquidity ratios. The adequacy of its financial resources is then assessed and actions to be taken in the event of an unexpected situation are also identified. Measurement models, MCO and its supporting assumptions (behavior of loans and deposits, etc.) have been developed and subjected to internal and external validation.

The Senior Management and the Board are kept well-informed for them to be able to make decisions on the sufficiency and diversity of their funding sources. Likewise, breaches in limits are properly identified, reported to Senior Management and RMC/BOD on a timely basis, and preventive measures and/or corrective actions are taken via breach regularization memorandum.

The Bank has a defined structure and organization to manage liquidity risk, as follows:

Treasury — measures the liquidity and reserves position of the Parent Company. It also submits its explanation, justification and proposed strategy to manage the breach, if any.



ERMG — helps monitor market and regulatory developments pertinent to interest rates and liquidity position; Does regular maturity gap analysis to measure the maximum cumulative outflow (MCO). The analysis is benchmarked on the MCO limits and liquidity ratios set by the BOD.



RMC/BOD — reviews and deliberates on the result of maturity gap report considering the MCO limit and liquidity ratios set by the BOD.



ALCO — utilizes the maturity gap report to manage the matching of assets and liabilities. The Parent Company's ALCO is composed of some members of the Senior Management including the Lending Banks and Treasury Bank Heads. ALCO conducts weekly meetings.



MANCOM/ Approving Authority — reviews and approves the breach given the justification and proposed strategy of Treasury.



OPERATIONAL RISK

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. Operational risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs.

The Bank uses various operational risk management tools in the identification and quantification of its operational risk exposures. The levels of operational risk exposure of the various units of the Bank are captured by the following operational risk management tools:



Shown in the table below are the results of 2017 RCSA exercise:

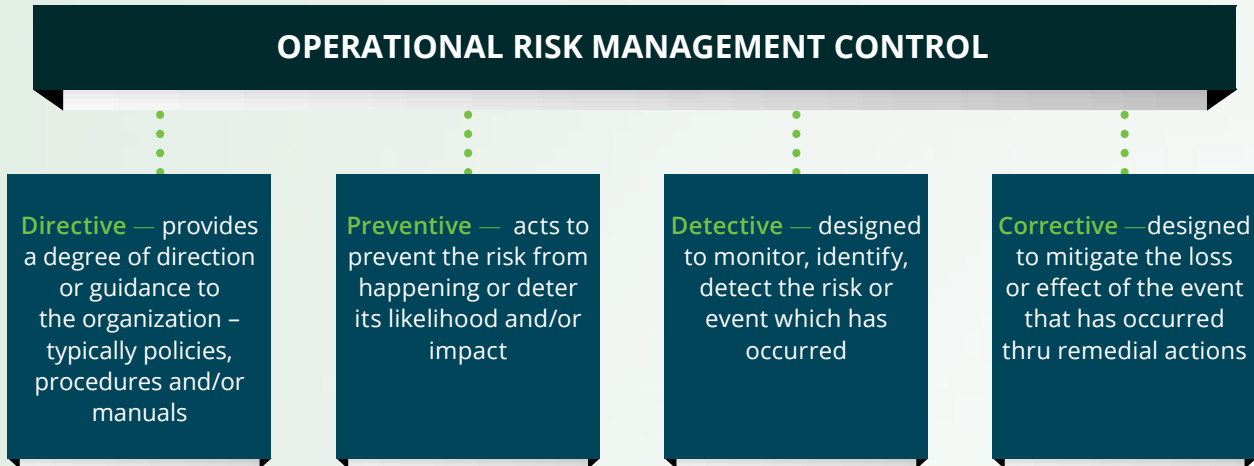
OPERATIONAL RISK EVENTS	Estimated Potential Loss (Residual, in Php millions)	Ratio to Total Estimated Potential Loss
Internal Fraud	59.89	14%
External Fraud	60.61	15%
Employment Practices and Workplaces Safety	20.29	5%
Clients, Products and Business Practices	57.34	14%
Damage to Physical Assets	30.71	7%
Business Disruption and System Failure	71.98	17%
Execution, Delivery and Process Management	97.62	23%
Information Security and Technology Risk	20.89	5%
Total	419.32	100%

The table below summarizes the Bank's Loss Event Database for the year 2017:

Loss Type	Amount (In Php millions)	Ratio
Actual Loss	8.89	25%
Probable Loss	26.59	75%
Total Outstanding Loss	35.48	100.00

OPERATIONAL RISK

Operational Risk Management has different types of control measures aligned to the risk mitigation strategy of the organization i.e., tolerate, treat, transfer or terminate the risk. These controls are:



Identified risks which require monitoring of their risk level status and control adequacy are made through risk reporting facilities such as risk reporting package and with the aid of the operational risk

management tools such as Key Risk Indicators, Risk and Control Self-Assessment and Loss Events Reporting.

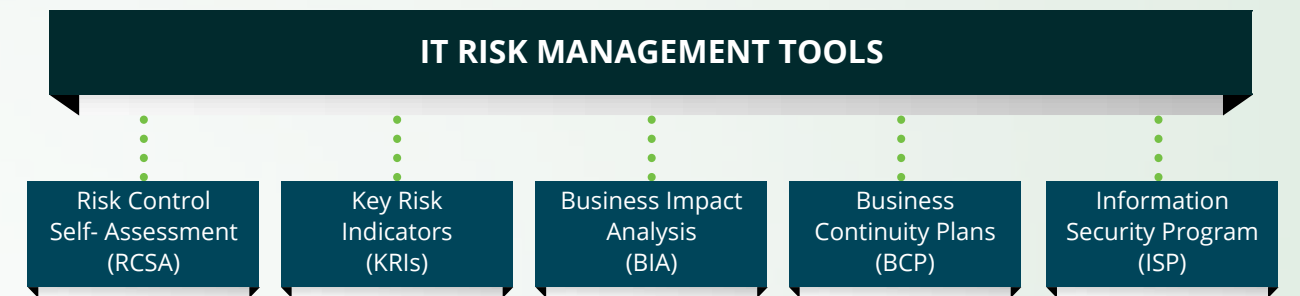
The following are the structure and the major units involved in operational risk management:



To further strengthen the Bank's IT Risk management and to reinforce the organization's check-and-balance system, the bank expanded the IT Risk Organization and hired additional people who have extensive prior Bank operational experience and with relevant technical expertise. The Bank also promotes trainings and seminars to keep IT risk officer's adept with the emerging trends in information

technology. The Bank's IT Risk managers regularly monitor key risk indicators and report exposures against carefully-established IT risk metrics and limits approved by the IT Steering Committee (ITSC) and Risk Management Committee (RMC).

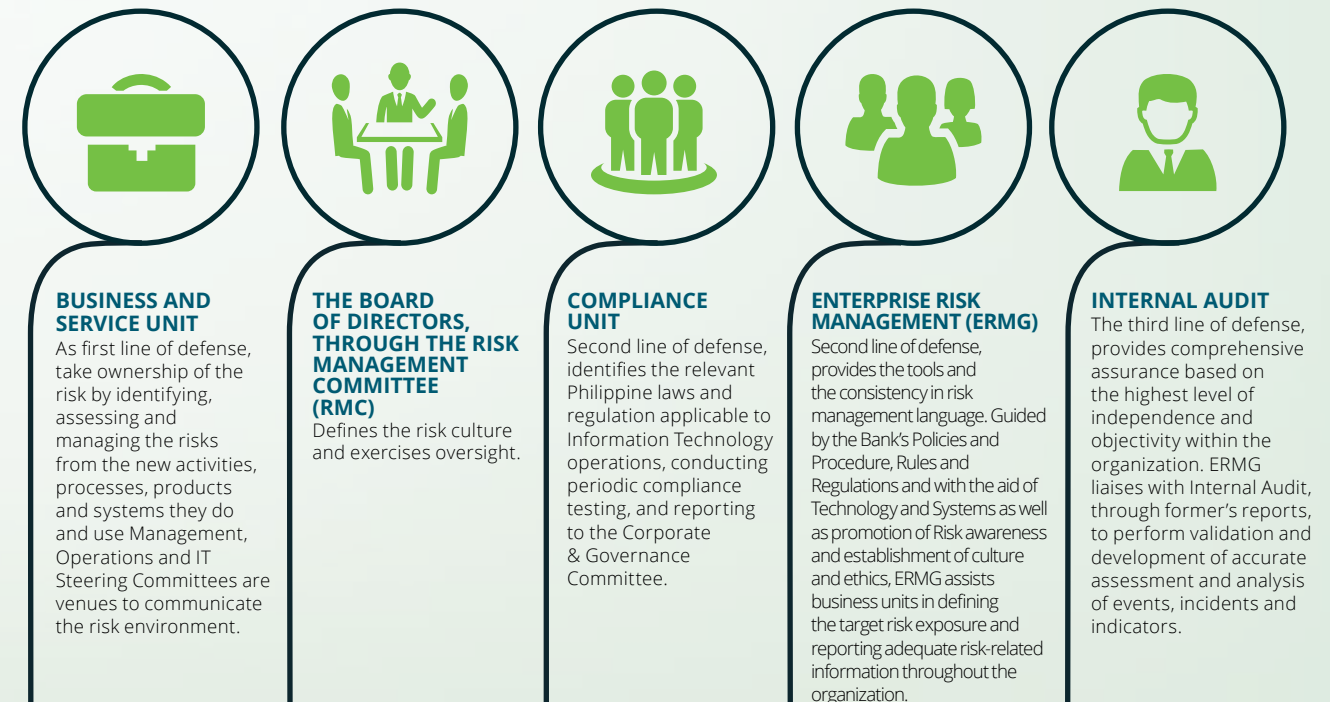
Tools are also employed to aid in identifying and assessing IT risk exposures. The following are sample IT risk management tools of the Bank:



The Bank has put in place different types and levels of control measures to match these controls with the identified risks. Controls are defined in the policies, procedures, systems and organizational structures which are designed to provide reasonable assurance that the business and security objectives are achieved and the undesired events are detected, managed,

mitigated and/or controlled. Furthermore, independent reviews are regularly conducted by the Bank's Internal Audit group, regulatory examiners, and external auditors to ensure that risk controls and mitigants are in place and functioning effectively as intended.

The following are the structure and the major units involved in IT risk management:



BUSINESS RISK

Under BSP Circular 747, Business Risk is referred to conditions which may be detrimental to a bank's business model and its ability to generate returns from operations, which in turn erodes its franchise value. Combining business risk with financial risks arising from the use of borrowed funds generates total corporate risk of the Bank. Business risks shall include, but not limited to: (a) Risks to reputation that arise from internal decisions that may damage a bank's market standing; (b) Risks to reputation that arise from internal decisions and practices that ultimately impinge on the public's trust of a bank; (c) Risks from the actions of a bank that are contrary to existing regulations and identified best practices and reflect weaknesses in the implementation of codes of conduct and standards of good practice; and (d) Legal risks to the extent that changes in the interpretation or provisions of regulations directly affect a bank's business model. Legal risk also covers the Bank's current and potential losses from lawsuits.

BSP Circular No. 972 provides that the Bank should establish a dynamic and responsive compliance risk management system which is designed to specifically identify and mitigate risks that may erode the franchise value of the Bank such as risks of legal or regulatory sanctions, material financial loss or loss to reputation, the Bank may suffer as a result of its failure to comply with laws, rules and related self-regulatory organization standards, and codes of conduct applicable to its activities. Compliance risk may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities. Compliance risk management should be an integral part of the culture and risk governance framework of the Bank. In this respect, it shall be the responsibility and shared accountability of all personnel, officers, and the board of directors. The Bank's total Capital Charge and Risk-Weighted Assets for Business Risk are Php 49.29 million and Php 492.91 million respectively.

Capital Adequacy and Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements, as mandated by the BSP, and the Bank maintains healthy capital ratios in order to support its business and to maximize shareholder's value. Presented below are the risk-based capital components, including regulatory deductions, on a parent and consolidated basis:

Qualifying Capital (In Php millions)	CONSOLIDATED		PARENT	
	2017	2016	2017	2016
Tier 1 Capital	12,000.000	12,000.000	12,000.000	12,000.000
Paid up Common Stock				
Additional paid-in-capital	-	-	-	-
Deposit for Common Stock Subscription	-	-	-	-
Retained Earnings	811.49	632.00	929.99	620.27
Undivided Profits	306.33	250.99	279.05	234.26
Net unrealized gains or losses of AFS securities	(983.18)	(818.39)	(983.18)	(818.39)
Cumulative Foreign Currency Translation	(102.61)	(112.77)	(102.61)	(112.77)
Others	-	-	-	-
Minority Interest				
Less: Regulatory adjustments				
DOSRI	(10.36)	(27.08)	(10.36)	(27.08)
Deferred income tax	300.39	106.55	255.98	89.20
Goodwill	608.88	607.08	364.55	362.75
Other Intangible Assets	637.50	640.19	14.11	14.10
Investment in subsidiary	-	-	-	-
Total Common Equity Tier 1 Capital	10,474.69	10,570.63	10,243.16	10,270.25
Additional Tier 1 Capital				
Instruments issued by the bank that are eligible as AT1 capital	-	-	-	-
Total Tier 1 Capital	10,474.69	10,570.63	10,243.16	10,270.25
Less: Investment in Subsidiary- 50%				
Net Tier 1 Capital	10,474.69	10,570.63	10,243.16	10,270.25

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to

shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Risk-based Capital Ratios are as follows:

QUALIFYING CAPITAL (In Php millions)	CONSOLIDATED		PARENT	
	2017	2016	2017	2016
Common Equity Tier 1	10,474.69	10,570.63	10,243.16	10,270.25
Additional Tier 1 Capital	-	-	-	-
Tier 1 Capital	10,474.69	10,570.63	10,243.16	10,270.25
Tier 2 Capital	491.14	330.63	478.07	317.56
Tier 3 Capital	-	-	-	-
Gross Qualifying Capital	10,965.83	10,901.26	10,721.23	10,587.81
Less: Required Deduction	-	-	-	-
Total Qualifying Capital	10,965.83	10,901.26	10,721.23	10,587.81
Total Weighted Assets	55,897.20	51,016.21	54,262.47	43,377.40
Common Equity Tier 1 Ratio	18.74%	20.72%	18.88%	23.68%
Capital Conversion Buffer	12.74%	14.72%	12.88%	17.68%
Common Tier 1 Ratio	18.74%	20.72%	18.88%	23.68%
Capital Adequacy Ratio	19.62%	21.37%	19.76%	24.41%

The regulatory qualifying capital of the Bank consists of Tier 1 (core) capital, which comprises of paid-up common stock, additional paid-in capital, deposit for common stock subscription, retained earnings, surplus including current year profit, minority interest less required deductions such as unsecured accommodations to DOSRI, deferred income tax

and goodwill. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes net unrealized gains and losses on AFS equity securities and general loan loss provision. A capital conservation buffer of 2.5% comprised of CET 1 capital is likewise imposed in the Basel III capital ratios.

Reconciliation between the Philippine Financial Reporting Standards (PFRS) Capital, capital under Philippine Regulatory Principles and Qualified Capital for Minimum Adequacy under Basel III are as follows (in Php million):

2017	
PFRS Capital, 2017	12,093.33
Differences due to Accounting Principles	(71.67)
RAP Capital, 2017	12,021.66
General Loan Loss Provision	491.14
Capital Adjustments	(1,546.97)
Qualified Capital for Minimum Adequacy Compliance under Basel III	10,965.83
PER Conso CAR Submitted to BSP	10,965.83

The capital requirements for Credit, Market and Operational Risks are provided below, on a solo and consolidated basis:

CAPITAL REQUIREMENT (In Php millions)	CONSOLIDATED		PARENT	
	2017	2016	2017	2016
Credit Risk	4,986.15	4,643.95	4,854.16	3,893.06
Market Risk	133.97	22.21	133.97	22.31
Operational Risk	469.60	435.46	438.11	422.37
Total Capital Requirements	5,589.72	5,101.62	5,426.25	4,337.74

CREDIT RISK-WEIGHTED ASSETS

The Bank uses the Standardized Approach under Circular No. 538 in computing its exposure for credit risk. Credit Risk-Weighted Asset (CRWA) is an important risk measure of the Bank, primarily because it is used to determine the Bank's minimum capital requirement.

The Bank's minimum capital requirement for credit risk is defined as 10% of the CRWA.

The following table summarizes the result of the risk quantification and capital assessment of the Bank's credit risk using the standardized approach.

CREDIT RISK- WEIGHTED ASSETS (In Php millions)	CONSOLIDATED		PARENT COMPANY	
	2017	2016	2017	2016
Credit Risk- Weighted Assets				
Total Risk Weighted On- Balance Sheet Assets	49,455.96	46,257.90	48,136.09	38,748.98
Total Risk Weighted Off- Balance Sheet Assets	395.83	152.47	395.83	152.47039
Total Counterparty Risk- Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	9.68	29.12	9.68	29.12
Total Gross Risk- Weighted Assets	49,861.48	46,439.49	48,541.60	38,930.57
Deductions:				
General loan loss provision (in excess of the amount permitted to be included in Upper Tier 2)	-	-	-	-
Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination as approved by Monetary Board	-	-	-	-
TOTAL CREDIT RISK- WEIGHTED ASSETS	49,861.48	46,439.49	48,541.60	38,930.57

The Bank's total CRWA as of 31 December 2017 stood at Php 48,541.60 million and Php 49,861.48 million, on solo and consolidated basis, respectively.

₱ **48,541.60**
SOLO

₱ **49,861.48**
CONSOLIDATED

Credit equivalent amount for off-balance sheet items, broken down by type of exposures (in Php millions):

OFF- BALANCE SHEET ASSETS (In Php millions)	CONSOLIDATED				PARENT			
	2017		2016		2017		2016	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Direct Credit Substitutes	370.42	370.42	134.35	134.35	370.42	370.42	96.23	96.23
Transaction- related contingencies	-	-	-	-	-	-	-	-
Trade- related contingencies arising from movement of goods	635.34	127.07	452.89	90.58	635.34	127.07	162.84	32.57
Other commitments (which can be done unconditionally cancelled at any time by the bank without prior notice)	19,399.40	-	18,401.08	26,912.74	19,397.27	-	26,910.84	-
TOTAL NOTIONAL PRINCIPAL AND CREDIT EQUIVALENT	20,405.15	497.49	20,405.15	497.49	20,403.02	497.49	18,986.35	224.93

Credit equivalent amount for counterparty risk-weighted items, broken down by type of exposures (in Php millions):

COUNTERPARTY RISK- WEIGHTED ASSETS IN THE BANKING BOOK (In Php millions)	CONSOLIDATED				PARENT			
	2017		2016		2017		2016	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Derivatives Exposures								
Forward Foreign Exchange	1,936.18	19.36	5,681.65	58.24	1,936.18	19.36	5,681.65	58.24
Total Notional Amount	1,936.18	19.36	5,681.65	58.24	1,936.18	19.36	5,681.65	58.24
TOTAL Counterparty Risk- Weighted Assets of Derivative Transaction	9.68		7.20		9.68		7.20	

Pursuant to the Bank's policy, the credit ratings given by foreign and local rating agencies were used to determine the credit risk weights of On-balance sheet, Off-balance sheet and counter party exposures.

For all rated credit exposures, regardless of currency, the Bank used the ICRRS and the ratings of Standard & Poor's (S&P); Moody's and Fitch Ratings. On the other hand, the credit rating given by Phil Ratings was used for Unquoted Debt Securities, certain

Corporate Bonds, Peso-denominated exposures and loans to rated domestic private entities.

The Bank neither uses credit derivatives as credit risk mitigants nor provides credit protection through credit derivatives. The Bank has no outstanding exposure to securitization structures and other types of structured products issued or purchased by the Bank.

CREDIT RISK-WEIGHTED ASSETS

Presented below is the total credit exposure, on a solo and consolidated basis, broken down by type of exposures and risk buckets:

RISK-WEIGHTED ON-BALANCE SHEET ASSETS- CONSOLIDATED 2017														
NATURE OF ITEM	Exposures, Net of Specific Provisions ^{2/}	Exposures Covered by CRM, Gross of Materiality Threshold (Part III.1a)	Exposures Covered by CRM, not Covered by CRM	Risk Weights ^{10/ 12/}										
				0%	20%	50%	75%	100%	150%	TOTAL				
				1	2	3=1-2	4	5	6	7	8	9	(Sum of 4 to 9)	
Cash on Hand	1,900.36	-	1,900.36	1,900.36	-	-	-	-	-	-	-	-	-	1,900.36
Checks and Other Cash Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Bangko Sentral ng Pilipinas (BSP)	15,955.05	-	15,955.05	15,955.05	-	-	-	-	-	-	-	-	-	15,955.05
Due from Other Banks	3,757.20	-	3,757.20	3,757.20	471.66	3,202.41	-	-	83.14	-	-	-	-	3,757.20
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-Sale (AFS) Financial Assets	19,349.15	-	19,349.15	19,349.15	9,140.40	5,071.02	4,666.36	-	471.37	-	-	-	-	19,349.15
Held-to-Maturity (HTM) Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and Receivables	57,994.07	6,188.47	51,805.60	51,805.60	7,739.73	6,324.13	4,501.51	32,594.51	645.72	51,805.60	-	-	-	51,805.60
1. Interbank Loans Receivable	424.10	-	424.10	424.10	400.00	-	-	24.10	-	424.10	-	-	-	424.10
a. Interbank Call Loans Receivable ^{8/}	400.00	-	400.00	400.00	400.00	-	-	-	-	400.00	-	-	-	400.00
b. Interbank Term Loans Receivable	24.10	-	24.10	24.10	-	-	-	24.10	-	24.10	-	-	-	24.10
2. Loans and Receivables - Others	57,569.96	6,188.47	51,381.49	51,381.49	7,339.73	6,324.13	4,501.51	32,570.40	645.72	51,381.49	-	-	-	51,381.49
a. Non-defaulted exposures	56,860.84	6,184.35	50,676.49	50,676.49	7,339.73	6,324.13	4,501.51	32,511.12	-	50,676.49	-	-	-	50,676.49
a.1. Sovereign Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.2. LGUs and Public Sector Entities	46.94	-	46.94	46.94	-	-	-	46.94	-	46.94	-	-	-	46.94
a.3. Government Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.4. Corporates	36,757.03	4,558.00	32,199.03	32,199.03	7,339.73	-	-	24,859.30	-	32,199.03	-	-	-	32,199.03
a.5. Microfinance/Small and Medium Enterprises	4,504.51	3.00	4,501.51	4,501.51	-	-	4,501.51	-	-	4,501.51	-	-	-	4,501.51
a.6. Loans to individuals for Housing Purposes (includes similar items under DLL)	8,964.88	1,117.27	7,847.61	7,847.61	6,324.13	-	-	1,523.48	-	7,847.61	-	-	-	7,847.61
a.7. Loans to individuals	6,587.48	506.08	6,081.40	6,081.40	-	-	-	6,081.40	-	6,081.40	-	-	-	6,081.40
b. Defaulted exposures ^{7/}	709.12	4.12	705.01	705.01	-	-	-	59.29	645.72	705.01	-	-	-	705.01
b.1. Housing Loans	63.40	4.12	59.29	59.29	-	-	-	59.29	645.72	59.29	-	-	-	59.29
b.2. Other than Housing Loans	645.72	-	645.72	645.72	2,967.13	-	-	-	-	645.72	-	-	-	645.72
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	2,967.13	-	2,967.13	2,967.13	-	-	-	-	-	2,967.13	-	-	-	2,967.13
Sales Contract Receivable (SCR)	39.01	-	39.01	39.01	-	-	-	35.51	3.50	39.01	-	-	-	39.01
Real and Other Properties Acquired	324.69	-	324.69	324.69	-	-	-	-	324.69	324.69	-	-	-	324.69
Total Exposures Excluding Other Assets	102,286.66	6,188.47	96,098.19	96,098.19	13,282.41	14,192.90	4,501.51	33,184.52	973.91	96,098.19	-	-	-	96,098.19
Other Assets	1,681.52	-	1,681.52	1,681.52	-	-	-	1,681.52	-	1,681.52	-	-	-	1,681.52
Total Exposures, Including Other Assets	103,968.17	6,188.47	97,779.71	97,779.71	13,282.41	14,192.90	4,501.51	34,866.04	973.91	97,779.71	-	-	-	97,779.71
Total Risk-weighted On-Balance Sheet Assets not covered by CRM	-	-	-	-	2,656.48	7,096.45	3,376.13	34,866.04	1,460.87	49,455.96	-	-	-	-
Total risk-weighted On-Balance Sheet Assets covered by CRM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	-	-	-	-	2,656.48	7,096.45	3,376.13	34,866.04	1,460.87	49,455.96	-	-	-	49,455.96

Presented below is the total credit exposure, on a solo and consolidated basis, broken down by type of exposures and risk buckets:

RISK-WEIGHTED ON-BALANCE SHEET ASSETS- PARENT 2017														
NATURE OF ITEM	Exposures, Net of Specific Provisions ^{2/}	Exposures Covered by CRM, Gross of Materiality Threshold (Part III.1a)	Exposures Covered by CRM, not Covered by CRM	Risk Weights ^{10/ 12/}										
				0%	20%	50%	75%	100%	150%	TOTAL				
				1	2	3=1-2	4	5	6	7	8	9	(Sum of 4 to 9)	
Cash on Hand	1,850.91	-	1,850.91	1,850.91	-	-	-	-	-	-	-	-	-	1,850.91
Checks and Other Cash Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Bangko Sentral ng Pilipinas (BSP)	15,621.52	-	15,621.52	15,621.52	-	-	-	-	-	15,621.52	-	-	-	15,621.52
Due from Other Banks	3,675.21	-	3,675.21	3,675.21	471.66	3,202.41	-	-	1.14	3,675.21	-	-	-	3,675.21
Financial Assets Designated at Fair Value through Profit or Loss (Sum of E1 and E2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-Sale (AFS) Financial Assets	19,179.06	-	19,179.06	19,179.06	5,071.02	4,666.36	-	471.37	-	19,179.06	-	-	-	19,179.06
Held-to-Maturity (HTM) Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and Receivables	57,079.00	6,185.82	50,893.18	50,893.18	7,739.73	6,320.08	4,395.36	31,895.41	542.60	50,893.18	-	-	-	50,893.18
1. Interbank Loans Receivable	424.10	-	424.10	424.10	400.00	-	-	24.10	-	424.10	-	-	-	424.10
a. Interbank Call Loans Receivable ^{8/}	400.00	-	400.00	400.00	400.00	-	-	-	-	400.00	-	-	-	400.00
b. Interbank Term Loans Receivable	24.10	-	24.10	24.10	-	-	-	24.10	-	24.10	-	-	-	24.10
2. Loans and Receivables - Others	56,654.90	6,185.82	50,469.08	50,469.08	7,339.73	6,320.08	4,395.36	31,871.30	542.60	50,469.08	-	-	-	50,469.08
a. Non-defaulted exposures	56,049.34	6,181.70	49,867.64	49,867.64	7,339.73	6,320.08	4,395.36	31,812.46	-	49,867.64	-	-	-	49,867.64
a.1. Sovereign Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.2. LGUs and Public Sector Entities	46.94	-	46.94	46.94	-	-	-	46.94	-	46.94	-	-	-	46.94
a.3. Government Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.4. Corporates	36,757.03	4,558.00	32,199.03	32,199.03	7,339.73	-	-	24,859.30	-	32,199.03	-	-	-	32,199.03
a.5. Microfinance/Small and Medium Enterprises	4,398.36	3.00	4,365.36	4,365.36	-	-	4,395.36	-	-	4,395.36	-	-	-	4,395.36
a.6. Loans to individuals for Housing Purposes (includes similar items under DLL)	8,960.83	1,117.27	7,843.56	7,843.56	6,320.08	-	-	1,523.48	-	7,843.56	-	-	-	7,843.56
a.7. Loans to individuals	5,886.17	503.43	5,382.74	5,382.74	5,382.74	-	-	5,382.74	-	5,382.74	-	-	-	5,382.74
b. Defaulted exposures ^{7/}	605.56	4.12	601.44	601.44	-	-	-	58.85	542.60	601.44	-	-	-	601.44
b.1. Housing Loans	62.96	4.12	58.85	58.85	-	-	-	58.85	542.60	58.85	-	-	-	58.85
b.2. Other than Housing Loans	542.60	-	542.60	542.60	2,445.66	-	-	-	-	542.60	-	-	-	542.60
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	2,445.66	-	2,445.66	2,445.66	-	-	-	-	-	2,445.66	-	-	-	2,445.66
Sales Contract Receivable (SCR)	2.99	-	2.99	2.99	-	-	-	1.65	1.34	2.99	-	-	-	2.99
Real and Other Properties Acquired	184.52	-	184.52	184.52	-	-	-	-	184.52	184.52	-	-	-	184.52
Total Exposures Excluding Other Assets	100,038.87	6,185.82	93,853.05	93,853.05	13,282.41	14,188.85	4,395.36	32,369.57	728.45	93,853.05	-	-	-	93,853.05
Other Assets	1,626.41	-	1,626.41	1,626.41	-	-	-	1,626.41	-	1,626.41	-	-	-	1,626.41
Total Exposures, Including Other Assets	101,665.29	6,185.82	95,479.47	95,479.47	13,282.41	14,188.85	4,395.36	33,995.98	728.45	95,479.47	-	-	-	95,479.47
Total Risk-weighted On-Balance Sheet Assets not covered by CRM	-	-	-	-	2,656.48	7,094.42	3,296.52	33,995.98	1,092.68	48,136.09	-	-	-	-
Total risk-weighted On-Balance Sheet Assets covered by CRM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	-	-	-	-	2,656.48	7,094.42	3,296.52	33,995.98	1,092.68	48,136.09	-	-	-	48,136.09

MARKET RISK-WEIGHTED ASSETS

The Standardized Approach is utilized by the Bank in determining its market risk-weighted assets. As at the end of December 2017, computed total market risk-weighted assets on consolidated basis stood at Php 1,312.368 million. This consisted of Php27.56 million interest rate risk exposure and Php 131.237 million foreign exchange exposures.

MARKET RISK WEIGHTED ASSETS (In Php millions)	CONSOLIDATED		PARENT	
	2017	2016	2017	2016
Interest Rate Exposures				
Specific Risk	-	0.004	-	0.004
General Market Risk				
PHP	2.189	0.041	2.189	0.041
USD	-	-	-	-
Total Capital Charge	2.189	0.045	2.189	0.045
Adjusted Capital Charge	2.736	0.056	2.736	0.056
Total Risk Weighted Interest Rate Exposure	27.359	0.562	27.359	0.562
Total Risk Weighted Equity Exposures	-	-	-	-
Foreign Exchange Exposures				
Total Capital Charge	104.989	17.724	104.989	17.802
Adjustable Capital Charge	131.237	22.155	131.237	22.253
Total Risk Weighted Foreign Exchange Exposures	1,312.368	221.550	1,312.368	222.526
Total Risk Weighted Exposures on Options	-	-	-	-
Total Market Risk- Weighted Assets	1,339.727	222.112	1,339.727	223.088

OPERATIONAL RISK-WEIGHTED ASSETS

The Bank uses the Basic Indicator approach in computing its operational risk-weighted assets. Operational risk-weighted assets as of December 2017 were Php 4.719 billion and Php 4.405 billion, on solo and consolidated basis, respectively. In 2016, they were Php 4.009 billion and Php 4.370 billion, on solo and consolidated basis, respectively.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

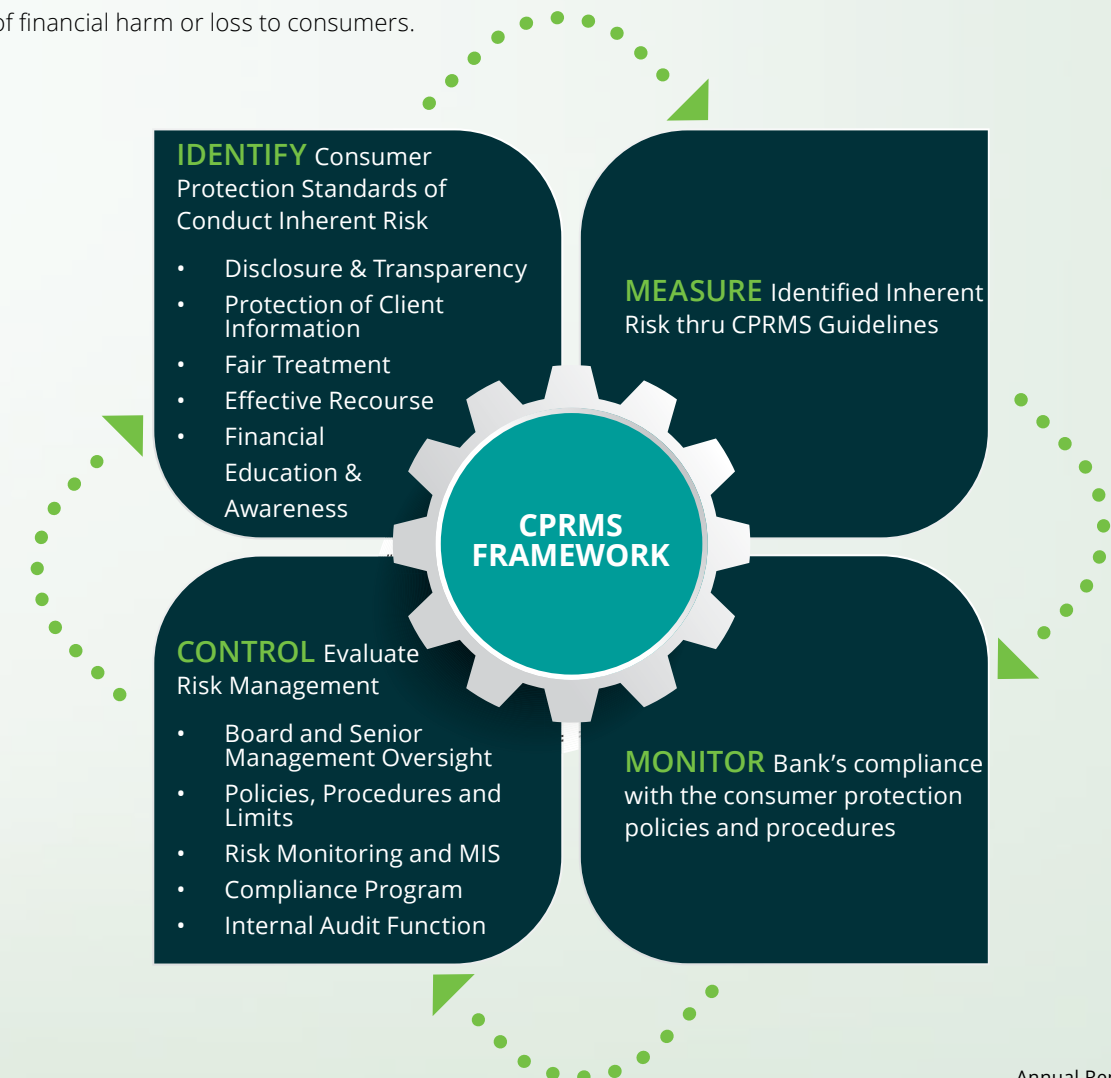
Robinsons Bank's CPRMS is a means by which the Bank can identify, measure, monitor and control consumer protection risks inherent in its operations.

It provides the foundation for ensuring the Bank's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thus ensuring that the Bank's consumer protection practices address and prevent identified risks to the Bank and associated risk of financial harm or loss to consumers.

CONSUMER PROTECTION OVERSIGHT FUNCTION

The Risk Management Committee and Board of Directors are primarily responsible for approving and periodically (at least annually) reviewing the Bank's financial consumer protection risk management policies, procedures and/or system, as well as the oversight to ensure compliance with the said policies. They are responsible in monitoring and overseeing the Senior Management's performance in managing the consumer protection activities of the Bank.

The Senior Management is responsible for the implementation of the consumer protection policies approved by the Board. They are also in charge of managing the day-to-day consumer protection activities of the Bank.



BOARD OF DIRECTORS



ROBINA Y. GOKONGWEI-PE
DIRECTOR



LANCE Y. GOKONGWEI
CHAIRMAN



FREDERICK D. GO
VICE CHAIRMAN



PATRICK HENRY C. GO
DIRECTOR



ELFREN ANTONIO S. SARTE
PRESIDENT & CEO



OMAR BYRON T. MIER
DIRECTOR

BOARD OF DIRECTORS



DAVID C. MERCADO
INDEPENDENT DIRECTOR



ESPERANZA S. OSMEÑA
INDEPENDENT DIRECTOR



ROBERTO S. GAERLAN
INDEPENDENT DIRECTOR



ANGELES Z. LORAYES
INDEPENDENT DIRECTOR



HERMOGENES S. ROXAS
INDEPENDENT DIRECTOR

BOARD OF DIRECTORS PROFILE



LANCE Y. GOKONGWEI
CHAIRMAN OF THE BOARD
FILIPINO, 51 YEARS OLD

He serves as the Chairman of the Board, Chairman of the Executive Committee, and a member of the Trust Committee of the Bank. As of May 1, 2018, he is appointed President and Chief Executive Officer (CEO) of the JG Summit Holdings Inc. He also acts as the Director, President and Chief Executive Officer (CEO) of Cebu Air Inc. (since 1997).

He is likewise appointed as Chairman of Universal Robina Corporation, in a concurrent capacity as its President and CEO. He also acts as the Chairman of Robinsons Land Corporation, JG Summit Petrochemical Corporation, Robinsons Retail Holdings, Inc. (RRHI) and the Summit Media Group (SMG).

In 2015, he was Institutional Investor's Best CEO for Asia and was also named as Best CEO by Finance Asia. He graduated Summa Cum Laude from the University of Pennsylvania's Management and Technology Program with double degrees in Finance from Wharton School and Applied Sciences from the Penn Engineering School. (*Tenure – 6 Years)



ROBINA Y. GOKONGWEI-PE
DIRECTOR
FILIPINO, 56 YEARS OLD

She is the Chairman of the Bank's Trust Committee. She is presently the President and CEO of Robinsons Retail Holdings, Inc. (RRHI) which operates six business segments; namely supermarkets, department stores, do-it-yourself stores, convenience stores, drugstores, and specialty stores. Ms. Pe is also a Director of JG Summit Holdings, Inc., Robinsons Land Corporation, and Cebu Air, Inc. She is a Trustee of the Gokongwei Brothers Foundation Inc. and Immaculate Conception Academy Scholarship Fund. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. (*Tenure – 6 Years)



FREDERICK D. GO
VICE CHAIRMAN
FILIPINO, 48 YEARS OLD

He is the Vice Chairman of the Board and also serves as the Vice Chairman of the Executive Committee of the Bank. Presently he is the President/ Chief Executive Officer and a Director of Robinsons Land Corporation and Robinsons Recreation Corporation. He is the Group General Manager of Shanghai Ding Feng Real Estate Development Company Limited, Xiamen Pacific Estate Investment Company Limited, Chengdu Ding Feng Real Estate Development Company Limited, and Taicang Ding Feng Real Estate Development Group Limited. He also serves as a Director of Cebu Pacific Air, JG Summit Petrochemical Corporation and Cebu Light Industrial Park. He is also the Vice Chairman of the Philippine Retailers Association. He received a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. (*Tenure – 6 Years)



PATRICK HENRY C. GO
DIRECTOR
FILIPINO, 48 YEARS OLD

He is the Vice Chairman of the Bank's Trust Committee and a member of its Corporate Governance Committee. He is also the President and Chief Executive Officer of JG Summit Petrochemical Corp., JG Summit Olefins Corp. and URC Packaging Division, and a Director of JG Summit Holdings Inc. He was also the General Manager of Litton Mills Knits Division (1996-1997). He has a Bachelor of Science degree in Management from the Ateneo de Manila University and took The General Manager Program from the Harvard Business School in year 2000. (*Tenure – 6 Years)



ELFREN ANTONIO S. SARTE
DIRECTOR, PRESIDENT AND CEO
FILIPINO, 58 YEARS OLD

He is the President and Chief Executive Officer of the Bank, and is a member of its Executive Committee, Risk Management Committee and IT Steering Committee. Prior to joining the Bank in November 2014, he was the Director, President and CEO of Allied Savings Bank (2013 to 2014); Consumer Finance Group Head (2013) and Head of Consumer Credit and Collection Division (2010 to 2013) of Philippine National Bank; and Head of Consumer Credit Risk Management Division (2006 to 2010), Credit Services Division (1996 to 2006) and Credit Investigation and Appraisal Division (1995 to 1996) of Union Bank of the Philippines. He was also a Manager at the Credit Information Bureau (1983 to 1985) and currently holds directorships in Bankers Association of the Philippines and Bancnet. He has a Bachelor of Science degree in Industrial Management Engineering minor in Mechanical Engineering from the De La Salle University. (*Tenure – 3 Years)



OMAR BYRON T. MIER
DIRECTOR
FILIPINO, 71 YEARS OLD

He was appointed as a Director of the Bank in 2015. Apart from sitting as a Director, he also serves as a Resource Person of the Bank's Audit Committee, an Adviser of the RPT Committee, member of the Corporate Governance Committee and Risk Management Committee, and alternate member of its Executive Committee. As of April 18, 2018, Mr. Mier is appointed as the Chairman of the Board of LSB, the Bank's subsidiary, and is a member of its Risk Management Committee. Currently, he is also an Independent Director of PayMaya Corporation. Before joining the Bank, he holds around four decades of experience in the banking industry, including Citibank N.A., where he served as Country Risk Manager in Manila (1983 to 1985), Public Sector Group Head (1985 to 1987), Country Risk Officer in Malaysia (1992 to 1995), Head of Risk Management Group and World Corporate Group Head (1992 to 1995); Deutsche Bank, as Deputy General Manager and Corporate Banking Head (1995 to 2002); and Philippine National Bank (2005-2014), where he held various senior positions, the last of which as President and CEO. He has a Bachelor of Science degree in Business Administration Major in Accounting, Bachelor of Arts degree in Economics, and Master of Arts in Economics from the University of the Philippines. He is also a Certified Public Accountant. (*Tenure – 2 Years)

*Tenure is reckoned from the time Robinsons Bank became a Commercial Bank in 2011

BOARD OF DIRECTORS PROFILE



DAVID C. MERCADO
INDEPENDENT DIRECTOR
FILIPINO, 66 YEARS OLD

He is the Chairman of the Bank's IT Steering Committee, Vice Chairman of the Risk Management Committee and a member of the Audit Committee. He has more than three decades of experience in banking and has held various senior positions in Allied Banking Corporation and United Coconut Planters Bank. At UCPB, he became their Assistant Vice President-Account Management Division (1986 to 1987), Assistant Vice President - Deposit Services Department (1987 to 1993), Vice President and Regional Branch Head (1993 to 2004), Vice President and Head of Branch Banking Group (2004 to 2006) and lastly, as First Vice President of Consumer Banking Group (2006 to 2011). He earned his Business Administration degree from the Philippine School of Business Administration. He is also a Certified Public Accountant. (*Tenure - 3 Years)



ESPERANZA S. OSMEÑA
INDEPENDENT DIRECTOR
FILIPINO, 67 YEARS OLD

She is the Chairman of the Bank's Risk Management Committee, and Vice-Chairman of the RPT Committee, the Corporate Governance Committee and Trust Committee. She held various senior positions at Asian Savings Bank (1984-1987) and Equitable PCI bank and its subsidiaries (1988-1999). She was an Executive Vice President at Equitable PCI Bank (1999-2000), and was a Director at PCI Capital Inc., PCI Leasing Inc., PCI Insurance Brokers Inc., and Bankard Inc (1988-1999). She graduated with a Bachelor of Arts degree in Commerce from the Colegio de Santa Anna in Zaragoza, Spain. (*Tenure - 6 Years)



ROBERTO S. GAERLAN
INDEPENDENT DIRECTOR
FILIPINO, 65 YEARS OLD

He is the Vice Chairman of the Bank's Audit Committee, Chairman of the Related Party Transactions Committee, and member of its Risk Management Committee. His career in banking spans over three decades, working with First United Bank (1973 to 1979) and with United Coconut Planters Bank (1979 to 2003) where he was the Vice President for Branch Banking (2001 to 2003). He graduated with a Bachelor of Arts degree in Economics from the University of Santo Tomas and Advanced Bank Management from the Asian Institute of Management. (*Tenure - 4 Years)



ANGELES Z. LORAYES
INDEPENDENT DIRECTOR
FILIPINO, 67 YEARS OLD

She is the Chairman of the Bank's Audit Committee, Vice Chairman of the Corporate Governance Committee, and a member of the RPT Committee. She honed her skills in banking by spending her career in Citibank as Head of its Financial Analysis and Engineering Department (1971 to 1978). She also headed the Credit Policy and Supervision of Equitable PCI Bank (1978 to 2000) and Philippine National Bank (2005 to 2010). She has a degree in Business Administration from the University of the Philippines and earned MBA units at the Ateneo Graduate School of Business. (*Tenure - 6 Years)



HERMOGENES S. ROXAS
INDEPENDENT DIRECTOR
FILIPINO, 67 YEARS OLD

He is the Chairman of the Bank's Corporate Governance Committee and a member of its Audit and RPT Committee. Mr. Roxas is also a Director of LSB where he chairs its Corporate Governance and Audit Committee, and sat as the vice-chair of its Risk Management Committee. He has more than three decades of experience in banking and has held various senior positions at United Coconut Planters Bank and its subsidiaries. He was also the President of UCPB Savings Bank; a Director at UCPB Leasing & Finance Corp., UCPB Foreign Exchange Corp., UCPB Capital Corp., UCPB Rural Bank, and UCPB Securities Inc. He has a Bachelor of Science degree in Business Administration from the University of the Philippines. (*Tenure - 4 Years)

**All directors have nominal share of one (1) unit of the Bank's stockholdings*

**Tenure is reckoned from the time Robinsons Bank became a Commercial Bank in 2011*

SENIOR ADVISORY BOARD



JAMES L. GO
MEMBER

JOHNSON ROBERT G. GO, JR.
MEMBER

LISA Y. GOKONGWEI-CHENG
MEMBER

BRIAN M. GO
MEMBER

JAMES L. GO
MEMBER
FILIPINO, 78 YEARS OLD

He joined the Bank as Senior Board Adviser starting on August 24, 2016. He had years of experiences in banking with then PCIBank and Far East Bank. He is currently the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is also the Chairman of Robinsons Land Corporation, Universal Robina Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Cebu Air, Inc., Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. Go received his Bachelor of Science degree and Master of Science degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

JOHNSON ROBERT G. GO, JR.
MEMBER
FILIPINO, 52 YEARS OLD

He presently serves as Director of JG Summit Holdings, Inc., Universal Robina Corporation and Robinsons Land Corporation, among others. He has served as President of Robinsons Convenience Stores, Inc. (2002) and as Vice President of Robinsons Daiso Diversified Corp. (2010). His banking experience spans around 17 years, when he was elected as a Director of the Bank. He has Bachelor of Arts degree in Interdisciplinary Studies from the Ateneo de Manila University.

LISA Y. GOKONGWEI-CHENG
MEMBER
FILIPINO, 48 YEARS OLD

She is the President and Director of Summit Media (2011 to present) and General Manager of Gokongwei Brothers Foundation Inc. (2011). She held various senior positions and directorships in the group namely: Robinsons Bank Corporation; Summit Internet Investments, Inc. (2000), Jobstreet Philippines (2000 to present), JE Holdings, Inc. (2002), Robinsons Retail Holdings, Inc. (2002 to present), Itech Global Business Solutions, Inc. (2010), Hongkong- China Foods Co. (2013), and as Vice-President and Director of Summit- App Addictive Philippines, Inc. (2000). She was also a Vice President at Metromedia Times Corporation (1993 to 1997) and as Project Manager at Digital Communications (1995 to 1999). She has a Bachelor of Arts degree from Ateneo de Manila University, and obtained her Master's degree in Journalism at Columbia University in 1993.

BRIAN M. GO
MEMBER
SINGAPOREAN, 43 YEARS OLD

He is the General Manager of URC Foods (Singapore) Pte Ltd and URC Snack Foods (Malaysia) Sdn Bhd since Feb 2015; responsible for overall operations in Singapore, Malaysia & Brunei. After obtaining a degree in Economics from the Harvard University, he started his career as consultant in Booz Allen & Hamilton (1996 to 1997) and Robinsons Retail Group (1998). He also became the Head of Corporate Planning in Digital Telecommunications Phils., Inc. (1998 to 2002), Director of JG Summit Petrochemical Corporation. Afterwards, he became Managing Director at Digitel One (2002), then as Chief Finance Officer at Ding Feng Real Estate in China (from 2003 to 2004) and Director of various Ding Feng Real Estate companies. He served as General Manager at Universal Robina Corporation (URC) - China (2007). He was appointed as President and Chief Executive Officer of URC Foods (Singapore) Pte Ltd and URC Snack Foods (Malaysia) Sdn Bhd on 29 March 2016 and 31 March 2016, respectively.

KEY OFFICERS

MIGUEL ANGEL G. GONZALEZ
EVP & CORPORATE BANKING
SEGMENT HEAD

SALVADOR D. PAPS
SVP & RETAIL BANKING
SEGMENT HEAD

ANGELITO V. EVANGELISTA
EVP & COO

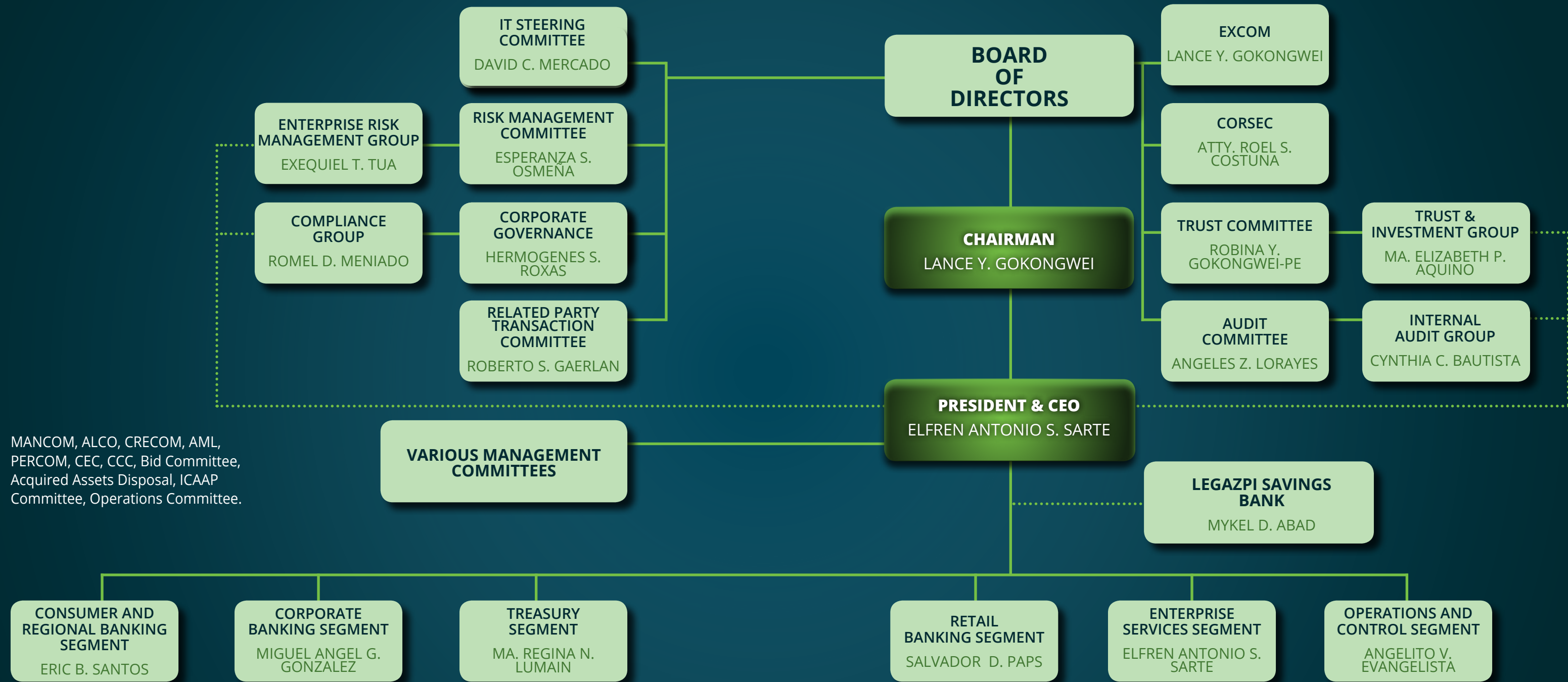
MYKEL D. ABAD
EVP & LSB PRESIDENT

MA. REGINA N. LUMAIN
EVP & TREASURER

ELFREN ANTONIO S. SARTE
PRESIDENT & CEO

ERIC B. SANTOS
EVP & CONSUMER AND
REGIONAL BANKING
SEGMENT HEAD

ORGANIZATIONAL STRUCTURE



MANCOM, ALCO, CRECOM, AML, PERCOM, CEC, CCC, Bid Committee, Acquired Assets Disposal, ICAAP Committee, Operations Committee.

Chief Compliance Officer and Chief IT Officer have oversight functions in Legazpi Savings Bank.

Human Resources Management Group Head, Chief Auditor, Legal Services Head, Chief Security Officer, and Chief Risk Officer are functioning in concurrent capacity in the subsidiary.

REPORTING TO THE BOARD



EXEQUIEL T. TUA
SVP & CHIEF RISK
OFFICER

MA. ELIZABETH P. AQUINO
VP & TRUST OFFICER

ROMEL D. MENIADO
FVP & CHIEF COMPLIANCE
OFFICER

CYNTHIA C. BAUTISTA
FVP & CHIEF AUDIT OFFICER

CONSUMER AND REGIONAL BANKING SEGMENT



ERIC B. SANTOS
EVP & CONSUMER & REGIONAL
BANKING SEGMENT HEAD

ANDRO M. YEE
SVP & COMMUNITY
BANKING GROUP HEAD

MAIRE KARABEL D. VIOLA
FVP & CARDS BUSINESS
GROUP HEAD

REY NOEL V. ALMARIO
VP & REGIONAL LENDING
GROUP HEAD

TREASURY SEGMENT



MA. REGINA N. LUMAIN
EVP & TREASURY SEGMENT
HEAD

MARIA TERESA P. SANCHEZ
SVP & DOMESTIC TRADING
GROUP HEAD

ALEJANDRO B. GAERLAN
FVP & FX TRADING GROUP
HEAD

PIA MARIE M. SANTOS
FVP & HOME LOANS
DIVISION HEAD

EDUARDO E. OROZCO
FVP & AUTO LOANS DEPARTMENT
HEAD

CHERRE S. ESTRELLADO
AVP & SBL/MSME AND PERSONAL
LOANS DEPARTMENT HEAD

CORPORATE BANKING SEGMENT

RETAIL BANKING SEGMENT



MIGUEL ANGEL G. GONZALEZ
EVP & CORPORATE BANKING
SEGMENT HEAD

JUANITO ANDRES A. HENSON
SVP & AMG 1 GROUP HEAD



SALVADOR D. PAPS
SVP & RETAIL BANKING SEGMENT
HEAD

EDWARD ELI B. TAN
FVP & RBS SALES
GROUP HEAD

ROBERT B. IMAM
VP & RBS OPERATIONS
GROUP HEAD

MATTHEW L. ONGLENGCO
VP & METRO MANILA 1
AREA HEAD



ROSARIO C. MARCELO
SVP & AMG 2 GROUP
HEAD

AGNES THERESA A. SALVADOR
SVP & TRANSACTION BANKING
GROUP HEAD

MA. ELLEN A. VICTOR
FVP & AMG 3 GROUP
HEAD



ANICETO V. GUIANG
AVP & NORTH LUZON
AREA HEAD
*As of March 2018

SAREENA R. TENGCO
VP & METRO MANILA 2
AREA HEAD

LYNN L. SY
FVP & METRO
MANILA 3 & SOUTH
LUZON AREA HEAD

MANUEL JOSEPH B. BARREDO
VP & VISAYAS 2 AREA HEAD

EUGENIO G. FERNANDO, JR.
VP & VISAYAS 1 & MINDANAO
AREA HEAD

ENTERPRISE SERVICES SEGMENT



ELFREN ANTONIO S. SARTE
PRESIDENT & CHIEF
EXECUTIVE OFFICER

EVIE B. ABRAHAM
SVP & HRMG HEAD

ATTY. ROEL S. COSTUNA
SVP & LEGAL SERVICES GROUP
HEAD AND CORPORATE SECRETARY

ERIC C. MACALINTAL
SVP & CHIEF IT OFFICER

OPERATIONS AND CONTROL SEGMENT



ANGELITO V. EVANGELISTA
EVP & CHIEF OPERATING OFFICER

IRMA D. VELASCO
FVP & CONTROLLER

DOMINIC R. MILAN
VP & LOANS AND DISCOUNTS
GROUP HEAD



JANETTE C. GONZALVO
FVP & CREDIT MANAGEMENT
GROUP HEAD

JANETTE Y. ABAD SANTOS
VP & MARKETING
GROUP HEAD
*As of January 2018

RHORY F. GO
VP & CORPORATE PLANNING
DEPARTMENT HEAD



RAMON EDUARDO E. ABASOLO
FVP & CUSTOMER EXPERIENCE
GROUP HEAD

MARITES P. ONG
AVP & TRADE SERVICES
DEPARTMENT HEAD

RET. COL. RODOLFO QUINTO
AVP & CHIEF SECURITY OFFICER

LIST OF OFFICERS

CHAIRMAN

GOKONGWEI, LANCE Y.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

SARTE, ELFREN ANTONIO S.

EXECUTIVE VICE PRESIDENTS

ABAD, MYKEL D.
EVANGELISTA, ANGELITO V.
GONZALEZ, MIGUEL ANGEL G.
LUMAIN, MA. REGINA N.
SANTOS, ERIC B.

SENIOR VICE PRESIDENTS

ABRAHAM, EVIE B.
COSTUNA, ROEL S.
HENSON, JUANITO ANDRES A.
MACALINTAL, ERIC C.
MARCELO, ROSARIO C.
PAPS, SALVADOR D.
SALVADOR, AGNES THERESA A.
SANCHEZ, MARIA TERESA P.
TUA, EXEQUIEL T.
YEE, ANDRO M.

FIRST VICE PRESIDENTS

ABASOLO, RAMON EDUARDO E.
BAUTISTA, CYNTHIA C.
GAERLAN, ALEJANDRO B.
GONZALVO, JANETTE C.
MENIADO, ROMEL D.
ONGLENGCO, MATHEW L.
OROZCO, EDUARDO E.
SANTOS, PIA MARIE M.
SY, LYNN L.
TAN, EDWARD ELI B.
VELASCO, IRMA D.
VICTOR, MA. ELLEN A.
VIOLA, MAIRE KARABEL D.

VICE PRESIDENTS

ABAD SANTOS, JANETTE Y.
ALMARIO, REY NOEL V.
AQUINO, MA. ELIZABETH P.
BARREDO, MANUEL JOSEPH B.
CASAUL, ALLAN H.
CHING, ENGELBERT C.
CRUZ, REYNALDO S., JR.
DELA CRUZ, VICTOR C., JR.
DURANO, NERISSA S.
FERNANDO, EUGENIO JR. G.
FRANCISCO, GLENN H.
GO, RHORY F.
IMAM, ROBERT B.
LIM, JEREMY JAY V.
MILAN, DOMINIC R.
MIRANDA, BESSIE D.
SANTOS, EDWARD B.
TENGGCO, SAREENA R.
YABUT, GALO P.
YAP, JEAN J.

ASSISTANT VICE PRESIDENTS

ABANDO, CONRADO M., JR.
ACOSTA, G. FULTON V.
ADELANTAR, RHEALYN D.
ARCIGAL, JOVEN S.
BAÑARES, JOHN I.
BAUTISTA, MARIA REGINA J.
CHAN, KELLY T.
CONFESOR, LUIS MIGUEL R.
CORTEZ, ADELINA C.
CRUZ, DONNA JANE O.
DATOC, AGNELUS RAYMUND JAY R.
DE TORRES, DEXTER P.
ESCUETA, DALE DANIEL C.
ESTRELLADO, CHERRE S.
FIGUEROA, MARIA ALICIA P.
FLORES, ANGELICA Y.
GABRIEL, MARIA ENCARNACION T.
GATAPIA, JO PAUL B.
GUEVARRA, ALMA VIDA L.
GUIANG, ANICETO V.
INFANTE, REYNANTE R.
INOCANDO, URSULA F.
LAXA, MIRIAM RUBY B.
MASANGKAY, VINCENT V.

MENDEZ, MARY JOY C.
MENDOZA, JASON B.
MENDOZA, VIRGILIO D.
MONJE, MARTHA MELODY D.
MONTALBO, RUTH P.
MONTERONA, HERMINIGILDO R., JR.
ONG, MARITES P.
PANGILINAN, LEOPOLDO M.
PLATERO, ROSALIE E.
PUJOL, ANGELICA D.
QUINTO, RODOLFO T.
RAMOS, ANTONINA B.
REYES, ODETTE G.
RIÑA, MARIA CORAZON G.
ROSANES, ANNALLETTE M.
SALCEDO, JOHN D.
SANDOVAL, FERDINAND M.
VILLAREAL, KAREEN R.
VIÑAS, LORENA H.
YU, JOCELYN S.
ZOLETA, MA. BERNADETTE B.

**As of May 31, 2018*

PRODUCTS AND SERVICES

RETAIL BANKING

DEPOSIT PRODUCTS

Savings Account

- Passbook Savings Account
- ATM Savings Account
- Tykecoon Savings Account
- US Dollar Savings Account
- Third Currency Account (EUR, JPY)
- Special Savings Account

Checking Account

- Regular Checking Account
- Corporate Checking Account

Time Deposit

- Peso Time Deposit
- US Dollar Time Deposit
- Third Currency Time Deposit

Commercial Loans

- Revolving PN Line
- Trade Check Discounting
- Vehicle Fleet Financing
- Domestic Bills Purchase Line
- Short and Long Term Loans
- Export Advances Facility

Consumer Loans

- GO! Housing Loan
- GO! Auto Loan
- GO! Personal Loan
- GO! Motorsiklo Loan
- GO! mSME Loan
- GO! Small Biz Loan
- GO! Micro Loan

Treasury Products

- Peso Sovereign Bonds (TBills, FXTNs, RTBs)
- Peso Corporate Bonds (Yuan, Euro, British Pounds, HK\$, Jap Yen, Sing\$)
- US\$ Sovereign Bonds (ROPs and other sovereign bonds)
- US\$ Corporate Bonds

Foreign Currencies

- US Dollar (USD)
- English Pound (GBP)
- Australian Dollar (AUD)
- Japanese Yen (JPY)
- Hong Kong Dollar (HKD)
- Singapore Dollar (SGD)
- Canadian Dollar (CAD)
- New Zealand Dollar (NZD)
- Arab Emirates Dirham (AED)
- Euro (EUR)
- Swiss Franc (CHF)
- Thai Baht (THB)
- Chinese Yuan (CNY)
- Korean Won (KRW)
- Brunei Dollar (BND)
- Bahrain Dinar (BHD)
- Saudi Riyal (SAR)

TRUST PRODUCTS

- Unit Investment Trust Fund
- Personal Investment
- Corporate Investment
- Escrows
- Retirement Fund Management
- Safekeeping

TRADE SERVICES

- Import/Export Lines
- Bank Guaranty

ATM SERVICES

- Cash Withdrawal
- Bills Payment
- Fund Transfer

BANCASSURANCE

CREDIT CARD PRODUCTS

- UNO® Mastercard
- UNO® Platinum Mastercard
- DOS® Mastercard
- DOS® Platinum Mastercard
- Visa Debit Card

TRANSACTION BANKING PRODUCTS

Payables

- Payroll Services
- Electronic Crediting
- eGov
- Outsourced Manager's Check Printing
- Outsourced Corporate Check Printing
- SME Builder Check Pro
- SME Builder HRIS

Collections

- Bills Payment
- Post Dated Check Warehousing

Payments

- Direct2Bank PesoNet
- Direct2Bank InstaPay (soon!)
- Real- Time Gross Settlement
- Philippine Domestic Dollar Transfer System (PDDTS)

REMITTANCE

- Western Union Remittance Facility

Other Services

- Manager's Check/ Demand Draft
- Telegraphic Transfer



BRANCH DIRECTORY

150*
BRANCHES
RBC-137
LSB-13

253*
ATMS
RBC-237
LSB-16

**As of May 31, 2018*



METRO MANILA BRANCHES

A. ARNAIZ AVENUE

Unit 7A, Commercial Space
The Beacon Makati, A. Arnaiz Avenue
corner Chino Roces Avenue, Makati City
894-1667 | 894-1758

ACACIA LANE – SHAW BOULEVARD

G/F Padilla Bldg. 333 Shaw Boulevard
Brgy. Bagong Silang, Mandaluyong City
668-2534 | 668-2510

ALABANG

G/F Unit 4, El Molito Commercial
Complex, Madrigal Avenue corner
Alabang Zapote Road Alabang,
Muntinlupa City
850-9529 | 772-1565

ASUNCION - BINONDO

G/F Don Norberto &
Doña Salustiana Ty Building
403 Asuncion Street corner San Nicolas
Binondo, Manila
241-2610 | 241-2061 | 241-3044

AYALA

6780 GF JAKA 1 Building
Ayala Avenue, Makati City
822-7980 | 822-7964

BANAWE

Store No. 2, LI Commercial Building
Lot 5 Block 240, Banawe Street
Brgy. Tatalon, Quezon City
516-8644 | 516-8674 | 411-1834

BETTER LIVING

G/F Triple M Commercial Building Doña
Soledad Ave. corner Australia Street
Better Living Subd., Parañaque City
823-2503 | 823-2572

BGC BURGOS CIRCLE

G/F Unit B, The Crescent Park Residences
30th Street corner, 2nd Avenue
Bonifacio Global City, Taguig City
553-7306 | 553-7205

BGC 34TH STREET

Shop 1, Panorama Tower, 34th Street
corner, Lane A, Bonifacio Global City
Taguig City
869-6407 | 869-6406

BGC 7TH AVE

Unit GF 7, Trade and Financial Tower
Building, 7th Ave. corner Lane Q Road
Bonifacio Global City, Taguig City
887-5649 | 887-5648 | 887-5654

BINONDO

G/F01 MZ01 Pacific Centre Building
460 Quintin Paredes corner
Sabino Padilla Street Binondo, Manila
242-4430 | 242-445 | 242-4443
242-4413

BONIFACIO GLOBAL CITY

Ground Level, Market Market Mall
Bonifacio Global City, Taguig City
856-0693 | 856-0694

BRIDGETOWNE – C5

G/F Tera Tower, Ortigas Avenue
Extension, CORNER C5, Quezon City
650-4440 | 281-3564 | 650-4386

CALOOCAN

G/F Dona Lolita Building, 363 Rizal
Avenue, Extension Caloocan City
363-4654 | 363-3758 |
287-3596 363-3449

CHINO ROCES AVENUE EXTENSION

G/F 2308 Natividad Building
Chino Roces Avenue Extension
Makati City
519-8063 | 403-7057

CUBAO P. TUAZON

G/F & Mezz, Genato Building
250 P. Tuazon corner
15th Avenue, Cubao, Quezon City
912-0053 | 912-0046

D. GUEVARA MANDALUYONG

G/F RL Building, 50 D. Guevara Street
Mandaluyong City
531-0855 | 531-1478

DEL MONTE

G/F EWELL Square, Del Monte
Avenue corner, Biak-na-Bato
Quezon City
354-8582 | 354-8583 | 354-8584

DOMESTIC ROAD

G/F Cebu Pacific Airline Operations
Center Building, Domestic Road
Pasay City
893-5968 | 893-5971 | 893-5972

E. RODRIGUEZ SR. AVE.

G/F JCA Building, No. 1166, E. Rodriguez
Sr. Avenue, New Manila, Quezon City
571-5745 | 571-6754 | 412-4133

EASTWOOD CITY

G/F IBM Plaza Building,
Eastwood City, E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City
395-1336 | 395-1337

EDSA CALOOCAN

G/F Insular Bldg., 462 EDSA near corner
Boni Serrano St. Caloocan City
931-9430 | 932-0959 | 990-1799

ERMITA

Level 1, Padre Faura Wing, Robinsons
Place Manila Ermita, Manila
397-7027 | 397-7028

FILINVEST ALABANG

Unit 104, Civic Place Condominium
2301 Civic Drive, Filinvest Corporate City
Alabang, Muntinlupa City
659-0492 | 659-0494

J.P. RIZAL ST. – Makati

G/F Mendoza Building 834 J. P. Rizal
Street corner, E. Zobel Street, Makati City
807-1240 | 807-1236

KATIPUNAN

G/F Torres Building ,321 Katipunan
Avenue, Loyola Heights, Quezon City
426-2594 | 426-5604 | 920-4018

LAS PIÑAS

G/F Units G86-G87, Robinsons Place Las
Piñas, 345 Alabang-Zapote Road, Talon
Uno, Las Piñas City
875-6875 | 875-6872

LAS PIÑAS – PAMPLONA

G/F South Park Heights
262 Alabang-Zapote Rd.,Pamplona
Las Piñas City
872-6944 | 872-3016

LEGAZPI STREET – MAKATI (GAMBOA)

G/F Office 1, Man Tower Building
153 Legazpi Street, Legazpi Village
Makati City
893-9395 | 892-6801

MAGINHAWA ST.

Stalls A & B #143 Maginhawa Street
Brgy. Teachers Village, Quezon City
935-3409 | 935-3414 | 285-5419

MAGNOLIA TOWN CENTER

L/G Unit LG026, Robinsons Magnolia
Town Center, Aurora Boulevard
Quezon City
961-6040 | 961-6041 | 961-6042

MAIN OFFICE BRANCH

G/F Galleria Corporate Center EDSA
corner, Ortigas Avenue, Quezon City
702-9593 | 395-2212

BRANCH DIRECTORY

MAKATI-EVANGELISTA

G/F, #1861 Evangelista Street
Bangkal, Makati City
935-3409 | 935- 3414 | 815-7946

MALABON

Level 1-01127, Robinsons Town Mall
Malabon, 5 Governor Pascual Avenue
corner, Crispin Street, Tinajeros
Malabon City
287-7997 | 287-7758 | 287-3635

MARIKINA

VC Chan Building, No. 8 Bayan-Bayanan
Avenue, Concepcion Uno, Marikina City
948-6890 | 948-7121

MCKINLEY WEST

Lower G/F Cyber Sigma Lawton Avenue
Bonifacio South, Taguig City
935-3409 | 935-3414 | 845-2287

MERALCO AVENUE

G01 & G02, Robins Design Center
31 Meralco Avenue, Ortigas, Pasig City
942-1853 | 706-0454

MOA COMPLEX

Unit 101, Tower 1 Oceanair Residences
Sunshine Drive corner Road 23
Coral Way, MOA Complex, Pasay City
801-0243 | 801-0245 | 815-1456

MUNTINLUPA BAYAN

G/F Joval 1 Building
52 National Highway Putatan
Muntinlupa City
935-3409 | 935-3414 | 310-0830

N.S. AMORANTO SR. AVE.

G/F Unit 102 "R" Place Building
255 N.S. Amoranto Sr. Avenue
Quezon City
521-0997 | 521-0936 | 522-52182

NINYO AQUINO AVE (NAIA)

G/F Rooms 2 & 3, Sky Freight Building
Sky Freight Center, Ninoy Aquino
Avenue, Parañaque City
851-1066 | 736-3035 | 851-1025
521-0981

NOVALICHES

Level 1- ERS1-016, Robinsons
Novaliches, Brgy. Pasong Putik, Quirino
Highway, Novaliches, Quezon City
935-3409 | 935-3412 | 935-3414

ORTIGAS - GREENHILLS

G/F Limketkai Building, Ortigas Avenue
corner, Roosevelt Street
Brgy. Greenhills, San Juan City
726-3360 | 725-6390

P. RADA TONDO

580-584 Padre Rada Street
Tondo, Manila
243-9004 | 243-8969 | 243-8971

PASAY - LIBERTAD

G/F Cementina Corporation Building
160 A. Arnaiz Avenue corner
Cuenca Street, Pasay City
834-7836 | 833-7718 | 865-6628

PASEO DE ROXAS LEGAZPI VILLAGE

G/F 111 Paseo de Roxas Building,
Legazpi Street corner Paseo de Roxas
Legazpi Village, Makati City
804-2621 | 804-2624

PASIG C. RAYMUNDO

G/F Marius Arcadia Building, C.
Raymundo Avenue corner Pag-Asa
Street, Pasig City
477-5948 | 477-5949

PASIG - METRO EAST

L/G Robinsons Metro East, Marcos
Highway, Brgy. De la Paz, Pasig City
646-8835 | 249-1173

PASO DE BLAS

491 EDSA Building, Paso de Blas Road
Brgy. Paso de Blas, Valenzuela City
310-1159 | 310-1160 | 310-1162

PIONEER CYBERGATE

Upper G/F, Robinsons Pioneer Cybergate
Center 1, Pioneer St., Mandaluyong City
395-2749 | 395-2732

QUEZON AVENUE

G/F Q.C Avenue Mall, Quezon Avenue
cor. Scout Borromeo St., South Triangle
Quezon City
310-1056 | 310-1057 | 310-1058

REGALADO AVENUE

RS137-05, Robinsons Townville
Regalado Fairview, Quezon City
376-6359 | 376-6063 | 376-6091

ROOSEVELT AVENUE

G/F MCM Bldg. 311 Roosevelt Avenue
Quezon City
376-5672 | 709-8213 | 709-8213

SAMSON ROAD

G/F Units 3, 4 & 5, Samson Square
Building, Samson Road corner Dagohoy
Street, Caloocan City
287-3596 | 287-3597 | 287-3598

SAN MIGUEL

G/F Octagon Building
San Miguel Avenue, Ortigas Center
Pasig City
637-6165 | 636-3074

SANTOLAN - PASIG

G/F AD Center Square
Amang Rodriguez corner
Evangelista Street, Santolan, Pasig City
632-7394 | 632-7396

SEDEÑO SALCEDO VILLAGE

G/F Unit G-104, 88 Corporate Center
141 Sedeño corner Valero Street
Salcedo Village, Makati City
551-4194 | 551-3125

SEN. GIL PUYAT AVE.

G/F New Solid Realty Inc. Building
357 Sen. Gil Puyat Avenue, Makati City
897-1189 | 897-9440

SHAW BOULEVARD

G/F 2019 Pelbel Building I
2019 Shaw Boulevard, Pasig City
570-1920 | 631-2210 | 570-2391

SOLER

G/F Filamco Building, 1220-1222, Soler
corner, Masangkay Streets
Binondo, Manila
243-0972 | 243-2099 | 243-2086

SUCAT

Units B13 & B17, JAKA Plaza Mall
Dr. A. Santos Avenue, Parañaque City
808-3279 | 478-7170

TOMAS MORATO

JSB Building, Tomas Morato Avenue
corner, Scout Delgado Street
Quezon City
412-7980 | 412-7981

VALENZUELA

Unit A, South Supermarket, McArthur
Highway, Karuhatan, Valenzuela City
293-9629 | 294-0562 | 293-0557

VISAYAS AVENUE

G/F M & L Building, Visayas Avenue
corner, Road 1, Quezon City
374-0113 | 374-0112

WEST AVENUE

G/F Prosperity West Center Building
92 A West Avenue, Quezon City
332-3998 | 332-7954 | 211-3242
332-2942

WHITE PLAINS

Francisco Santos Building, 138
Katipunan Avenue, Barangay Saint
Ignatius, Quezon City
438-7260 | 439-2497 | 439-4633

WILSON ST. GREENHILLS

G/F Wilson Corporate Center, Wilson
Street, Greenhills, San Juan City
239-0803 | 358-4843

LUZON BRANCHES

ANGELES

Level 1, Robinsons Place Angeles
McArthur Highway Balibago
Angeles City, Pampanga
(045) 892-8052 | (045) 892-8053

ANTIPOLO

Unit 169-A, Robinsons Place Antipolo
Sumulong Highway
Circumference Avenue
Barangay Dela Paz, Antipolo City
630-4241 | 630-4249 | 630-4246
630-4249 | 630-4241

BACOO

Unit 1 & 2, Apollo Mart Bldg.,
369 Apollo Bldg., Aguinaldo Hi-way
Talaba 4, Bacoor, Cavite
(046) 416-1478 | (046) 416-6145
(046) 416-1549

BAGUIO

G/F, ECCO/EDGARDOMCO REALTY
CORP. Bldg. 43 Assumption Road
Baguio City
(074) 443-8312 | (074) 443-8313
(074) 443-8314 | (074) 443-8315

BALAGTAS

G/F 103-1 Balagtas Town Center
McArthur Highway, Borol 1st
Balagtas, Bulacan
(035) 402-3026 | (035) 402-3028

BALANGA

G/F Alyss Commercial Building, Don
Manuel Banzon Avenue Doña, Francisca
Balanga City, Bataan
(047) 237-1097 | (047) 237-1099

BALAYAN

G/F Stall 2, 3 & 4, Balayan Public Market
Plaza Mabini Street, Balayan, Batangas
(043) 774-7660 | (043) 774-7664
(043) 774-7662

BATANGAS CITY

G/F Odeste Building, P. Burgos
Brgy. 13, Batangas City
(043) 723-9972 | (043) 300-0293
(043) 723-5113

CABANATUAN

G/F Franklin de Guzman Building, Km.
114 Maharlika Highway, Cabanatuan City
Nueva Ecija
(044) 464-7628 | (044) 600-2430



BRANCH DIRECTORY

CAINTA

G/F Gusali 888 Bldg., Ortigas Avenue Extension, Cainta, Rizal
631-9856 | 655-4727

CALAMBA

G/F FP Perez Building, National Highway Parian, Calamba City, Laguna
(049) 536-0398 | (049) 536-0390
(049)536-0365

CALAPAN

G/F Space Neo Calapan Mall, LS-008 Roxas Drive, Brgy. Sto. Niño Calapan Oriental Mindoro
(043) 441-0027 | (043) 441-0028
(043) 441-0038

CALASIAO

Level 1-01134, Robinsons Place Pangasinan, McArthur Highway Brgy. San Miguel, Calasiao, Pangasinan
(075) 632-0578 | (075) 517-3202

DASMARIÑAS

Level 1 01302 Robinsns Place Dasmariñas, E. Aguinaldo Highway corner Governor's Drive, Pala-Pala Dasmariñas, Cavite
(046) 852-2217 | (046) 436-3253

DAGUPAN

Guanzon Building, Perez Boulevard Dagupan City, Pangasinan
(075) 522-7444 | (075) 515-2252

DOLORES – SFDO

Franda Building, McArthur Highway Barrio Dolores, City of San Fernando Pampanga
(045) 435-8652 | (045)-435-8675
(045) 435-9130

GENERAL TRIAS

Level 1-155 & 156, Robinsons Place General Trias Mall, Antero Soriano EPZA-Bacao Diversion Road, Brgy. Tejero General Trias, Cavite
(046) 437-2592 | (046) 437-2593
(046) 437-2594

ILOCOS NORTE

Level 2, Robinsons Place San Nicolas Brgy. 1, San Nicolas, Ilocos Norte
(077) 781-2595 | (077) 781-2970

IMUS

G/F Robinsons Place Imus, Emilio Aguinaldo Highway, Imus, Cavite City
(046) 875-2331 | (046) 471-9100 | (046) 875-2333

LEGAZPI CITY

G/F Yuzon Commercial Building Quezon Avenue, Legazpi City, Albay
(052) 481-3585 | (052) 481-0802
(052) 481-3235

LIPA

G/F Robinsons Place Lipa, Expansion Wing, J.P. Laurel Highway Mataas na Lupa, Lipa City, Batangas
(043) 756-2240 | (043) 312-2057

LUCENA

G/F AZDEMARK Building, 11 Quezon Avenue, Lucena City
(042) 322-0084 | (042) 322-0083

LUISITA TARLAC

Unit 102, Robinsons Luisita McArthur Highway, San Miguel Tarlac City
(045) 985-2001 | (045) 985-2002

MALOLOS

Level 1-01123, Robinsons Place Malolos McArthur Highway, Barangay Mabolo Malolos, Bulacan
(044) 796-1636 | (044) 796-1637

MEYCAUAYAN

G/F EMCCO Building, McArthur Highway corner, Malhacan Road, Calvario Meycauayan City, Bulacan
(044) 721-2712 | (044) 721-2713
(044) 721-2714

NAGA

G/F Crown Hotel Building Peña Francia Avenue, Naga City
(054) 811-1600 | (054) 811-1600
(054) 472-4556 | (054) 884-0786

OLONGAPO

1370 Rizal Avenue Extension East Tapinac, Olongapo City, Zambales
(047) 222-7521 | (047) 222-7281
(047) 222-7522

ROBINSONS PLACE NAGA

Level 1 Unit 101 Robinsons Place Naga Roxas Avenue corner Almeda Highway Brgy. Triangulo, Naga City, Camarines Sur
(054) 881-1282 | (054) 881-1535
(054) 881-0040

SAN FERNANDO

Level 1, Robinsons Starmills Candaba Gate Olongapo-Gapan Road San Jose, San Fernando City, Pampanga
(045) 636-3587 | (045) 875-2934
(045) 636-3660

SAN PABLO

Estrellado Building, M. Paulino Street San Pablo City, Laguna
(049) 562-1043 | (049) 562-0711
(049) 562-0398

SAN PEDRO

G/F Space 102, ETG Center, A. Mabini Street Barangay Poblacion San Pedro, Laguna
520-1869 | 520-1991 | (02) 520-2337

SANTIAGO, ISABELA

Level 1-01103, Robinsons Place Santiago Barangay Mabini, Santiago City, Isabela
(078) 323-0243 | (078) 323-0890

STA. ROSA

Level 1, Robinsons Sta. Rosa Market Old National Highway, Bo-Tagapo Sta. Rosa City, Laguna
(049) 837-1693 | (02) 520-8527
(049) 544-6193

STA. ROSA ESTATES 2

Sta. Rosa Estates 2, Sta. Rosa Tagaytay Road, Sta. Rosa City, Laguna
(049) 544-4482 | (049) 544-403

STO. TOMAS

GF Unit 3 Sierra Makiling Commercial Complex Maharlika Highway, Brgy. San Antonio Sto. Tomas, Batangas
(043) 406-4273 to 75

TAGAYTAY

Level 2-00210, Summit Ridge General Aguinaldo Highway National Road, Brgy. Maharlika Tagaytay City, Cavite
(046) 860-2916 | (046) 860-2917

TAYTAY

Red Ribbon Uptown Building Manila East Road, Brgy. San Juan Taytay Rizal
661-5673 661-7678

TUGUEGARAO

G/F Lui Building, Bonifacio Street Centro 04, Tuguegarao City, Cagayan Valley
(078) 375-0722 | (078) 375-0721
(078) 396-0896

URDANETA

G/F S. Plaza Building, McArthur Highway Poblacion, Urdaneta City, Pangasinan
(075) 568-1290 | (075) 568-1291

VIGAN

Xentro Mall Vigan, Quezon Avenue, VIII Vigan City, Ilocos Sur
(077) 679-9937 | (077) 679-9938

VISAYAS BRANCHES

ANTIQUE

Level 1-116, 117 & 118, Robinsons Place Antique, Brgy. Maybato, San Jose de Buenavista, Antique
(036) 641-0022 | (036) 641-0021

BACOLOD

Level C2002, The Central City Walk Robinsons Place Bacolod Brgy. Mandalagan Bacolod City, Negros Occidental
(034) 441-2372 | (034) 441-2494

BAIS

G/F Stall No. 1, Bais Commercial Center Marina Building, Quezon corner Aguinaldo St., National Highway, Bais City Negros Oriental
(035) 402-3026 | (035) 402-3028

BAYAWAN

Shop 3, Bollos Street corner National Highway, Brgy. Poblacion, Bayawan City Negros Oriental
(035) 522-8415 | (035) 522-8416

CEBU BANILAD

South Arcade 102, Banilad Town Centre Gov. M. Cuenco Avenue Banilad, Cebu City
(032) 239-1029 | (032) 239-1039
(239-1037)

CEBU MANDAUE

G/F Cotiaoking Bldg., North Road Tabok, Mandaue City, Cebu
(032) 346-6958 | (032) 346-6970

CEBU OSMEÑA

2nd Level, Robinsons Place Cebu Fuente Osmeña Avenue, Cebu City
(032) 253-8849 | (032) 253-8857

CEBU, GARCIA – LLORENTE

G/F Robinsons Cybergate Don Gil Garcia corner, J. Llorente St. Capitol Site, Cebu City
(032) 268-0155 | (032) 238-6304

CEBU GALLERIA

B101 Robinsons Galleria Cebu Maxilom Osmeña Blvd. 13th Avenue & Benedicto Street North Reclamation Area, Cebu City
(032) 231-4942 | (032) 231-4946

DUMAGUETE

Stall AF 25-27, Robinsons Dumaguete Dumaguete South Road corner Perdices Street, Dumaguete City Negros Oriental
(035) 421-1748 | (035) 421-0740

ILOILO

Unit 189-190, G/F Robinsons Place Iloilo corner, Mabini-Del Leon Street Iloilo City, Iloilo
(033) 336-9625 | (033) 336-9637

JARO-ILOILO

Level 1 Unit G. 17B, Robinsons Place Jaro E. Lopez St., Brgy. San Vicente Jaro, Iloilo City
(033) 320-2105 | (033) 320-2704

KABANKALAN

G/F NZ Business Center (NZBC) Building JY Perez Highway, Kabankalan City Negros Occidental
(034) 471-0052 | (034) 471-0053

ORMOC

Robinsons Place Ormoc, Palo Carigara Ormoc City Road, Brgy. Cogon Ormoc City, Leyte
(053) 832-3699 | (053) 832-3700
(053) 832-3697

PASSI

G/F Unit G5-G6, Gaisano Capital Passi Simeon Aguilar Street, Passi City, Iloilo
(033) 536-7041 | (033) 311-3669

ROBINSONS NORTH TACLOBAN

G/F Robinsons North Taloban Brgy. Abucay, Tacloban City, Leyte
(053) 832-3487 | (053) 832-3489

ROXAS

Level 1-1133B, Robinsons Place Roxas Pueblo de Panay Barangay Lawa-an Roxas City, Capiz
(036) 651-0023 | (036) 651-0144

TACLOBAN

Robinsons Place Tacloban Level 1-00103 National Highway Tabuan, Marasbaras, Tacloban City
(053) 327-5881 | (053) 327-5884

TAGBILARAN

G/F Castelcelo Building 1, C. Gallares Street corner, J. S. Torralba Street, Poblacion II, Tagbilaran City, Bohol
(038) 411-1267 | (038) 411-1269

MINDANAO BRANCHES

BUTUAN

Level 1-01160, Robinsons Place Butuan Km. 3 J.C Aquino Avenue, Brgy Libertad Butuan City
(085) 342-5415 | (085) 342-6858

CAGAYAN DE ORO

Level 1, Robinsons Supercenter Rosario Street, Lim Ket Kai Drive Lapasan, Cagayan De Oro City
(088) 745-134 | (088) 857-4168

CDO – DIVISORIA

G/F Palaez Commercial Arcade 1 corner Tiano Bros. & Cruz Taal Streets Divisoria, Cagayan De Oro City
(088) 323-4261 | (088) 323-4263

DAVAO

Door 1 & 2, Edward V. A. Lim Building Sta. Ana Ave, Davao City
(082) 227-8054 | (082) 226-3565

DAVAO CYBERGATE

Level 1 Unit 109, Robinsons Cybergate Davao, J.P Laurel Ave, Davao City
(082) 305-4990 | (082) 305- 4775

DAVAO MONTEVERDE

HAW Building, T. Monteverde Avenue Davao City
(082) 225-0553 | (082) 297-6137

GENERAL SANTOS

G/F Robinsons Place Natividad Street corner J. Catolico Ave., General Santos City
(083) 301-3579 | (083) 301-8623

ILIGAN CITY

Level 1 L1 136 & 137 Robinsons Place Iligan Barangay Tubod Iligan City Lanao Del Norte
(063) 224-6737 | (063) 224-6738

OZAMIZ

G/F Ozamis Insular Life Building, Don Anselmo, Bernard Avenue corner Angel Medina Ave. Ozamis City Misamis Occidental
(088) 564-0549 | (088) 564-0551

TAGUM

Level 1- Unit 167, Robinsons Place, Tagum National Highway, Brgy. Visayan Village Tagum, Davao del Norte
(084) 218-8030 | (084) 218-8031

MICRO BUSINESS OFFICE

MBO Lipa

JP Laurel HW Mataas Na Lupa Lipa
(043)-756-2240

As of May 31, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of **Robinsons Bank Corporation** (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the shareholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Lance Y. Gokongwei
Chairman of the Board

Elfren Antonio S. Sarte
President and Chief Executive Officer

Angelito V. Evangelista
Executive Vice President and Chief Operating Officer

Irma D. Velasco
First Vice President and Controller

Signed this 28th day of March 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Robinsons Bank Corporation

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Robinsons Bank Corporation and its subsidiary (the Group) and the Parent Company financial statements of Robinsons Bank Corporation, which comprise the consolidated and parent company statements of financial position as at December 31, 2017 and 2016, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company 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 audit of the consolidated and parent company 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 consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the audit of the Consolidated and Parent Company Financial Statements

Adequacy of Allowance for Credit Losses on Loans and Receivables

The Group's loans and receivables consist of corporate and consumer loans. The appropriateness of the provision for credit losses on these loans and receivables is a key area of judgment for the management. The Group determine the provision for credit losses on an individual basis for individually significant loans and receivables, and collectively for loans and receivables that are not individually significant. The identification of impairment and the determination of the recoverable amount involve various assumptions and factors. This includes the financial condition of the counterparty, estimated future cash flows, observable market prices and estimated net selling prices of the collateral. The use of assumptions could produce significantly different estimates of provision for credit losses.

The disclosures in relation to credit losses are included in Notes 3 and 14 to the financial statements.

Audit Response

For provision for credit losses calculated on an individual basis, we selected a sample of impaired loans and obtained an understanding of the borrower's business and financial capacity. We also tested the assumptions underlying the impairment identification and quantification of the provision for credit losses. This was done by assessing whether the forecasted cash flows are based on the borrower's current financial condition, checking the payment history of the borrower including payments made subsequent to yearend, agreeing the value of the collateral to the appraisal reports, checking whether the discount rate represents the original effective interest rate (EIR) or the current EIR of the loan, and re-performing the impairment calculation.

INDEPENDENT AUDITOR'S REPORT

For provision for credit losses calculated on a collective basis, we tested the underlying models and the inputs to those models, such as historical loss rates and net flow rates. This was done by agreeing the details of the loan information used in the calculation of loss rates and net flow rates to the Group's records and subsidiary ledgers, validating the delinquency age buckets of the loans and loan groupings and re-performing the calculation of the provision for credit losses.

Recoverability of Deferred Tax Assets

The analysis of the recoverability of deferred tax assets was significant to our audit because the assessment process is complex and judgmental. The recoverability of deferred tax assets is based on various assumptions and factors that includes growth rates, estimated timing and level of future taxable income available, expected future market or economic conditions and the expected performance of the Group.

The disclosures in relation to deferred income taxes are included in Notes 3 and 23 to the financial statements.

Audit Response

We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing loan portfolio and deposit growth rates with that of the industry and the historical performance of the Group. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2017, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated and parent company 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 consolidated and parent company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated and parent company 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 Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 consolidated and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and parent company 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 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 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 auditor's report to the related disclosures in the consolidated and parent company 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 auditor's 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 consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company 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 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.

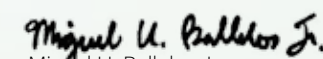
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in 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 the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Robinsons Bank Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.



Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Sec Accreditation No. 1566-A (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2016
February 15, 2016, valid until February 14, 2019
PTR No. 6621218, January 9, 2018, Makati City

March 26, 2018

STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2017	2016	2017	2016
ASSETS				
Cash and Other Cash Items	P1,639,300,590	P1,684,403,861	P1,597,057,290	P1,653,720,370
Due from Bangko Sentral ng Pilipinas (Note 15)	16,017,675,837	13,415,517,416	15,621,432,509	12,722,258,187
Due from Other Banks	3,820,050,486	4,090,364,784	3,749,409,945	3,995,280,423
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Notes 6 and 29)	3,327,394,739	677,831,467	2,868,924,517	589,077,515
Financial Assets at Fair Value Through Profit or Loss (Note 7)	48,134,331	2,555,185	48,134,331	2,555,185
Available-for-Sale Investments (Notes 7 and 25)	19,195,024,564	11,743,930,219	19,042,815,856	11,774,130,219
Held-to-Maturity Investments (Notes 7 and 25)	-	3,549,900,604	-	3,334,528,051
Loans and Receivables (Note 8)	57,653,772,637	38,897,081,887	56,658,934,513	37,969,349,408
Investment in a Subsidiary (Note 9)	-	-	1,215,713,175	1,204,884,010
Property and Equipment (Note 10)	586,595,780	513,030,557	540,789,316	451,969,911
Investment Properties (Note 11)	284,512,646	285,433,340	151,460,150	129,916,432
Branch Licenses (Note 12)	999,064,339	997,450,182	378,664,339	376,850,182
Goodwill (Note 9)	244,327,006	244,327,006	-	-
Deferred Tax Asset - net (Note 23)	176,717,759	53,435,098	318,065,832	194,482,918
Other Assets (Note 13)	920,460,156	1,456,629,880	902,062,043	1,439,012,183
	P104,913,030,870	P77,611,891,486	P103,093,463,816	P75,838,014,994
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities (Notes 15 and 24)				
Demand	P13,261,822,846	P12,428,636,410	P13,114,934,287	P12,286,356,800
Savings	59,914,046,564	37,970,501,792	58,697,118,467	36,800,315,109
Time	12,651,477,858	12,895,961,824	12,218,723,433	12,456,975,222
Long-term negotiable certificates of deposits	4,152,240,531	-	4,152,240,531	-
	89,979,587,799	63,295,100,026	88,183,016,718	61,543,647,131
Manager's Checks	724,047,158	404,180,308	724,047,158	404,180,308
Accrued Expenses (Note 17)	550,399,481	420,399,662	537,646,829	412,576,968
Other Liabilities (Note 17)	1,565,663,052	1,523,995,301	1,555,419,731	1,509,394,398
	92,819,697,490	65,643,675,297	91,000,130,436	63,869,798,805
Equity				
Common stock (Note 19)	12,000,000,000	12,000,000,000	12,000,000,000	12,000,000,000
Surplus	1,230,065,242	816,363,435	1,230,065,242	816,363,435
Surplus reserves (Notes 19 and 25)	5,988,712	112,303,137	5,988,712	112,303,137
Remeasurement losses on retirement plan (Note 20)	(13,467,057)	(10,358,609)	(13,467,057)	(10,358,609)
Net unrealized losses on Available-for-sale investments (Note 7)	(1,026,656,867)	(838,255,143)	(1,026,656,867)	(838,255,143)
Cumulative translation adjustments	(102,596,650)	(111,836,631)	(102,596,650)	(111,836,631)
	12,093,333,380	11,968,216,189	12,093,333,380	11,968,216,189
	P104,913,030,870	P77,611,891,486	P103,093,463,816	P75,838,014,994

See accompanying Notes to Financial Statements

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
INTEREST INCOME ON						
Loans and receivables (Note 8)	P3,192,169,144	P2,328,160,821	P2,046,191,943	P2,996,687,701	P2,150,763,512	P1,875,232,903
Investment securities (Note 7)	721,960,970	527,384,047	471,701,809	715,419,616	521,771,455	471,701,809
Due from Bangko Sentral ng Pilipinas and other banks	60,018,293	136,143,153	136,167,427	41,018,763	122,966,757	117,358,172
Interbank loans receivable and Securities Purchased Under Resale Agreements (Note 6)	135,331,909	77,736,861	38,851,600	130,855,296	73,782,708	38,851,600
	4,109,480,316	3,069,424,882	2,692,912,779	3,883,981,376	2,869,284,432	2,503,144,484
INTEREST EXPENSE ON						
Deposit liabilities (Notes 15 and 24)	1,125,520,351	648,863,123	564,025,432	1,097,317,673	617,621,632	526,236,729
Interbank loans payable	1,307,247	-	1,780	1,307,247	-	1,780
	1,126,827,598	648,863,123	564,027,212	1,098,624,920	617,621,632	526,238,509
NET INTEREST INCOME	2,982,652,718	2,420,561,759	2,128,885,567	2,785,356,456	2,251,662,800	1,976,905,975
Service fees and commission income	181,649,418	174,216,102	161,779,718	179,402,682	169,757,655	157,187,582
Service fees and commission expense	56,886,421	57,568,832	51,767,186	52,595,251	55,291,870	50,711,825
NET SERVICE FEE AND COMMISSION INCOME (Note 22)	124,762,997	116,647,270	110,012,532	126,807,431	114,465,785	106,475,757
Trading and securities gains - net (Note 7)	184,893,310	158,694,268	77,240,427	184,893,310	158,694,268	77,240,427
Foreign exchange gains - net	93,514,194	101,470,450	87,311,263	93,494,651	101,418,292	87,251,267
Miscellaneous (Note 22)	75,192,739	112,048,827	116,792,227	43,891,579	89,064,132	98,811,908
TOTAL OPERATING INCOME	3,461,015,958	2,909,422,574	2,520,242,016	3,234,443,427	2,715,305,277	2,346,685,334
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 20 and 24)	929,940,096	738,073,601	559,049,424	863,103,600	679,455,645	503,338,388
Occupancy and equipment-related costs (Notes 21 and 24)	436,541,543	403,706,888	358,774,674	418,103,184	387,594,381	343,627,573
Depreciation and amortization (Note 10)	326,136,774	302,088,647	256,975,428	299,726,034	283,031,169	237,690,463
Taxes and licenses (Note 23)	279,175,060	226,923,192	200,561,303	259,222,457	206,686,984	192,082,811
Security, messengerial and janitorial	261,293,265	241,970,093	211,863,843	246,836,400	232,262,277	187,563,224
Provision for credit and impairment losses (Note 14)	241,076,252	155,922,043	266,048,342	234,917,540	147,571,357	195,460,767
Insurance	194,111,901	109,356,975	108,792,521	187,223,024	103,090,856	102,240,512
Information technology	100,170,763	70,618,060	40,066,385	94,254,647	70,545,186	39,976,426
Entertainment, amusement, and recreation (Note 23)	84,527,148	63,184,361	51,520,973	82,887,548	62,021,468	50,058,634
Communication	79,940,307	53,677,320	47,044,798	77,950,824	47,420,984	41,025,145
Management and professional fees	15,119,283	10,358,904	11,889,337	13,066,287	8,640,290	10,303,245
Miscellaneous (Note 22)	171,939,745	189,382,568	167,090,120	151,923,269	170,438,423	149,393,386
TOTAL OPERATING EXPENSES	3,119,972,137	2,565,262,652	2,279,677,148	2,929,214,814	2,398,759,020	2,052,760,574
INCOME BEFORE SHARE IN NET INCOME (LOSS) OF A SUBSIDIARY	341,043,821	344,159,922	240,564,868	305,228,613	316,546,257	293,924,760
SHARE IN NET INCOME (LOSS) OF A SUBSIDIARY	-	-	-	28,183,574	22,386,977	(29,610,905)
INCOME BEFORE INCOME TAX	341,043,821	344,159,922	240,564,868	333,412,187	338,933,234	264,313,855
PROVISION FOR INCOME TAX (Note 23)	33,656,439	96,679,444	96,562,379	26,024,805	91,452,756	120,311,366
NET INCOME	P307,387,382	P247,480,478	P144,002,489	P307,387,382	P247,480,478	P144,002,489

See accompanying Notes to Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
NET INCOME	P307,387,382	P247,480,478	P144,002,489	P307,387,382	P247,480,478	P144,002,489
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX						
<i>Item that may not be reclassified to profit or loss</i>						
Change in remeasurement gains (losses) on retirement plan (Note 20)	(3,108,448)	16,486,237	6,476,200	(3,108,448)	16,486,237	6,476,200
<i>Items that may be reclassified to profit or loss</i>						
Change in net unrealized losses on AFS investments (Note 7)	(188,401,724)	(275,307,049)	(287,578,811)	(188,401,724)	(275,307,049)	(287,578,811)
Translation adjustments	9,239,981	(9,480,791)	(462,362)	9,239,981	(9,480,791)	(462,362)
	(182,270,191)	(268,301,603)	(281,564,973)	(182,270,191)	(268,301,603)	(281,564,973)
TOTAL COMPREHENSIVE INCOME (LOSS)	P125,117,191	(P20,821,125)	(P137,562,484)	P125,117,191	(P20,821,125)	(P137,562,484)

See accompanying Notes to Financial Statements

STATEMENTS OF CHANGES IN EQUITY

	Consolidated				Parent Company				
	Common Stock (Note 19)	Preferred Stock (Note 19)	Deposit for Stock Subscription (Note 19)	Surplus (Deficit) (Note 19)	Surplus Reserves (Notes 19 and 25)	Remeasurement Losses on Retirement Plan (Note 20)	Net Unrealized Losses on Available-for- Sale Investments (Note 7)	Cumulative Translation Adjustments	Total
Balance at January 1, 2017	P12,000,000,000	P-	P-	P816,363,435	P112,303,137	(P10,358,609)	(P838,255,143)	(P111,836,631)	P11,968,216,189
Total comprehensive income (loss) for the year	-	-	-	307,387,382	-	(3,108,448)	(188,401,724)	9,239,981	125,117,191
Reversal of appropriation for self-insurance (Note 19)	-	-	-	106,952,397	(106,952,397)	-	-	-	-
Appropriation for trust reserves (Notes 19 and 25)	-	-	-	(637,972)	637,972	-	-	-	-
Balance at December 31, 2017	P12,000,000,000	P-	P-	P1,230,065,242	P5,988,712	(P13,467,057)	(P1,026,656,867)	(P102,596,650)	P12,093,333,380
Balance at January 1, 2016	P436,835,000	P5,663,165,000	P5,900,000,000	P573,408,796	P107,777,298	(P26,844,846)	(P562,948,094)	(P102,355,840)	P11,989,037,314
Total comprehensive income (loss) for the year	-	-	-	247,480,478	-	16,486,237	(275,307,049)	(9,480,791)	(20,821,125)
Conversion of preferred stock to common stock (Note 19)	5,663,165,000	(5,663,165,000)	-	-	-	-	-	-	-
Issuance of common stock (Note 19)	5,900,000,000	-	(5,900,000,000)	-	-	-	-	-	-
Appropriation for self-insurance (Note 19)	-	-	-	(3,600,000)	3,600,000	-	-	-	-
Appropriation for trust reserves (Note 19)	-	-	-	(925,839)	925,839	-	-	-	-
Balance at December 31, 2016	P12,000,000,000	P-	P-	P816,363,435	P112,303,137	(P10,358,609)	(P838,255,143)	(P111,836,631)	P11,968,216,189
Balance at January 1, 2015	P436,835,000	P5,202,462,740	P-	P399,198,980	P137,984,625	(P33,321,046)	(P275,369,283)	(P101,893,478)	P5,765,897,538
Total comprehensive income (loss) for the year	-	-	-	144,002,489	-	6,476,200	(287,578,811)	(462,362)	(137,562,484)
Issuance of preferred stock (Note 19)	-	460,702,260	-	-	-	-	-	-	460,702,260
Deposit for future stock subscription	-	-	5,900,000,000	-	-	-	-	-	5,900,000,000
Appropriation for self-insurance (Note 19)	-	-	-	(3,600,000)	3,600,000	-	-	-	-
Appropriation for trust reserves (Note 19)	-	-	-	(2,624,210)	2,624,210	-	-	-	-
Reversal of appropriation for self-insurance (Note 19)	-	-	-	36,431,537	(36,431,537)	-	-	-	-
Balance at December 31, 2015	P436,835,000	P5,663,165,000	P5,900,000,000	P573,408,796	P107,777,298	(P26,844,846)	(P562,948,094)	(P102,355,840)	P11,989,037,314

See accompanying Notes to Financial Statements

STATEMENTS OF CHANGES IN EQUITY

	Consolidated				Parent Company				
	Common Stock (Note 19)	Preferred Stock (Note 19)	Deposit for Stock Subscription (Note 19)	Surplus (Deficit) (Note 19)	Surplus Reserves (Notes 19 and 25)	Remeasurement Losses on Retirement Plan (Note 20)	Net Unrealized Losses on Available for Sale Investments (Note 7)	Cumulative Translation Adjustments	Total
Balance at January 1, 2017	P12,000,000,000	P-	P-	P816,363,435	P112,303,137	(P10,358,609)	(P838,255,143)	(P111,836,631)	P11,968,216,189
Total comprehensive income (loss) for the year	-	-	-	307,387,382	-	(3,108,448)	(188,401,724)	9,239,981	125,117,191
Reversal of appropriation for self-insurance (Note 19)	-	-	-	106,952,397	(106,952,397)	-	-	-	-
Appropriation for trust reserves (Note 19)	-	-	-	(637,972)	637,972	-	-	-	-
Balance at December 31, 2017	P12,000,000,000	P-	P-	P1,230,065,242	P5,988,712	(P13,467,057)	(P1,026,656,867)	(P102,596,650)	P12,093,333,380
Balance at January 1, 2016	P436,835,000	P5,663,165,000	P5,900,000,000	P573,408,796	P107,777,298	(P26,844,846)	(P562,948,094)	(P102,355,840)	P11,989,037,314
Total comprehensive income (loss) for the year	-	-	-	247,480,478	-	16,486,237	(275,307,049)	(9,480,791)	(20,821,125)
Conversion of preferred stock to common stock (Note 19)	5,663,165,000	(5,663,165,000)	-	-	-	-	-	-	-
Issuance of common stock (Note 19)	5,900,000,000	-	(5,900,000,000)	-	-	-	-	-	-
Appropriation for self-insurance (Note 19)	-	-	-	(3,600,000)	3,600,000	-	-	-	-
Appropriation for trust reserves (Note 19)	-	-	-	(925,839)	925,839	-	-	-	-
Balance at December 31, 2016	P12,000,000,000	P-	P-	P816,363,435	P112,303,137	(P10,358,609)	(P838,255,143)	(P111,836,631)	P11,968,216,189
Balance at January 1, 2015	P436,835,000	P5,202,462,740	P-	P399,198,980	P137,984,625	(P33,321,046)	(P275,369,283)	(P101,893,478)	P5,765,897,538
Total comprehensive income (loss) for the year	-	460,702,260	-	144,002,489	-	6,476,200	(287,578,811)	(462,362)	(137,562,484)
Issuance of preferred stock	-	460,702,260	-	-	-	-	-	-	460,702,260
Deposit for future stock subscription	-	-	5,900,000,000	-	-	-	-	-	5,900,000,000
Reversal of appropriation for self-insurance (Note 19)	-	-	-	36,431,537	(36,431,537)	-	-	-	-
Appropriation for self-insurance (Note 19)	-	-	-	(3,600,000)	3,600,000	-	-	-	-
Appropriation for trust reserves (Note 19)	-	-	-	(2,624,210)	2,624,210	-	-	-	-
Balance at December 31, 2015	P436,835,000	P5,663,165,000	P5,900,000,000	P573,408,796	P107,777,298	(P26,844,846)	(P562,948,094)	(P102,355,840)	P11,989,037,314

See accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	P341,043,821	P344,159,922	P240,564,868	P333,412,187	P338,933,234	P264,313,855
Adjustments for:						
Depreciation and amortization (Note 10)	326,136,774	302,088,647	256,975,428	299,726,034	283,031,169	237,690,463
Provision for credit and impairment losses (Note 14)	241,076,252	155,922,043	266,048,342	234,917,540	147,571,357	195,460,767
Gain on sale of available-for-sale investments (Note 7)	(147,619,819)	(146,826,846)	(57,821,174)	(147,619,819)	(146,826,846)	(57,821,174)
Gain on disposal of held-to-maturity investments (Note 7)	(8,928,275)	-	-	(8,928,275)	-	-
Retirement expense (Note 20)	25,448,232	30,146,298	23,033,026	25,448,232	28,570,765	21,507,889
Loss (gain) on initial recognition of repossessed chattels (Notes 13 and 22)	18,896,886	(25,017,967)	(6,001,755)	18,786,884	(25,066,668)	(5,995,744)
Gain on initial recognition of investment properties (Notes 11 and 22)	(33,889,035)	(17,303,414)	(35,549,709)	(31,526,513)	(12,665,271)	(30,698,176)
Loss (gain) on sale of other assets (Note 22)	28,274,026	13,778,921	(12,433,552)	28,301,193	13,792,885	(12,283,552)
Gain on sale of investment properties (Notes 10 and 22)	(5,351,114)	(8,148,422)	(10,466,376)	(178,689)	(3,543,546)	(5,936,420)
Unrealized market valuation loss (gain) on financial assets at fair value through profit or loss (Note 7)	1,190,954	(1,197,040)	9,562,658	1,190,954	(1,197,040)	9,562,658
Unrealized market valuation loss on financial liabilities at fair value through profit or loss (Note 7)	5,904,377	7,447,751	-	5,904,377	7,447,751	-
Gain on sale of property and equipment (Notes 10 and 22)	(16,475,650)	(3,864,811)	(680,079)	(1,756,476)	(3,824,515)	(680,079)
Share in net income (loss) of a subsidiary	-	-	-	(28,183,574)	(22,386,977)	29,610,905
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Financial assets at fair value through profit or loss	(46,770,100)	3,774,579	1,291,095,695	(46,770,100)	3,774,579	1,291,095,695
Loans and receivables	(19,035,339,274)	(11,762,761,308)	(5,304,236,982)	(19,214,461,754)	(11,638,009,464)	(5,263,128,214)
Other assets	336,891,997	(567,764,559)	(212,829,317)	601,969,901	(567,727,758)	(209,040,013)
Increase (decrease) in:						
Deposit liabilities	26,684,487,773	19,627,340,933	2,457,084,672	26,639,369,587	19,668,517,132	2,452,469,225
Manager's checks	319,866,850	115,043,539	10,716,343	319,866,850	115,043,539	10,716,343
Accrued expenses	129,999,819	1,413,008	(7,673,188)	125,069,861	(21,014,290)	1,460,671
Other liabilities	7,206,694	244,466,663	(182,961,834)	10,863,685	271,354,008	(194,133,445)
Net cash provided by (used in) operations	9,172,051,188	8,312,697,937	(1,275,572,934)	9,165,402,085	8,435,774,040	(1,265,828,346)
Income taxes paid	(259,204,811)	(195,424,104)	(198,772,460)	(251,889,667)	(187,824,093)	(194,244,529)
Contributions paid on retirement plan	-	(25,293,666)	-	-	(25,293,666)	-
Net cash provided by (used in) operating activities	P8,912,846,377	P8,091,980,167	(P1,474,345,394)	P8,913,512,418	P8,222,656,281	(P1,460,072,875)

(Forward)

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Placements with BSP and other banks	P-	P-	(P259,700,610)	P-	P-	(P259,700,610)
Available-for-sale investments	(16,324,976,921)	(12,016,173,086)	(10,422,285,592)	(16,324,976,921)	(12,014,973,086)	(10,422,285,592)
Held-to-maturity investments (Note 7)	(14,828,885)	(825,605,001)	(1,115,692,134)	(14,828,885)	(610,232,448)	(1,115,692,134)
Investment in a subsidiary (Note 9)	-	-	-	-	(400,000,000)	-
Property and equipment (Notes 10 and 28)	(229,685,485)	(209,213,066)	(171,718,782)	(215,767,541)	(187,931,105)	(154,534,468)
Branch licenses (Note 12)	(1,814,157)	(44,600,000)	(1,000,000)	(1,814,157)	(44,000,000)	(1,000,000)
Software costs (Note 13)	(53,850,078)	(26,193,192)	(9,779,795)	(53,650,078)	(24,795,432)	(2,444,000)
Proceeds from sale of:						
Available-for-sale investments	11,740,094,107	8,303,911,993	9,589,810,015	11,940,557,816	8,303,911,997	9,589,810,015
Property and equipment	34,541,117	5,926,745	6,301,486	6,068,287	5,761,451	6,301,486
Investment properties	22,556,277	32,453,351	16,563,652	825,000	17,228,000	11,588,473
Repossessed chattels	175,517,463	88,955,558	68,517,478	166,030,071	88,897,159	68,367,478
Held-to-maturity investment (Note 7)	308,928,275	-	-	308,928,275	-	-
Proceeds from maturity of:						
Placements with BSP and other banks	72,250,000	260,700,610	1,000,000	72,250,000	260,700,610	1,000,000
Available-for-sale investments	132,363,500	39,776,000	119,000,000	132,363,500	39,776,000	119,000,000
Held-to-maturity investment (Note 7)	225,372,553	25,000,000	135,000,000	10,000,000	25,000,000	135,000,000
Net cash used in investing activities	(3,913,532,234)	(4,365,060,088)	(2,043,984,282)	(3,974,014,633)	(4,540,656,854)	(2,024,589,352)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from deposit for future stock subscription (Note 19)	-	-	5,900,000,000	-	-	5,900,000,000
Issuance of common stock (Note 19)	-	-	460,702,260	-	-	460,702,260
Cash provided by financing activities	-	-	6,360,702,260	-	-	6,360,702,260
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	9,239,981	(9,480,791)	(462,362)	9,239,981	(9,480,791)	(462,362)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,008,554,124	3,717,439,288	2,841,910,222	4,948,737,766	3,672,518,636	2,875,577,671
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	1,684,403,861	1,702,287,136	1,576,260,066	1,653,720,370	1,665,564,278	1,501,127,113
Due from Bangko Sentral ng Pilipinas	13,415,517,416	9,922,250,327	9,494,853,206	12,722,258,187	9,189,740,992	8,805,204,359
Due from other banks	4,090,364,784	4,430,140,777	1,641,654,746	3,995,280,423	4,336,512,589	1,509,908,716
Securities Purchased Under Resale Agreements (Note 29)	581,831,467	-	500,000,000	493,077,515	-	500,000,000
Net cash and cash equivalents at beginning of year	19,772,117,528	16,054,678,240	13,212,768,018	18,864,336,495	15,191,817,859	12,316,240,188
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	1,639,300,590	1,684,403,861	1,702,287,136	1,597,057,290	1,653,720,370	1,665,564,278
Due from Bangko Sentral ng Pilipinas	16,017,675,837	13,415,517,416	9,922,250,327	15,621,432,509	12,722,258,187	9,189,740,992
Due from other banks (Note 29)	3,820,050,486	4,090,364,784	4,430,140,777	3,749,409,945	3,995,280,423	4,336,512,589
Interbank loans receivable/Securities Purchased Under Resale Agreements (Note 29)	3,303,644,739	581,831,467	-	2,845,174,517	493,077,515	-
Net cash and cash equivalents at end of year	P24,780,671,652	P19,772,117,528	P16,054,678,240	P23,813,074,261	P18,864,336,495	P15,191,817,859
OPERATIONAL CASH FLOWS FROM INTEREST						
Interest received	P3,991,914,367	P2,974,464,676	P2,629,678,424	P3,706,854,801	P2,788,093,052	P2,448,295,736
Interest paid	1,073,142,567	611,710,788	584,371,226	1,044,999,479	580,745,810	546,459,375

See accompanying Notes to Financial Statements

1. Corporate Information

Robinsons Bank Corporation (the Parent Company or the Bank) was domiciled and incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on April 28, 1966 and acquired its license from Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank on March 1, 2002. On March 21, 2013, the SEC granted the license extending the Bank's corporate life for another fifty (50) years.

The registered address and principal place of business of the Parent Company is at 17th Floor, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City.

The Parent Company is 60.00% and 40.00% owned by JG Summit Capital Services Corp. (JGSCSC) and Robinsons Retail Holdings, Inc. (RRHI), respectively. The ultimate parent company of the Bank is JG Summit Holdings, Inc. On June 16, 2017, the Bank issued ₱4.18 billion long-term negotiable certificate of deposits (LTNCD) carried at a tenor of 5.5 years with a coupon of 4.125%. The issuance of LTNCD diversified the funding sources and represents the Bank's initial entry into the debt capital market. This issuance was listed in the Philippine Dealing and Exchange Corporation (PDEX) (see Note 15).

In December 2012, the Parent Company acquired 100.00% controlling interest in Legazpi Savings Bank, Inc. (LSB) (see Note 9).

LSB was incorporated and registered with the SEC on May 8, 1976 and acquired license from the BSP to operate as a thrift bank. LSB's registered address and principal place of business is at Rizal Street, Barangay Sagpon, Albay, Legazpi City. LSB operates and provides its services through a network of fifteen (15) banking units including head office and a main branch in the area of Albay.

The Parent Company and its subsidiary (the Group) is engaged in commercial and thrift banking, respectively, whose principal activities include deposit-taking, lending, treasury, foreign exchange dealing and fund transfers or remittance servicing.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Group and of the Parent Company have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments which are measured at fair value.

The financial statements of the Parent Company reflect the accounts of the Regular Banking Unit (RBU) and the Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation). The financial statements individually prepared for these units are combined and inter-unit accounts and transactions are eliminated.

The financial statements are presented in PHP, and all amounts are rounded to the nearest peso (₱), except when otherwise indicated.

Statement of Compliance

The financial statements of the Group and of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Group and the Parent Company present its statements of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the statement of financial position date (current) and more than twelve (12) months after the statement of financial position date (non-current) is presented in Note 18.

The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank and all of the counterparties. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and of the Parent Company. This is not generally the case with master-netting agreements, where the related assets and liabilities are presented gross in the statement of financial position.

Basis of Consolidation

The consolidated financial statements of the Group are prepared for the same reporting period as the subsidiary, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full in the consolidation.

A subsidiary is fully consolidated from the date on which control is transferred to the Parent Company. Control is achieved where the Parent Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary ceases when control is transferred out of the Parent Company. The results of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

A change in the Parent Company's ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest of a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- derecognizes the related assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statement of income or surplus;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in statement of income.



Changes in Accounting Policies and Disclosures

The Group applied, for the first time, the following applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2017, the accounting policies adopted are consistent with those of the previous financial year.

Amendments to PFRS 12, Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments does not have any impact to the Group since the Parent Company's subsidiary is neither classified as held for sale.

Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Significant Accounting Policies

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or a liability at initial measurement date or at each statement of financial position date. Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the measurement is unobservable.

External appraisers are involved for valuation of significant non-financial assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For purposes of the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy (see Note 5).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole at the end of each statement of financial position).

Foreign Currency Translation

Transactions and balances

The books of accounts of the RBU are maintained in PHP, while those of the FCDO are maintained in USD.

For financial reporting purposes, FCDO accounts and the foreign currency-denominated monetary assets and liabilities in the RBU are translated into their PHP equivalents based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date and for, foreign currency-denominated income and expenses based on the spot exchange rate at the date of the transaction. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities in the RBU are credited to or charged against the statement of income under 'Foreign exchange gain (loss) - net' in the year in which the rates change. Foreign exchange differences arising on translation of FCDO accounts to peso are taken to other comprehensive income (OCI) under 'Translation adjustments'.



Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, interbank loans receivable and Securities Purchased Under Resale Agreements (SPURA) with original maturities of three (3) months or less from dates of placements and that are subject to insignificant risk of changes in value.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as 'Securities sold under repurchase agreements (SSURA)', reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty.

The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate (EIR) method.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial instruments that require delivery of assets within the time frame established by regulation or convention in the market are recognized on the settlement date. Settlement date accounting refers to (a) recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Deposits, amounts due from banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers. Derivatives are recognized on a trade date - the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, AFS investments, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition, and where allowed and appropriate, and re-evaluates such designation at every statement of financial position date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or computed based on valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of 'Day 1' difference.

Derivatives recorded at FVPL

The Parent Company is a counterparty to derivative contracts, such as currency forwards and currency swaps. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives are taken directly to the statement of income and are included in 'Trading and securities gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets held for trading

Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value relating to the held for trading positions are recognized in 'Trading and securities gains - net' and interest earned is recorded in 'Interest income'. Included in this classification are debt securities which have been acquired principally for the purpose of selling and repurchasing in the near term.

AFS investments

AFS investments are non-derivative financial assets designated as AFS or which do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, government securities and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported income and are reported as part of OCI as 'Net unrealized gains (losses) on AFS investments'.

When an AFS investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain - net' in the statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Gains or losses on disposal are determined using average cost method. Interest earned on holding AFS debt investments are reported as 'Interest income' using the EIR method. Dividends earned on holding AFS equity investments are recognized in the statement of income as 'Miscellaneous income' when the right of the payment has been established. The losses arising from impairment of AFS investments are recognized as 'Provision for credit and impairment losses' in the statement of income.



HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments before their maturity, the entire category would be tainted and reclassified as AFS investments unless for sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Once tainted, the Group is not permitted to classify any of its financial assets as HTM investments for the next two fiscal years after the year of reclassification.

After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss in the statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of restatement of foreign currency-denominated HTM investments are recognized in profit or loss.

Loans and receivables

This category comprises 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable/Securities purchased under resale agreements', 'Loans and receivables' and certain items in 'Other assets'. These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that form an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in the profit or loss under 'Provision for credit and impairment losses'.

Financial liabilities at amortized cost

This category represents issued financial instruments or their components, which are not designated at FVPL and comprises 'Deposit liabilities', 'Manager's checks' and certain items under 'Accrued expenses' and 'Other liabilities' in the statement of financial position, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements ('compound' financial instruments) are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and debt issuance costs that form an integral part of the EIR.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of income.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment



may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows of the financial asset or group of financial assets, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost (other than AFS and HTM)

The Group first assesses at each statement of financial position date whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the financial asset's original EIR. If a financial asset carried at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of collateralized financial assets reflects the cash flows that may result from foreclosure, less cost for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income as 'Provision for credit and impairment losses'. Interest income continues to be recognized based on the original EIR of the asset. Financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and impairment losses' in the profit or loss. If the Group determines that no objective evidence of impairment exists for individually assessed loans and receivables, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses for impairment in order to capture losses which the Group believes has been incurred during the reporting period, but has not yet been identified to specific financial assets. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of asset type, industry, collateral type, past-due status and other relevant factors. Those groupings reflect credit risk characteristics relevant to the estimation of future cash flows and indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans and receivables being evaluated.

Future cash flows in a group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets within the same credit risk groupings. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions. Estimates of changes in future cash flows reflect changes in related observable data from year to year (such as changes in unemployment rates, property prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group also uses the Net Flow Rate method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets.

The allowance for credit losses is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from monitoring of monthly peso movements between different stage buckets, from 1-day past due to 180-day past due. The net flow to write-off methodology relies on the last 36 months of net flow tables to establish a percentage ('net flow rate') of receivables from customers that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 day past due) as of reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of statement of financial position date and the net flow rates determined for the current and each delinquency bucket. This gross provision is reduced by the estimated recoveries, which are also based on historical data, to arrive at the required allowance for credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Restructured loans

Where possible, the Group seeks to restructure past due loans rather than take possession of the related collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due.

Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

AFS investments

For equity securities classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI is removed from OCI and recognized in the statement of income. Impairment losses on equity securities are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

For debt securities classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income from impaired AFS debt securities is based on the reduced carrying amount and is accrued based on the original EIR used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt security increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.



HTM investments

The Group assesses at each statement of financial position date whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the financial asset's original EIR. If a financial asset carried at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. Impairment loss is recognized in statement of income.

Investment in a Subsidiary

Subsidiary pertains to entity over which the Parent Company has control. When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contra arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

Investment in a subsidiary in the separate financial statements is accounted for using the equity method. Under the equity method, the investment in a subsidiary is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group and the Parent Company's share of net assets of the subsidiary since the acquisition date. Goodwill relating to the subsidiary is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Parent Company's share of the results of operations of the subsidiary. Any change in OCI of the investee is presented as part of the Group and the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Parent Company's share of profit or loss of a subsidiary is shown on the face of the statement of income under 'Share in net income (loss) of a subsidiary' and represents profit or loss after tax in the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Parent Company determines whether it is necessary to recognize an impairment loss on its investment in a subsidiary. At each statement of financial position date, the Parent Company determines whether there is objective evidence that the investment in a subsidiary is impaired. If there is such evidence, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, then recognizes the loss in the statement of income.

Upon loss of control over the subsidiary, the Parent Company measures and recognizes any retained investment at its fair value.

As of December 31, 2017 and 2016, the sole and wholly owned subsidiary of the Parent Company is LSB (see Note 9).



Property and Equipment

Land is stated at cost less any impairment in value. Depreciable property and equipment are carried at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization is calculated using the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The estimated useful lives of property and equipment follow:

Building	25 years
Transportation equipment	5 years
Leasehold improvements	5 years
Furniture, fixtures and equipment	3 to 5 years

The useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of income (see accounting policy on Impairment of Non-financial Assets).

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified as 'Investment properties' upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).



The difference between the fair value of the asset acquired and the carrying amount of the asset given up is recognized as 'Gain (loss) on initial recognition of investment properties' under 'Miscellaneous income' in the statement of income.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Miscellaneous income' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the year in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed ten (10) years for buildings and condominium units.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property, the deemed cost of the property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in compliance with the policy stated under property and equipment up to the date of change in use.

Other Assets - Repossessed Chattels

Repossessed chattels represent other properties acquired in settlement of loan receivables comprising mainly of repossessed vehicles. Repossessed chattels are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives of the vehicles from the time of acquisition. The useful lives of repossessed chattels are estimated to be three (3) to five (5) years.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the statement of income in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Parent Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if event or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated at each of the Parent Company's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with PFRS 8, *Operating Segments*.

Where goodwill has been allocated to a CGU and part of the operation within the unit is disposed of, the goodwill associated with the operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and net assets plus cumulative translation differences and goodwill is recognized in the statement of income.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.



Branch licenses

Branch licenses arise from the acquisition of branches and licenses of a local bank by the Parent Company. The Parent Company's branch licenses have indefinite useful lives and are subject to annual individual impairment testing. These are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortized. The useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

Software costs

Software costs are carried at cost less accumulated amortization and any impairment loss. Software costs are amortized on a straight-line basis over the estimated useful life which ranges from three (3) to seven (7) years.

Impairment of Non-financial Assets

Property and equipment, investment in a subsidiary, investment properties and repossessed chattels

At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged to operations in the year in which it arises. An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset (or CGU) is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually at the statement of financial position date either individually or at the CGU level, as appropriate. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Revenue Recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. The Group concluded that it is acting as a principal in all of its revenue arrangements except for commission income arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Interest income - finance lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased investment property constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of investment property at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

Unearned lease income ceases to be amortized when the lease contract receivables become past due for more than three months.

Service fees and commission income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Dividend income

Dividend income, included in 'Miscellaneous income', is recognized when the Group's right to receive payment is established.

Trading and securities gain (loss) - net

Trading and securities gain (loss) - net represents results arising from disposal of AFS investments and trading activities including all gains and losses from changes in fair value of financial assets at FVPL.

Rental income

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

Income from sale of property and equipment, investment property and repossessed chattels

Income from sale of property and equipment, investment property and repossessed chattels is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.



Other income

Other income is recognized when earned and is recorded under 'Miscellaneous income' in the statement of income.

Expense Recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to the decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Group include, among others, the operating expenses on the Group's operation.

Operating expenses

Operating expenses constitute costs which arise in the normal business operation and are recognized when incurred.

Taxes and licenses

This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees and are recognized when incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Any rental payments are accounted for on a straight-line basis over the lease term and included in 'Occupancy and equipment-related costs' in the statement of income.

Group as lessor

Finance leases, where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables' account. A lease receivable is recognized at an amount equal to the net investment in the lease. All income resulting from the receivables is included in 'Interest income on loans and receivables' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Cost

The Group has a noncontributory defined benefit retirement plan. The retirement cost of the Group is actuarially determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.



Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense' in the statement of income.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the statement of financial position date.

Deferred tax

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused net operating loss carryover (NOLCO) and carryforward of unused tax benefits from excess of the minimum corporate income tax (MCIT) over regular corporate income tax (RCIT). Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. If the Group changes the structure of its internal organization in a manner that causes the composition of its reportable segment to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. Financial information on business segments is presented in Note 27.

Events after the Reporting Period

Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective:



Effective beginning on or after January 1, 2018

Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The amendments do not have any impact on the Group's financial statements.

PFRS 9, Financial Instruments

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group has performed an assessment on the population of financial instruments impacted by the classification and measurement requirements of PFRS 9 and has developed impairment methodologies to support the calculation of expected credit losses (ECL) for qualified credit exposures.

a. Classification and measurement

PFRS 9 requires that the Group classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors are determined whether the financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

As a result of the application of the classification and measurement requirements of PFRS 9, debt securities currently held as AFS under PAS 39 are expected to be classified either at amortized cost for securities belonging to portfolios managed under a "hold-to-collect" (HTC) business model or at FVOCI with recycling to profit or loss for securities belonging to portfolios managed under a "hold-to-collect-sell" business model.

Loans and receivables are expected to be managed under an HTC business model and thus qualify for amortized cost measurement.

Quoted equity shares currently held as AFS are expected to be measured at FVTPL.

Investments in unquoted equity shares currently carried at cost under PAS 39 are intended to be held for the foreseeable future. As such, the Group intends to apply the option to present fair value changes for these investments in OCI. The Group is in the process of determining how to measure the fair value of these unquoted investments.

b. Impairment

PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Incurring loss versus expected credit loss methodology

The impairment requirements under PAS 39 (incurred loss model) are significantly different from those under PFRS 9 (expected loss model). Under the incurred loss model, loan and investment assets are regarded as impaired if there is no longer reasonable assurance that the future cash flows related to them will be either collected in their entirety or when due. Under the expected loss methodology, impairment is more forward looking, in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of "default" and "restored"

The Group generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.



Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has determined that the financial and operational aspects of the ECL methodologies under PFRS 9 will have a significant impact to the 2018 consolidated financial statements. The Group plans to apply the sophisticated method on its large-scale and medium-scale businesses and motorcycle loans. Simplified approach using loss rate approach will be used for the remaining portfolios (i.e., home, auto, personal loans (secured and unsecured), microfinance and small-scale business).

c. *Hedge accounting*

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationship more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting. The Group has assessed that the adoption of these amendment will not have any impact in the consolidated financial statements in 2018.

The Group has no existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 and hence, it does not have an impact on the Group's consolidated financial statements.

PFRS 15, Revenue from Contracts with Customers

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group assessed that PFRS 15 may have an impact on revenue recognition for its credit card business. The Group plans to adopt the new standard on the required effective date assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.



Amendments to PAS 40, Investment Property, Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

Amendments to PFRS 9, Prepayment Features with Negative Compensation

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

PFRS 16, Leases

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the Group’s consolidated financial statements requires the management of the Group and the Parent Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities at the statement of financial position date. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a) *HTM investments*

The classification under HTM investments requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, as discussed in Note 2, it will be required to reclassify the entire portfolio as AFS investments. The investments would therefore be measured at fair value and not at amortized cost.

On January 24, 2017, the Parent Company sold a significant portion of its HTM investment with a carrying value of ₱300.0 million. Accordingly, the Group reclassified its remaining HTM investments to AFS investment (see Note 7).

b) *Leases*

Operating lease

Group as lessee

The Group has entered into commercial property leases for its head office and branch premises. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of the properties which are leased out on operating leases.

c) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

These judgments may include consideration of liquidity and model inputs such as correlation and volatility for longer dated derivatives (see Note 5).

d) *Contingencies*

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. Management does not believe that the outcome of this matter will affect the results of operations.

It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 26).

Estimates

a) *Credit losses on loans and receivables*

The Group reviews its loans and receivables at each statement of financial position date to assess whether a credit loss should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors such as condition of the counterparty, observable market prices and estimated

net selling prices of the collaterals. The use of assumptions could produce significantly different estimates of provision for credit losses.

The carrying values of and allowance for credit losses on loans and receivables of the Group and of the Parent Company as of December 31, 2017 and 2016 are disclosed in Note 8.

b) *Impairment of AFS debt securities*

The Group reviews its debt securities classified as AFS investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment applied to the individual assessment of loans and receivables.

The carrying values of AFS debt securities of the Group and of the Parent Company as of December 31, 2017 and 2016 are disclosed in Note 7.

c) *Impairment of non-financial assets*

Investment properties and repossessed chattels

The Group assesses impairment on investment properties and repossessed chattels whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- a. significant underperformance relative to expected historical or projected future operating results;
- b. significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- c. significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less costs to sell for investment properties and repossessed chattels. Recoverable amounts are estimated for individual assets.

The carrying values of and the allowance for impairment losses, if any, on investment properties and repossessed chattels of the Group and of the Parent Company are disclosed in Notes 11, 13 and 14.

Branch licenses

Branch license is considered an intangible asset with an indefinite useful life and it is required to be tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired.

No additional impairment was recognized for the Group's branch licenses in 2017 and 2016. The carrying amounts of branch licenses as of December 31, 2017 and 2016 approximate their respective fair values less cost to sell. As of December 31, 2017 and 2016, the licensing fee for a branch license of a commercial and thrift banks is ₱20.00 million and ₱15.00 million, respectively, as published by the BSP. The carrying values of and allowance for impairment losses on branch licenses of the Group are disclosed in Note 12.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events of changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an



impairment loss is recognized immediately in the statement of income. The Group estimated the discount rate used for the computation of the net present value be referenced to industry cost of capital. The recoverable amount of the CGU has been determined based on a value in use calculations using cash flow projections from financial budgets approved by senior management covering a five-year period. Average growth rate was derived from the average increase in annual income during the last five (5) years. Key assumptions used in the value in use calculation are pre-tax discount rate and growth rate, which are at 9.4% and 5.0%, respectively in 2017 and 8.9% and 4.5%, respectively, in 2016. Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the CGUs to exceed their recoverable amount.

The carrying values of goodwill of the Group are disclosed in Note 9.

d) *Recoverability of deferred taxes*

Deferred tax assets are recognized for temporary differences, unused tax losses and excess of MCIT over RCIT to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits available which is primarily derived from interest income on loans and receivables and affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The primary source of the income of the Group and Parent Company is coming from interest income from loans and receivables, Management uses historical information and future economic conditions as basis of growth in projecting future taxable income. Details of recognized and unrecognized deferred tax on temporary differences are disclosed in Note 23.

e) *Present value of retirement liability*

The cost of defined benefit retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using market yields on Philippine government bonds with terms consistent with the expected employee benefit payouts as of the statement of financial position date.

The present values of the Group and the Parent Company's defined benefit obligation as of December 31, 2017 and 2016 are disclosed in Note 20.

4. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are credit, market and liquidity risks. In general, the Group's risk management objective is to ensure that risks taken are within the Group's risk appetite, which is assessed based on the Group's capital adequacy framework. The risk management process involves risk identification, measurement, monitoring and control.

The Group recognizes that risk management is the responsibility of the entire organization. Accordingly, all employees are expected to manage risks relating to their own responsibilities.

The Board of Directors (BOD) ultimately oversees and approves significant matters related to risk management throughout the Parent Company, upon the review and recommendation of various committees composed of members of the BOD and Senior Management. Among the Parent Company's committees are:

- Corporate Governance Committee, which ensures the BOD's effectiveness and due observance of the corporate governance principles and guidelines;
- Risk Management Committee (RMC), which is responsible for the development and oversight of the Parent Company's risk management program;
- Audit Committee, which examines the Parent Company's framework of risk management, control and governance process to ensure that these are adequate and functional; and
- Credit Committee, which recommends credit policies and evaluates credit applications.

The following units within the Parent Company jointly perform risk management functions on a daily basis:

- Compliance for regulatory risk;
- Treasury for funding and liquidity risk;
- Credit Cycle Operations for credit risk;
- Enterprise Risk Management Unit (ERMU) for various risks, including market risk; credit and operational risks; and
- Internal Audit for the evaluation of the adequacy of internal control systems, covering operational risk.

These units submit various risk reports to the Management Committee, the RMC and the BOD, among others.

Further specific risk management disclosures, including mitigation, measurement and control, are in the succeeding sections.

Credit Risk

Credit risk may be defined as the possibility of loss due to the failure of a customer/borrower or counterparty to perform its obligation to the Group.

The Group has several credit risk mitigation practices:

- The Group offers a variety of loan products with substantial collateral values. The latter part of this credit risk section discusses collateral and other credit enhancements.
- Limits are set on the amount of credit risk that the Group is willing to take for customers and counterparties, and exposures are monitored against such credit limits.
- The Group also observes related regulatory limits such as the single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling.
- To protect against settlement risk, the Group employs a delivery-versus-payment (DvP) settlement system, wherein payment is effected only when the corresponding asset has been delivered.
- There is an internal credit risk rating system (ICRRS) in place, providing a structured format for collating and analyzing borrower data to arrive at a summary indicator of credit risk.
- Past due and non-performing loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.



Maximum exposure to credit risk

The table below shows the Group's net credit risk exposure for financial assets with maximum exposure to credit risk different from its carrying amounts after considering the financial effect of collateral and other credit enhancements:

	Consolidated			
	December 31, 2017			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivables and SPURA	₱3,327,394,739	₱3,327,489,092	₱3,327,394,739	₱-
Loans and receivables:				
Receivables from customers:				
Commercial	40,412,923,442	10,042,461,350	9,794,907,859	30,618,015,583
Real estate	9,262,200,856	10,935,591,701	7,751,533,944	1,510,666,912
Consumption	6,448,382,095	2,958,789,941	2,624,705,583	3,823,676,512
Domestic bills purchased	498,529,953	498,012,697	498,012,697	517,256
Other receivables:				
Accrued interest receivable	589,739,369	-	-	589,739,369
Accounts receivable	399,368,988	-	-	399,368,988
Sales contract receivable	33,526,920	58,665,845	32,646,220	880,700
Lease receivable	9,101,014	-	-	9,101,014
	₱60,981,167,376	₱27,821,010,626	₱24,029,201,042	₱36,951,966,334

	Parent Company			
	December 31, 2017			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivables and SPURA	₱2,868,924,517	₱2,869,018,870	₱2,868,924,517	₱-
Loans and receivables:				
Receivables from customers:				
Commercial	40,201,779,860	10,006,152,381	9,785,239,701	30,416,540,159
Real estate	9,257,811,185	10,919,759,585	7,749,028,357	1,508,782,828
Consumption	5,729,995,371	2,667,637,491	2,622,199,996	3,107,795,375
Domestic bills purchased	498,529,953	498,012,697	498,012,697	517,256
Other receivables:				
Accrued interest receivable	577,182,673	-	-	577,182,673
Accounts receivable	390,497,519	-	-	390,497,519
Sales contract receivable	3,137,952	2,669,313	2,257,252	880,700
	₱59,527,859,030	₱26,963,250,337	₱23,525,662,520	₱36,002,196,510

	Consolidated			
	December 31, 2016			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivables and SPURA	₱677,831,467	₱678,183,563	₱677,831,467	₱-
Loans and receivables:				
Receivables from customers:				
Commercial	27,331,833,356	3,249,062,324	2,966,644,526	24,365,188,830
Real estate	5,749,265,920	9,248,284,662	5,001,508,450	747,757,470
Consumption	4,947,385,457	1,838,552,078	1,448,140,640	3,499,244,817
Domestic bills purchased	118,938,689	118,938,689	118,938,689	-
Other receivables:				
Accrued interest receivable	449,277,836	-	-	449,277,836
Accounts receivable	246,343,633	-	-	246,343,633
Sales contract receivable	45,422,449	82,823,176	45,417,018	5,431
Lease receivable	8,614,547	-	-	8,614,547
	₱39,574,913,354	₱15,215,844,492	₱10,258,480,790	₱29,316,432,564

	Parent Company			
	December 31, 2016			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivables and SPURA	₱589,077,515	₱589,429,611	₱589,077,515	₱-
Loans and receivables:				
Receivables from customers:				
Commercial	27,050,142,616	2,918,119,752	2,886,232,383	24,163,910,233
Real estate	5,744,776,460	9,222,332,686	4,995,240,348	749,536,112
Consumption	4,368,578,085	1,799,141,716	1,434,279,220	2,934,298,865
Domestic bills purchased	118,938,689	118,938,689	118,938,689	-
Other receivables:				
Accrued interest receivable	423,384,811	-	-	423,384,811
Accounts receivable	229,641,157	-	-	229,641,157
Sales contract receivable	33,887,590	36,123,275	33,882,159	5,431
	₱38,558,426,923	₱14,684,085,729	₱10,057,650,314	₱28,500,776,609

Offsetting of financial assets and financial liabilities

The Parent Company has derivative financial instruments with various counterparties transacted under the International Swaps and Derivatives Association (ISDA) which are subject to enforceable master netting agreements. Under the agreements, the Parent Company has the right to settle its derivative financial instruments either: (1) upon election of the parties; or (2) in the case of default and insolvency or bankruptcy. The Parent Company, however, has no intention to net settle or to gross settle the accounts simultaneously.

The following table shows the effect of rights of set-off associated with the recognized financial assets and financial liabilities of the Parent Company:

	Gross amounts of recognized financial instruments	Gross amounts set-off in accordance with the PAS 32 offsetting criteria	Effect of remaining rights of set-off that do not meet PAS 32 offsetting criteria			
			Net amount presented in statements of financial position	Financial instruments	Financial collateral	Net exposure
2017						
Financial Assets						
Derivative assets (Note 6)	₱32,870	₱-	₱32,870	₱-	₱-	₱32,870
SPURA	2,445,174,517	-	2,445,174,517	-	2,445,174,517	-
	₱2,445,207,387	₱-	₱2,445,207,387	₱-	₱2,445,174,517	₱32,870
Financial Liabilities						
Derivative liabilities	₱5,904,377	₱-	₱5,904,377	₱-	₱-	₱5,904,377
2016						
Financial Assets						
Derivative assets	₱1,322,995	₱-	₱1,322,995	₱-	₱-	₱1,322,995
SPURA	493,077,515	-	493,077,515	-	493,077,515	-
	₱494,400,510	₱-	₱494,400,510	₱-	₱493,077,515	₱1,322,995
Financial Liabilities						
Derivative liabilities	₱7,447,751	₱-	₱7,447,751	₱-	₱7,447,751	₱-

Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Mortgages over real estate and vehicle for consumer lending
- Chattels over inventory and receivable for commercial lending
- Government securities for interbank lending



It is the Group's policy to dispose repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

Concentration of credit

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The tables below show the distribution of maximum exposure to credit risk by industry sector of the Group before taking into account collateral held and other credit enhancements (in millions):

	Consolidated		
	2017		
	Loans and Receivables*	Investment Securities**	Total
Government institutions	₱18,510	₱12,563	₱31,073
Real estate, renting and business services	13,465	3,238	16,703
Financial intermediaries	10,043	1,411	11,454
Wholesale and retail	9,277	—	9,277
Personal Consumption	6,373	802	7,175
Electricity, gas and water	5,907	495	6,402
Transport, storage and communication	5,630	420	6,050
Manufacturing	5,240	—	5,240
Construction	826	—	826
Agriculture, hunting and forestry	816	—	816
Others	5,885	110	5,995
	81,972	19,039	101,011
Less allowance for credit losses	1,103	—	1,103
	₱80,869	₱19,039	₱99,908

* All financial assets other than investment securities and cash on hand (net of UID)

** Financial assets at FVPL and AFS investments

	Parent Company		
	2017		
	Loans and Receivables*	Investment Securities**	Total
Government institutions	₱18,114	₱12,412	₱30,526
Real estate, renting and business services	13,338	3,223	16,561
Financial intermediaries	9,512	1,430	10,942
Wholesale and retail	9,177	—	9,177
Personal Consumption	6,373	802	7,175
Electricity, gas and water	5,907	495	6,402
Transport, storage and communication	5,630	420	6,050
Manufacturing	5,240	—	5,240
Construction	676	—	676
Agriculture, hunting and forestry	816	—	816
Others	5,155	75	5,230
	79,938	18,857	98,795
Less allowance for credit losses	990	—	990
	₱78,948	₱18,857	₱97,805

* All financial assets other than investment securities and cash on hand (net of UID)

** Financial assets at FVPL and AFS investments

	Consolidated		
	2016		
	Loans and Receivables*	Investment Securities**	Total
Government institutions	₱12,924	₱8,383	₱21,307
Financial intermediaries	9,632	1,168	10,800
Real estate, renting and business services	9,203	2,235	11,438
Wholesale and retail	7,554	—	7,554
Personal consumption	5,059	51	5,110
Electricity, gas and water	3,895	1,425	5,320
Manufacturing	3,649	597	4,246
Transport, storage and communication	1,778	436	2,214
Agriculture, hunting and forestry	617	49	666
Construction	583	562	1,145
Others	3,157	61	3,218
	58,051	14,967	73,018
Less allowance for credit losses	913	—	913
	₱57,138	₱14,967	₱72,105

All financial assets other than investment securities and cash on hand (net of UID)

** Financial assets at FVPL, AFS and HTM investments

	Parent Company		
	2016		
	Loans and Receivables*	Investment Securities**	Total
Government institutions	₱12,924	₱8,383	₱21,307
Real estate, renting and business services	9,058	2,235	11,293
Financial intermediaries	8,755	1,003	9,758
Wholesale and retail	7,788	—	7,788
Personal consumption	4,037	51	4,088
Electricity, gas and water	3,895	1,424	5,319
Manufacturing	3,649	597	4,246
Transport, storage and communication	1,778	436	2,214
Construction	583	562	1,145
Agriculture, hunting and forestry	530	34	564
Others	3,132	26	3,158
	56,129	14,751	70,880
Less allowance for credit losses	797	—	797
	₱55,332	₱14,751	₱70,083

* All financial assets other than investment securities and cash on hand (net of UID)

** Financial assets at FVPL, AFS and HTM investments

Credit quality

Parent Company

For receivables from customers, the Parent Company's internal credit risk rating (ICRR) system was approved in 2007 and further enhanced to reflect latest updates. Last enhancement was made in 2017 for the ICRRS covering corporate credit exposures as defined by BSP Circular 439, initially for those borrowers with asset size of more than ₱15.00 million. In compliance with BSP Circular 855, the Parent Company also developed another ICRRS in 2016 for those borrowers with asset size of ₱15.00 million and Below which was also enhanced in 2017.



The Parent Company's ICRR is as follows:

Grades	Categories	Description
High grade		
<i>Risk rating 1</i>	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
<i>Risk rating 2</i>	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
<i>Risk rating 3</i>	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
<i>Risk rating 4</i>	Very Good	Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity.
<i>Risk rating 5</i>	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes.
Standard		
<i>Risk rating 6</i>	Satisfactory	Material probability of default is present, but a margin of safety remains; financial commitments are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition.
<i>Risk rating 7</i>	Average	Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels.
<i>Risk rating 8</i>	Fair	Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels.
Sub-standard grade		
<i>Risk rating 9</i>	Marginal	Elevated level of probability of default, with limited margin; Repayment source is adequate to marginal.
<i>Risk rating 10</i>	Watchlist	Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn.
<i>Risk rating 11</i>	Special mention	Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardize due to evidence of weakness in the borrower's financial condition.

Grades	Categories	Description
<i>Risk rating 12</i>	Substandard	Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weakness(es) that jeopardize their liquidation. e.g. negative cash flow, in case of fraud.
Past due and impaired		
<i>Risk rating 13</i>	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
<i>Risk rating 14</i>	Loss	Uncollectible or worthless.

The Parent Company's ICRR system intends to provide a structure to define the credit portfolio, and consists of an initial rating for the borrower risk adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

The following tables show the credit quality per class of loans and receivables, gross of allowance for credit losses and unearned interest and discount of the Group and Parent Company (in millions):

	Consolidated						
	2017						
	Neither past due nor individually impaired				Past due but not Individually Impaired		Total
High Grade	Standard Grade	Substandard Grade	Unrated	Individually Impaired	Individually Impaired		
Receivables from customers:							
Commercial	₱22,533	₱16,815	₱1,141	₱88	₱37	₱430	₱41,044
Real estate	24	9,326	5	-	70	5	9,430
Consumption	23	6,213	29	-	513	69	6,847
Domestic bills purchased	499	-	-	-	-	-	499
Other receivables:							
Accrued interest receivable	156	334	6	88	42	37	663
Accounts receivable	-	376	-	-	90	-	466
Sales contract receivable	-	26	-	-	5	3	34
Lease receivable	-	9	-	-	-	-	9
	₱23,235	₱33,099	₱1,181	₱176	₱757	₱544	₱58,992

	Parent Company						
	2017						
	Neither past due nor individually impaired				Past due but not Individually Impaired		Total
High Grade	Standard Grade	Substandard Grade	Unrated	Individually Impaired	Individually Impaired		
Receivables from customers:							
Commercial	₱22,533	₱16,684	₱1,140	₱88	₱24	₱386	₱40,855
Real estate	24	9,322	5	-	70	-	9,421
Consumption	23	5,525	2	-	409	-	5,959
Domestic bills purchased	498	-	-	-	-	-	498
Other receivables:							
Accrued interest receivable	156	329	5	88	35	19	632
Accounts receivable	-	360	-	-	90	-	450
Sales contract receivable	-	-	-	-	3	1	4
	₱23,234	₱32,220	₱1,152	₱176	₱631	₱406	₱57,819



Consolidated							
2016							
Neither past due nor individually impaired							
	High Grade	Standard Grade	Substandard Grade	Unrated	Past due but not Individually Impaired	Individually Impaired	Total
Receivables from customers:							
Commercial	₱13,022	₱10,605	₱1,451	₱1,816	₱32	₱894	₱27,820
Real estate	-	5,688	-	-	67	8	5,763
Consumption	-	2,963	28	-	1,979	248	5,218
Domestic bills purchased	139	-	-	-	-	-	139
Other receivables:							
Accrued interest receivable	-	208	1	-	254	31	494
Accounts receivable	-	156	-	-	184	8	348
Sales contract receivable	-	39	-	-	9	2	50
Lease receivable	-	9	-	-	-	-	9
	₱13,161	₱19,668	₱1,480	₱1,816	₱2,525	₱1,191	₱39,841

Parent Company							
2016							
Neither past due nor impaired							
	High Grade	Standard Grade	Substandard Grade	Unrated	Past due but not Individually Impaired	Individually Impaired	Total
Receivables from customers:							
Commercial	₱13,022	₱10,633	₱1,447	₱1,816	₱32	₱553	₱27,503
Real estate	-	5,685	-	-	67	-	5,752
Consumption	-	2,585	-	-	1,979	-	4,564
Domestic bills purchased	139	-	-	-	-	-	139
Other receivables:							
Accrued interest receivable	-	201	-	-	254	-	455
Accounts receivable	-	140	-	-	184	-	324
Sales contract receivable	-	33	-	-	5	-	38
	₱13,161	₱19,277	₱1,447	₱1,816	₱2,521	₱553	₱38,775

External ratings

In ensuring a quality investment portfolio, the Parent Company monitors credit risk from investments using credit ratings based on Moody's Investors Service (Moody's rating).

Credit quality of due from BSP and other banks and interbank loans receivable are based on available accredited international and local credit raters using Fitch as standard of rating.

The Parent Company assigns the following credit quality groupings based on Fitch Ratings and Moody's rating as follows:

Credit Quality	Fitch	Moody's
High Grade	AAA to A-	Aaa to A3
Standard Grade	BBB+ to BB-	Baa1 to Ba3
Substandard Grade	B+ to C-	B1 to Ca
Past due and impaired	D	C

The following tables show the credit quality per class of financial assets other than receivables from customers and other receivables of the Group and Parent Company (in millions):

Consolidated							
2017							
Neither past due nor impaired							
	High Grade	Standard Grade	Substandard Grade	Unrated	Past due but not Individually Impaired	Individually Impaired	Total
Financial assets at FVPL	₱48	₱-	₱-	₱-	₱-	₱-	₱48
AFS investments:							
Government securities	-	12,502	-	-	-	-	12,502
Private bonds	-	6,489	-	-	-	-	6,489
Loans and receivables:							
Due from BSP	-	16,018	-	-	-	-	16,018
Due from other banks	-	3,820	-	-	-	-	3,820
Interbank loans receivable and SPURA	-	3,327	-	-	-	-	3,327
Other assets:							
Refundable deposits	-	49	-	1	-	-	50
	₱48	₱42,205	₱-	₱1	₱-	₱-	₱42,254

Parent Company							
2017							
Neither past due nor impaired							
	High Grade	Standard Grade	Substandard Grade	Unrated	Past due but not Individually Impaired	Individually Impaired	Total
Financial assets at FVPL	₱48	₱-	₱-	₱-	₱-	₱-	₱48
AFS investments:							
Government securities	-	12,364	-	-	-	-	12,364
Private bonds	-	6,445	-	-	-	-	6,445
Loans and receivables:							
Due from BSP	-	15,621	-	-	-	-	15,621
Due from other banks	-	3,749	-	-	-	-	3,749
Interbank loans receivable and SPURA	-	2,869	-	-	-	-	2,869
Other assets:							
Refundable deposits	-	49	-	-	-	-	49
	₱48	₱41,097	₱-	₱-	₱-	₱-	₱41,145

Consolidated							
2016							
Neither past due nor impaired							
	High Grade	Standard Grade	Substandard Grade	Unrated	Past due but not Individually Impaired	Individually Impaired	Total
Financial assets at FVPL	₱3	₱-	₱-	₱-	₱-	₱-	₱3
AFS investments:							
Government securities	-	8,192	-	-	-	-	8,192
Private bonds	-	1,178	-	2,044	-	-	3,222
HTM investment	190	3,185	-	175	-	-	3,550
Loans and receivables:							
Due from BSP	-	13,416	-	-	-	-	13,416
Due from other banks	-	3,979	-	111	-	-	4,090
Interbank loans receivable and SPURA	-	678	-	-	-	-	678
Other assets:							
Refundable deposits	-	56	-	1	-	-	57
	₱193	₱30,684	₱-	₱2,331	₱-	₱-	₱33,208



Parent Company							
2016							
	Neither past due nor impaired				Past due but not		Total
	High Grade	Standard Grade	Substandard Grade	Unrated	Individually Impaired	Individually Impaired	
	₱3	₱-	₱-	₱-	₱-	₱-	₱3
Financial assets at FVPL							
AFS investments:							
Government securities	-	8,192	-	-	-	-	8,192
Private bonds	-	1,178	-	2,044	-	-	3,222
HTM investment	190	2,970	-	175	-	-	3,335
Loans and receivables:							
Due from BSP	-	12,722	-	-	-	-	12,722
Due from other banks	-	3,884	-	111	-	-	3,995
Interbank loans receivable and SPURA	-	589	-	-	-	-	589
Other assets:							
Refundable deposits	-	56	-	-	-	-	56
	₱193	₱29,591	₱-	₱2,330	₱-	₱-	₱32,114

As of December 31, 2017 and 2016, the Group's and Parent Company's commitments amounting to ₱820.83 million and ₱501.32 million, respectively, have a risk rating class of Standard Grade (see Note 26).

Aging analysis of past due but not individually impaired loans and receivables per class

The tables below show the aging analysis of past due but not individually impaired loans and receivables per class of the Group (in millions):

Consolidated						
2017						
	Less than 30 days	30 to 60 days	61 to 90 days	91 days to 1 year	Over 1 year	Total
Receivables from customers:						
Consumption	₱14	₱19	₱25	₱146	₱309	₱513
Real estate	7	2	2	26	33	70
Commercial	2	1	4	4	26	37
Other receivables:						
Accrued interest receivable	40	-	-	2	-	42
Accounts receivable	11	2	-	11	66	90
Sales contract receivable	2	-	-	2	1	5
	₱76	₱24	₱31	₱191	₱435	₱757

Parent Company						
2017						
	Less than 30 days	30 to 60 Days	61 to 90 days	91 days to 1 year	Over 1 year	Total
Receivables from customers:						
Consumption	₱14	₱19	₱25	₱42	₱309	₱409
Real estate	7	2	2	26	33	70
Commercial	22	-	-	2	-	24
Other receivables:						
Accrued interest receivable	2	1	2	4	26	35
Accounts receivable	11	2	-	11	66	90
Sales contract receivable	2	-	-	-	1	3
	₱58	₱24	₱29	₱85	₱435	₱631

Consolidated						
2016						
	Less than 30 days	30 to 60 days	61 to 90 days	91 days to 1 year	Over 1 year	Total
Receivables from customers:						
Consumption	₱1,460	₱37	₱28	₱384	₱70	₱1,979
Real estate	9	12	3	39	4	67
Commercial	-	-	-	32	-	32
Other receivables:						
Accrued interest receivable	205	2	4	26	17	254
Accounts receivable	126	4	2	8	44	184
Sales contract receivable	4	-	-	-	5	9
	₱1,804	₱55	₱37	₱489	₱140	₱2,525

Parent Company						
2016						
	Less than 30 days	30 to 60 Days	61 to 90 days	91 days to 1 year	Over 1 year	Total
Receivables from customers:						
Consumption	₱1,460	₱37	₱28	₱386	₱68	₱1,979
Real estate	9	12	3	39	4	67
Commercial	-	-	-	30	2	32
Other receivables:						
Accrued interest receivable	205	2	4	26	17	254
Accounts receivable	126	4	2	8	44	184
Sales contract receivable	-	-	-	-	5	5
	₱1,800	₱55	₱37	₱489	₱140	₱2,521

Liquidity Risk

Liquidity risk may be defined as the possibility of loss due to the Group's inability to meet its financial obligations when they become due. Liquidity risk is considered in the Group's assets and liabilities management. The Group seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market.

The Parent Company's Assets and Liabilities Committee (ALCO) is composed of some members of the Senior Management including the Lending Groups and Treasury Group Heads. ALCO conducts weekly meetings. The Parent Company also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed to measure the liquidity and reserves position of the Parent Company.

The Parent Company also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Bank, complying with BSP reserve requirements, which may be a buffer against unforeseen liquidity drains.

The liquidity or maturity gap report is another tool for measuring liquidity risk. Although available contractual maturity dates are generally used for putting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. The liquidity gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Group's net excess funds for the time band. A negative liquidity gap is an estimate of a future funding requirement of the Group. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk.

To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to one (1) year.



Analysis of financial instruments by remaining maturities

The table below summarized the maturity profile of the Group's financial instruments based on contractual undiscounted cash flows except for financial assets at FVPL which and based on expected disposal (in millions):

Consolidated						
2017						
On demand	Up to 3 months	Over 3 up to 12 months	Over 1 to 5 Years	Over 5 years	Total	
Financial Assets						
Cash and other cash items	₱1,639	₱-	₱-	₱-	₱-	₱1,639
Due from BSP	15,236	782	-	-	-	16,018
Due from other banks	1,398	2,424	-	-	-	3,822
Interbank loans receivable and SPURA	-	3,306	-	24	-	3,330
Financial assets at FVPL	48	-	-	-	-	48
AFS investments	-	-	171	3,001	23,889	27,061
Loans and receivables	252	12,963	9,574	24,121	20,540	67,450
Other assets	-	8	11	30	2	51
	18,573	19,483	9,756	27,176	44,431	119,419
Financial Liabilities						
Deposit liabilities	25,593	50,273	7,805	8,582	5	92,258
Manager's checks	724	-	-	-	-	724
Accrued expenses	-	12	387	-	-	399
Other liabilities	1,211	-	-	-	-	1,211
	27,528	50,285	8,192	8,582	5	94,592
Commitments	821	-	-	-	-	821
	28,349	50,285	8,192	8,582	5	95,413
	(₱9,776)	(₱30,802)	₱1,564	₱18,594	₱44,426	₱24,006

Parent Company						
2017						
On demand	Up to 3 months	Over 3 up to 12 months	Over 1 to 5 Years	Over 5 years	Total	
Financial Assets						
Cash and other cash items	₱1,597	₱-	₱-	₱-	₱-	₱1,597
Due from BSP	15,091	530	-	-	-	15,621
Due from other banks	1,327	2,424	-	-	-	3,751
Interbank loans receivable and SPURA	-	2,848	-	24	-	2,872
Financial assets at FVPL	48	-	-	-	-	48
AFS investments	-	-	171	3,001	23,707	26,879
Loans and receivables	-	12,922	9,427	23,084	20,460	65,893
Other assets	-	8	11	29	2	50
	18,063	18,732	9,609	26,138	44,169	116,711
Financial Liabilities						
Deposit liabilities	24,463	49,667	7,763	8,563	5	90,461
Manager's checks	724	-	-	-	-	724
Accrued expenses	-	-	387	-	-	387
Other liabilities	1,197	-	-	-	-	1,197
	26,384	49,667	8,150	8,563	5	92,769
Commitments	821	-	-	-	-	821
	27,205	49,667	8,150	8,563	5	93,590
	(₱9,142)	(₱30,935)	₱1,459	₱17,575	₱44,164	₱23,121

Consolidated						
2016						
On demand	Up to 3 months	Over 3 up to 12 months	Over 1 to 5 Years	Over 5 years	Total	
Financial Assets						
Cash and other cash items	₱1,684	₱-	₱-	₱-	₱-	₱1,684
Due from BSP	11,016	2,401	-	-	-	13,417
Due from other banks	1,865	1,033	1,195	-	-	4,093
Interbank loans receivable and SPURA	-	582	75	27	-	684
Financial assets at FVPL	3	-	-	-	-	3
AFS investments	-	127	297	2,874	10,747	14,045
HTM investments	-	276	99	2,468	1,859	4,702
Loans and receivables	858	9,250	6,247	12,295	11,209	39,859
Other assets	1	-	23	37	1	62
	15,427	13,669	7,936	17,701	23,816	78,549
Financial Liabilities						
Deposit liabilities	30,257	24,803	7,414	4,530	-	67,004
Manager's checks	404	-	-	-	-	404
Redeemable preferred shares	31	-	-	-	-	31
Accrued expenses	-	418	-	-	-	418
Other liabilities	1,377	-	-	-	-	1,377
	32,069	25,221	7,414	4,530	-	69,234
Commitments	501	-	-	-	-	501
	32,570	25,221	7,414	4,530	-	69,735
	(₱17,143)	(₱11,552)	₱522	₱13,171	₱23,816	₱8,814

Parent Company						
2016						
On demand	Up to 3 months	Over 3 up to 12 months	Over 1 to 5 Years	Over 5 years	Total	
Financial Assets						
Cash and other cash items	₱1,654	₱-	₱-	₱-	₱-	₱1,654
Due from BSP	10,872	1,851	-	-	-	12,723
Due from other banks	1,770	1,032	1,195	-	-	3,997
Interbank loans receivable and SPURA	-	493	75	27	-	595
Financial assets at FVPL	3	-	-	-	-	3
AFS investments	-	127	297	2,874	10,747	14,045
HTM investment	-	261	99	2,468	1,603	4,431
Loans and receivables	509	9,187	6,113	11,305	11,085	38,199
Other assets	-	-	23	37	-	60
	14,808	12,951	7,802	16,711	23,435	75,707
Financial Liabilities						
Deposit liabilities	29,163	24,576	7,383	4,107	-	65,229
Manager's checks	404	-	-	-	-	404
Accrued expenses	-	412	-	-	-	412
Other liabilities	1,367	-	-	-	-	1,367
	30,934	24,988	7,383	4,107	-	67,412
Commitments	501	-	-	-	-	501
	31,435	24,988	7,383	4,107	-	67,913
	(₱16,627)	(₱12,037)	₱419	₱12,604	₱23,435	₱7,794



Market Risk

Market risk may be defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities. These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in quoted debt securities and foreign exchange.

The Parent Company observes market risk limits, which are approved by the BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are based on the Parent Company's existing capital adequacy framework, and corresponding monitoring reports are prepared regularly by an independent risk management unit.

When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. Limit breaches are periodically presented to the BOD.

Value-at-Risk (VaR) is computed to estimate potential losses arising from market movements. The Parent Company calculates and monitors VaR and profit or loss on a daily basis.

VaR objectives and methodology

VaR is used by the Parent Company to measure market risk exposure from its trading and investment activities. VaR is an estimate of the maximum decline in value on a given position over a specified holding period in a normal market environment, with a given probability of occurrence. The Parent Company uses the historical simulation method in estimating VaR. The historical simulation method is a non-parametric approach to VaR calculation, in which asset returns are not subject to any functional distribution assumption. VaR is estimated directly from historical data without deriving parameters or making assumptions about the entire data distribution.

In employing the historical simulation method, the Parent Company assumes a 500 historical data (approximately 2 years). The Parent Company updates its dataset on a daily basis. Per the Parent Company policy, VaR is based on a 1-day holding period and a confidence level of 99%.

VaR methodology limitations and assumptions

Discussed below are the limitations and assumptions applied by the Parent Company on its VaR methodology:

- a. VaR is a statistical estimate; thus, it does not give the precise amount of loss the Parent Company may incur in the future;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a Parent Company's exposure to market risk;
- c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
- d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Therefore, market shifts (i.e., an unexpected collapse of the market) will not be captured and may inflict losses larger than VaR; and
- e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaR with daily stress testing reported to the RMC, ALCO and the concerned risk-takers.

VaR back testing is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. The Parent Company performs quarterly back testing.

The Parent Company's VaR figures are as follows (in millions):

	2017			
	Average Daily	Highest	Lowest	December 31
Local interest rates	₱2.5082	₱8.8925	₱0.0165	₱0.5591
Foreign interest rate	—	—	—	—
	January – August 2016			
	Average Daily	Highest	Lowest	August 17
Local interest rates	₱3.0005	₱20.6307	₱0.1707	₱2.5533
Foreign interest rate	—	—	—	—
	August – December 2016*			
	Average Daily	Highest	Lowest	December 31
Local interest rates	₱4.2745	₱7.8317	₱0.0222	₱0.0225
Foreign interest rate	0.0002	0.0158	—	—

**based on new VaR assumptions*

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The sensitivity analysis below shows the impact of movement in interest rates on AFS investments of the Parent Company as of December 31, 2017 and 2016 (in millions).

December 31, 2017	Net Carrying Value	+100 bps parallel shift in yield curve	-100 bps parallel shift in yield curve
Peso Denominated AFS	₱13,963.40	(₱805.08)	₱819.90
Dollar Denominated AFS (in PHP)	4,845.44	(479.48)	729.08
	Net Carrying Value	+100 bps parallel shift in yield curve	-100 bps parallel shift in yield curve
December 31, 2016			
Peso Denominated AFS	₱7,472.29	(₱420.19)	₱501.76
Dollar Denominated AFS (in PHP)	3,944.17	(334.54)	389.82

The effects of the movement in interest rates on AFS investments are recorded under 'other comprehensive income'.

The Parent Company's ALCO surveys the interest rate environment, adjusts the interest rates for the Parent Company's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. The Parent Company uses Earnings-at-Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book.

Equity price risk

Equity price risk is the risk that the fair values of the equities will decrease as a result of changes in the levels of equity indices and the value of the individual stocks. As of December 31, 2017 and 2016, the Group's AFS investments amounted to ₱203.78 million and ₱329.38 million, respectively, while the Parent Company's AFS investments amounted to ₱233.95 million and ₱359.58 million. Management assessed that the equity price risk on these equity securities to be insignificant.



Earnings-at-Risk objectives and methodology

EAR is a statistical measure of the likely impact of changes in interest rates to the Bank's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that the Parent Company's NII could decline if interest rates decrease upon repricing. A negative repricing gap implies that the Parent Company's NII could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk.

To help control interest rate risk arising from repricing gaps, maximum repricing gap and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the RMC monthly.

The Parent Company's EaR figures are as follows (in millions):

	2017			
	Average	Highest	Lowest	December 31
Instruments sensitive to local interest rates	₱162.86	₱287.07	₱116.87	₱287.07
Instruments sensitive to foreign interest rates	\$0.13	\$0.21	\$0.08	\$0.11
	2016			
	Average	Highest	Lowest	December 31
Instruments sensitive to local interest rates	₱71.65	₱154.18	₱1.08	₱121.35
Instruments sensitive to foreign interest rates	\$0.04	\$0.09	\$0.01	\$0.09

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The BOD has set limits on positions by currency. In accordance with the Parent Company's policy, positions are monitored on a daily basis and are used to ensure positions are maintained within established limits.

December 31, 2017		Statement of Income
+10% USD appreciation	USD	₱81,434,122
	Other Foreign Currencies*	(26,247,025)
-10% USD depreciation	USD	(81,434,122)
	Other Foreign Currencies*	26,247,025
December 31, 2016		Statement of Income
+10% USD appreciation	USD	(₱16,577,997)
	Other Foreign Currencies**	20,666,562
-10% USD depreciation	USD	16,577,997
	Other Foreign Currencies**	(20,666,562)

*significant positions held in EUR, GBP and AUD

**significant positions held in CAD and AUD



5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the Group's assets and liabilities are:

Cash and other cash items, due from BSP, due from other banks, interbank loans receivable/securities purchased under repurchase agreements, accounts receivable and accrued interest receivable

Carrying value approximates fair value given the short-term nature of these financial assets and insignificant risk of changes in value.

Trading and investment securities

Fair values of debt securities (financial assets at FVPL, AFS and HTM investments) and equity investments are generally based on quoted market prices. If the fair value of financial assets cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models using inputs from observable markets subject to a degree of judgment.

For equity investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Derivative instruments

Fair values of quoted warrants are based on quoted market prices. Other derivative products are valued using valuation techniques using market observable inputs including foreign exchange rates and interest rate curves prevailing at the statements of financial position date. For interest rate swaps, cross-currency swaps and foreign exchange contracts, discounted cash flow model is applied. This valuation model discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Receivables from customers

Fair values are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of receivables at current market rates ranging from 9.60% to 30.00%. Where the instruments reprice on a short-term basis or have a relatively short maturity, the carrying amounts approximate fair values.

Other receivables - Accounts receivable and accrued interest receivable

Carrying amounts approximate fair values given their short-term nature.

Investment properties and repossessed chattels

Fair value of investment properties and repossessed chattels are based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties and repossessed chattels have been determined by appraisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.



Refundable deposits

Fair values are estimated using the discounted cash flow methodology, using the average market price for similar types of receivables with maturities consistent to the receivable being valued. Where the instruments reprice on a short-term basis or have a relatively short maturity, the carrying amounts approximate fair values.

Time deposits

Fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Long-term negotiable certificates of deposit (LTNCD)

Fair values of LTNCD are estimated using quoted market rates for the instrument.

Other financial liabilities

Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

The following tables show the Group's assets and liabilities carried at fair value and those whose fair value are required to be disclosed, analyzed among those whose fair value is based on:

- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Consolidated				
	2017				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL	₱48,134,331	₱-	₱48,134,331	₱-	₱48,134,331
AFS investments:					
Government securities	12,502,308,355	-	12,502,308,355	-	12,502,308,355
Private bonds	6,488,938,136	-	6,488,938,136	-	6,488,938,136
Quoted equity securities	179,900,000	179,900,000	-	-	179,900,000
	₱19,219,280,822	₱179,900,000	₱19,039,380,822	₱-	₱19,219,280,822
Assets for which Fair Values are Disclosed					
Financial Assets					
Interbank loans receivable and SPURA	₱3,327,394,739	₱-	₱-	₱3,327,489,092	₱3,327,489,092
AFS - unquoted equity securities	23,878,073	-	-	23,878,073	23,878,073
Loans and receivables:					
Receivables from customers:					
Commercial	40,412,923,442	-	-	42,771,323,585	42,771,323,585
Real estate	9,262,200,856	-	-	11,506,707,704	11,506,707,704
Consumption	6,448,382,095	-	-	7,642,133,060	7,642,133,060
Domestic bills purchased	498,529,953	-	-	498,529,953	498,529,953
Other receivables:					
Accrued interest receivables	589,739,369	-	-	589,739,369	589,739,369
Accounts receivable	399,368,988	-	-	399,368,988	399,368,988
Sales contract receivable	33,526,920	-	-	35,497,942	35,497,942
Lease receivable	9,101,014	-	-	9,471,710	9,471,710
Refundable deposits	50,104,352	-	-	50,343,999	50,343,999
Non-Financial Assets					
Investment properties	284,512,646	-	-	395,820,309	395,820,309
	61,339,662,447	-	-	67,250,303,784	67,250,303,784

(Forward)



	Consolidated				
	2017				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial Liabilities					
Derivative liabilities	₱5,904,377	₱-	₱5,904,377	₱-	₱5,904,377
Deposit liabilities:					
Demand	13,261,822,846	-	-	13,261,822,846	13,261,822,846
Savings	59,914,046,564	-	-	59,914,046,564	59,914,046,564
Time	12,651,477,858	-	-	12,672,862,767	12,672,862,767
Long-term negotiable certificates	4,152,240,531	-	4,153,301,957	-	4,153,301,957
	₱89,985,492,176	₱-	₱4,159,206,334	₱85,848,732,177	₱90,007,938,511
Parent Company					
2017					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
AFS investments:	₱48,134,331	₱-	₱48,134,331	₱-	₱48,134,331
Government securities	12,364,047,705	-	12,364,047,705	-	12,364,047,705
Private bonds	6,444,790,078	-	6,444,790,078	-	6,444,790,078
Quoted equity securities	179,900,000	179,900,000	-	-	179,900,000
	₱19,036,872,114	₱179,900,000	₱18,856,972,114	₱-	₱19,036,872,114
Assets for which Fair Values are Disclosed					
Financial Assets					
Interbank loans receivable and SPURA	₱2,868,924,517	₱-	₱-	₱2,869,018,870	₱2,869,018,870
AFS - unquoted debt securities	54,078,073	-	-	54,078,073	54,078,073
Loans and receivables:					
Receivables from customers:					
Commercial	40,201,779,860	-	-	42,515,343,865	42,515,343,865
Real estate	9,257,811,185	-	-	11,497,612,673	11,497,612,673
Consumption	5,729,995,371	-	-	6,580,135,197	6,580,135,197
Domestic bills purchased	498,529,953	-	-	498,529,953	498,529,953
Other receivables:					
Accrued interest receivable	577,182,673	-	-	577,182,673	577,182,673
Accounts receivable	390,497,519	-	-	390,497,519	390,497,519
Sales contract receivable	3,137,952	-	-	3,629,349	3,629,349
Refundable deposits	49,101,474	-	-	49,101,474	49,101,474
Non-financial assets					
Investment properties	151,460,150	-	-	210,051,729	210,051,729
	₱59,782,498,727	₱-	₱-	₱65,518,810,724	₱65,518,810,724
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Derivative liabilities	₱5,904,377	₱-	₱5,904,377	₱-	₱5,904,377
Deposit liabilities:					
Demand	13,114,934,287	-	-	13,114,934,287	13,114,934,287
Savings	58,697,118,467	-	-	58,697,118,467	58,697,118,467
Time	12,218,723,433	-	-	12,238,825,547	12,238,825,547
Long-term negotiable certificates	4,152,240,531	-	4,153,301,957	-	4,153,301,957
	₱88,188,921,095	₱-	₱4,159,206,334	₱84,050,878,301	₱88,210,084,635



	Consolidated				
	2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL	₱2,555,185	₱2,555,185	₱-	₱-	₱2,555,185
AFS investments:					
Government securities	8,192,453,343	-	8,192,453,343	-	8,192,453,343
Private bonds	3,222,098,803	-	3,222,098,803	-	3,222,098,803
Quoted equity securities	305,500,000	305,772,373	-	-	305,772,373
	₱11,722,607,331	₱308,327,558	₱11,414,552,146	₱-	₱11,722,879,704
Assets for which Fair Values are Disclosed					
Financial Assets					
Interbank loans receivable and SPURA	₱677,831,467	₱-	₱-	₱691,987,780	₱691,987,780
HTM investment	3,549,900,604	-	3,519,092,648	-	3,519,092,648
AFS - unquoted equity securities	23,878,073	-	-	23,878,073	23,878,073
Loans and receivables:					
Receivables from customers:					
Commercial	27,331,833,356	-	-	29,920,068,814	29,920,068,814
Real estate	5,749,265,920	-	-	6,177,801,009	6,177,801,009
Consumption	4,947,385,457	-	-	5,726,255,974	5,726,255,974
Domestic bills purchased	118,938,689	-	-	118,938,689	118,938,689
Other receivables:					
Accrued interest receivables	449,277,836	-	-	449,277,836	449,277,836
Accounts receivable	246,343,633	-	-	246,343,633	246,343,633
Sales contract receivable	45,422,449	-	-	28,609,405	28,609,405
Lease receivable	8,614,547	-	-	9,030,296	9,030,296
Refundable deposits	57,201,471	-	-	58,926,429	58,926,429
Non-Financial Assets					
Investment properties	285,433,340	-	-	254,920,603	254,920,603
	₱43,491,326,842	₱-	₱3,519,092,648	₱43,706,038,541	₱47,225,131,189
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Derivative liabilities	₱7,447,751	₱-	₱7,447,751	₱-	₱7,447,751
Deposit liabilities:					
Demand	12,428,636,410	-	-	12,428,636,410	12,428,636,410
Savings	37,970,501,792	-	-	37,970,501,792	37,970,501,792
Time	12,895,961,824	-	-	12,927,516,996	12,927,516,996
	₱63,302,547,777	₱-	₱7,447,751	₱63,326,655,198	₱63,334,102,949

	Parent Company				
	2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL	₱2,555,185	₱2,555,185	₱-	₱-	₱2,555,185
AFS investments:					
Government securities	8,192,453,343	-	8,192,453,343	-	8,192,453,343
Private bonds	3,222,098,803	-	3,222,098,803	-	3,222,098,803
Quoted equity securities	305,500,000	305,772,373	-	-	305,772,373
	₱11,722,607,331	₱308,327,558	₱11,414,552,146	₱-	₱11,722,879,704
Assets for which Fair Values are Disclosed					
Financial Assets					
Interbank loans receivable and SPURA	₱589,077,515	₱-	₱-	₱603,233,828	₱156,313
HTM investment	3,334,528,051	-	3,314,412,732	-	3,314,412,732
AFS - unquoted debt securities	54,078,073	-	-	54,078,073	54,078,073
Loans and receivables:					
Receivables from customers:					
Commercial	27,050,142,616	-	-	29,627,729,761	29,627,729,761
Real estate	5,744,776,460	-	-	6,167,115,367	6,167,115,367
Consumption	4,368,578,085	-	-	4,734,804,642	4,734,804,642
Domestic bills purchased	118,938,689	-	-	118,938,689	118,938,689
Other receivables:					
Accrued interest receivable	423,384,811	-	-	423,384,811	423,384,811
Accounts receivable	229,641,157	-	-	229,641,157	229,641,157
Sales contract receivable	33,887,590	-	-	17,778,187	17,778,187
Refundable deposits	55,721,032	-	-	57,537,175	57,537,175
Non-financial assets					
Investment properties	129,916,432	-	-	149,368,625	149,368,625
	₱42,132,670,511	₱-	₱3,314,412,732	₱42,213,610,315	₱45,498,023,047

(Forward)

	Parent Company				
	2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Derivative liabilities	₱7,447,751	₱-	₱7,447,751	₱-	₱7,447,751
Deposit liabilities:					
Demand	12,286,356,800	-	-	12,286,356,800	12,286,356,800
Savings	36,800,315,109	-	-	36,800,315,109	36,800,315,109
Time	12,456,975,222	-	-	12,478,437,971	12,478,437,971
	₱61,551,094,882	₱-	₱7,447,751	₱61,565,109,880	₱61,572,557,631

In 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers into and out of the Level 3 category.

Description of significant unobservable inputs to valuation:

Consolidated		
Accounts	Valuation Technique	Significant Unobservable Inputs
Loans and receivables	Discounted cash flow method	4.00% - 19.67% risk premium rate
Investment properties		
Land	Market data approach	Price per square meter, size, shape, location, time element and discount
Building	Cost approach	Cost per square meter, size, shape, location, condition and time element
Refundable deposits	Discounted cash flow method	0.25% - 11.00% risk premium rate
Time deposits	Discounted cash flow method	0.25% - 3.90% risk premium rate

Parent Company		
Accounts	Valuation Technique	Significant Unobservable Inputs
Loans and receivables	Discounted cash flow method	4.00% - 5.00% risk premium rate
Investment properties		
Land	Market data approach	Price per square meter, size, shape, location, time element and discount
Building	Cost approach	Cost per square meter, size, shape, location, condition and time element
Refundable deposits	Discounted cash flow method	0.25% - 3.00% risk premium rate
Time deposits	Discounted cash flow method	0.25% - 3.00% risk premium rate

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.



Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

6. Interbank Loans Receivable and Securities Purchased Under Resale Agreement

This account consists of:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Interbank loans receivable	₱423,750,000	₱96,000,000	₱423,750,000	₱96,000,000
SPURA	2,903,644,739	581,831,467	2,445,174,517	493,077,515
	₱3,327,394,739	₱677,831,467	₱2,868,924,517	₱589,077,515

Interbank loans receivable of the Parent Company from a local savings bank has a remaining maturity of three (3) days to one (1) year and four (4) months in 2017 and one (1) to two (2) years in 2016. As of December 31, 2017, placement on SPURA with the BSP had a remaining maturity of three (3) days. The fair value of the related collateral of SPURA is disclosed in Note 5.

The interest income of the Group in 2017, 2016 and 2015 from from interbank loan receivable amounted to ₱45.56 million, ₱34.37 million and ₱28.48 million, respectively while interest income from SPURA amounted to ₱89.77 million ₱43.37 million and ₱10.37 million, respectively.

The interest income of Parent Company in 2017, 2016, and 2015 from interbank loan receivable amounted to ₱44.19 million, ₱34.37 million and ₱28.48 million, respectively while interest income from SPURA amounted to ₱86.67 million ₱39.41 million and ₱10.37 million, respectively.

7. Investment Securities

Financial Assets at FVPL

This account consists of investments by the Parent Company in:

	2017	2016
Derivatives assets	₱32,870	₱1,322,995
Government securities	48,101,461	1,232,190
	₱48,134,331	₱2,555,185

The nominal annual interest rates of peso-denominated government securities range from 3.25% to 7.25% in 2017, from 1.73% to 4.60% in 2016 and from 3.30% to 5.75% in 2015. The nominal annual interest rates of foreign currency-denominated government securities range from 3.70% to 3.95% in 2017, from 2.89% to 4.87% in 2016 and from 2.48% to 4.86% in 2015.

The table below shows the fair values of derivative financial instruments entered into by the Parent Company, recorded as derivative assets/liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2017 and 2016 and are not indicative of either market risk or credit risk.

	2017				Maturity Date
	Assets	Liabilities (Note 17)	Average Forward Rate	Notional Amount	
Freestanding Derivatives					
Currency Swaps					
Bought:					
USD/PHP	₱32,870	₱241,907	49.9580	\$10,000,000	January 4 – 5, 2018
Sold:					
EUR/USD	–	3,640,391	1.1875	\$4,453,125	January 10, 2018
GBP/USD	–	2,022,079	1.3400	\$2,680,000	January 10, 2018
	₱32,870	₱5,904,377			

	2016				Maturity Date
	Assets	Liabilities (Note 17)	Average Forward Rate	Notional Amount	
Freestanding Derivatives					
Currency Swaps					
Bought:					
USD/PHP	₱–	₱1,319,176	49.8815	\$25,000,000	January 3-12, 2017
EUR/USD	1,267,485	–	1.0453	€1,000,000	January 10, 2017
Sold:					
PHP/USD	–	6,128,575	49.8035	\$14,000,000	January 3 – March 27, 2017
USD/EUR	55,510	–	49.6269	€30,000,000	January 10, 2017
	₱1,322,995	₱7,447,751			

The Bank's subsidiary has nil financial assets at FVPL as of December 31, 2017 and 2016.

AFS Investments

This account consists of investments in:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Government securities	₱12,502,308,355	₱8,192,453,343	₱12,364,047,705	₱8,192,453,343
Private bonds	6,488,938,136	3,222,098,803	6,444,790,078	3,222,098,803
Quoted equity securities	179,900,000	305,500,000	179,900,000	305,500,000
Unquoted equity securities	23,878,073	23,878,073	54,078,073	54,078,073
	₱19,195,024,564	₱11,743,930,219	₱19,042,815,856	₱11,774,130,219

The range of the Group's effective interest rate on government securities are as follows:

	2017	2016	2015
Peso-denominated securities	1.38%-5.19%	2.57%-4.71%	3.11%-8.14%
Foreign currency-denominated securities	2.75%-5.18%	2.80%-4.86%	2.75%-4.44%

The range of the Group's effective interest rate on the private bonds are as follows:

	2017	2016	2015
Peso-denominated securities	3.90%-6.63%	3.89%-5.27%	4.41%-6.88%
Foreign currency-denominated securities	3.86%-5.90%	3.56%-7.10%	3.74%-6.50%



As of December 31, 2017 and 2016, the quoted equity securities of the Group consist of shares of stocks in a private corporation.

Investments in unquoted equity securities include investment in shares of stock of Philippine Clearing House Corporation (PCHC), BancNet, and LGU Guarantee Corporation. These investments are required to be held by the Parent Company as part of its operations. The Parent Company does not have any plans to sell these shares in the future. These securities are carried at cost due to the unpredictable nature of future cash flows from these securities and the lack of suitable valuation for arriving at a reliable fair value estimate.

In 2017, 2016 and 2015, dividend income from equity securities under 'AFS investments' presented under 'Miscellaneous income - others' of the Group amounted to ₱13.40 million, ₱6.92 million and ₱0.25 million, respectively (see Note 22).

As of December 31, 2017 and 2016, the unquoted equity securities of the Parent Company include redeemable preferred shares of LSB amounting to ₱30.20 million equivalent to 30,200 shares.

As of December 31, 2017, the AFS investments of the Group and Parent Company also include securities previously reclassified from HTM carried at fair value of ₱2.53 billion and ₱2.35 billion, respectively.

Movements in net unrealized losses of the Group and the Parent Company included in the carrying value of 'AFS investments' follow:

	2017	2016
Balance at beginning of year	(₱838,255,143)	(₱562,948,094)
Changes in fair value	(40,781,905)	(128,480,203)
Realized gains taken to profit or loss	(147,619,819)	(146,826,846)
Change in unrealized losses on AFS investments	(188,401,724)	(275,307,049)
Balance at end of year	(₱1,026,656,867)	(₱838,255,143)

HTM Investments

As of December 31, 2017 and 2016, the Group's HTM investments amounted to nil and ₱3.55 billion, respectively, while the Parent Company's HTM investments amounted to nil and ₱3.33 billion.

On January 24, 2017, the Parent Company sold a significant portion of its HTM investment with a carrying value of ₱300.00 million for a total consideration of ₱308.93 million. Total trading gains on disposal of these HTM investments amounted to ₱8.93 million, included in 'Trading and securities gain - net'. Accordingly, the remaining HTM investments portfolio of the Group and the Parent Company with carrying values amounting to ₱3.24 billion and ₱3.04 billion, respectively was reclassified to AFS investments.

Interest income on investment securities of the Group and the Parent Company consists of:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
AFS investments	₱695,049,519	₱353,649,434	₱320,124,799	₱688,508,165	₱353,649,434	₱320,124,799
HTM investments	23,747,163	170,428,187	109,230,854	23,747,163	164,815,595	109,230,854
Financial assets at FVPL	3,164,288	3,306,426	42,346,156	3,164,288	3,306,426	42,346,156
	₱721,960,970	₱527,384,047	₱471,701,809	₱715,419,616	₱521,771,455	₱471,701,809

'Trading and securities gains - net' of the Group and Parent Company consist of:

	2017	2016	2015
Net realized gains on AFS securities taken to profit or loss	₱147,619,819	₱146,826,846	₱57,821,174
Realized gains on derivatives	21,215,876	18,434,271	—
Net realized gains (losses) on sale of financial assets at FVPL	14,224,671	(316,138)	28,981,911
Gain on disposal of HTM investments	8,928,275	—	—
Unrealized mark-to-market losses on financial assets at FVPL	(1,223,824)	(125,955)	(9,562,658)
Net unrealized gains on derivatives	(5,871,507)	(6,124,756)	—
	₱184,893,310	₱158,694,268	₱77,240,427

8. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Receivables from customers:				
Commercial (Note 24)	₱41,043,905,533	₱27,820,217,445	₱40,855,411,927	₱27,503,181,551
Real estate	9,430,388,922	5,763,511,983	9,420,578,552	5,752,176,923
Consumption	6,847,265,412	5,217,952,917	5,959,020,568	4,564,423,973
Domestic bills purchased (Notes 17 and 24)	498,529,953	139,337,392	498,529,953	139,337,392
	57,820,089,820	38,941,019,737	56,733,541,000	37,959,119,839
Less: unearned interest and discount	235,511,770	30,998,551	170,640,420	8,332,311
	57,584,578,050	38,910,021,186	56,562,900,580	37,950,787,528
Other receivables:				
Accrued interest receivable	662,887,558	493,726,051	631,881,295	454,754,720
Accounts receivable	465,764,548	348,198,599	450,355,427	323,793,278
Sales contract receivable	34,463,931	49,541,368	3,598,817	37,298,848
Lease receivables (Note 21)	9,101,014	8,614,547	—	—
	58,756,795,101	39,810,101,751	57,648,736,119	38,766,634,374
Less: Allowance for credit losses (Note 14)	1,103,022,464	913,019,864	989,801,606	797,284,966
	₱57,653,772,637	₱38,897,081,887	₱56,658,934,513	₱37,969,349,408

On May 26, 2017, the Parent Company entered into a purchase of receivables agreement with Robinsons Land Coporation (RLC) whereby, the Parent Company will purchase, on a without recourse basis, certain finance lease receivables of RLC. In 2017, total lease receivables purchased by the Parent Company amounted to ₱1.09 billion. The Parent Company's acquisition cost of the lease receivables approximate the fair value at the acquisition date. As of December 31, 2017, the carrying amount of these receivables amounting to ₱832.69 million is included under 'Real estate' loans of the Parent Company.

The range of effective interest rates of the Group's sales contract receivables are as follows:

Year	Interest Rate
2017	6.50% to 16.73%
2016	6.25% to 18.00%
2015	6.50% to 18.00%



Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Receivables from customers:						
Commercial	₱1,692,098,388	₱1,076,902,794	₱956,944,794	₱1,646,008,628	₱1,040,826,798	₱931,758,029
Consumption	1,016,984,816	921,025,063	802,149,938	870,261,156	785,282,361	663,407,539
Real estate	480,287,737	314,683,992	278,990,191	479,910,163	314,097,616	274,442,403
Domestic bills purchased	304,453	455,965	482,050	304,453	455,965	482,050
Others	2,493,750	15,093,007	7,624,970	203,301	10,100,772	5,142,882
	₱3,192,169,144	₱2,328,160,821	₱2,046,191,943	₱2,996,687,701	₱2,150,763,512	₱1,875,232,903

Others consist of sales contract receivables and lease receivables.

Receivables from customers earns annual effective interest rates, as follow:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Effective interest rate	2.00-52.10	0.20-60.95	0.12-60.95	2.00-52.10	2.00-60.95	2.00-60.95

BSP Reporting

As of December 31, 2017 and 2016, information relating to secured loans by collateral type and unsecured receivables from customers follows:

	Consolidated			
	2017		2016	
	Amount	%	Amount	%
Secured by:				
Real estate	₱12,153,516,855	21.02	₱7,371,818,158	18.93
Chattel	5,062,075,946	8.75	1,913,195,794	4.91
Deposit hold-outs	3,652,600,879	6.32	2,604,951,023	6.69
Others	7,906,023,999	13.67	3,620,650,848	9.30
	28,774,217,679	49.77	15,510,615,823	39.83
Unsecured	29,045,872,141	50.23	23,430,403,914	60.17
	₱57,820,089,820	100.00	₱38,941,019,737	100.00

	Parent Company			
	2017		2016	
	Amount	%	Amount	%
Secured by:				
Real estate	₱12,056,996,741	21.25	₱7,266,575,046	19.14
Deposit hold-outs	5,059,427,360	8.92	1,910,287,378	5.03
Chattel	3,637,617,064	6.41	2,590,747,470	6.83
Others	7,906,023,999	13.94	3,620,650,848	9.54
	28,660,065,164	50.52	15,388,260,742	40.54
Unsecured	28,073,475,836	49.48	22,570,859,097	59.46
	₱56,733,541,000	100.00	₱37,959,119,839	100.00

Others include jewelry, mortgage trust indenture, company guarantees, deed of assignments of receivables and deed of suretyships.

As of December 31, 2017, 2016 and 2015, 16.34%, 35.40% and 35.18%, respectively, of the Group's total receivables from customers are subject to periodic interest repricing.

As of December 31, 2017, 2016 and 2015, 16.60%, 36.29% and 41.25%, respectively of the Parent Company's total receivables from customers are subject to periodic interest repricing.



As of December 31, 2017 and 2016, information on the concentration of credit as to industry follows (in millions):

	Consolidated				Parent Company			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate activities	₱13,583	23.49	₱8,950	22.98	₱13,562	23.90	₱8,934	23.54
Wholesale and retail trade, repair of motor vehicles, motorcycles	9,336	16.15	7,866	20.20	9,226	16.26	7,759	20.44
Manufacturing	6,571	11.36	3,641	9.35	6,563	11.57	3,627	9.56
Loans to individuals for consumption purposes	5,234	9.05	4,437	11.39	5,234	9.23	3,853	10.15
Electricity, gas, steam and air conditioning supply	5,418	9.37	3,073	7.89	5,418	9.55	3,068	8.08
Transportation and storage	4,916	8.50	957	2.46	4,915	8.66	956	2.52
Financial and insurance activities	4,893	8.46	4,623	11.87	4,893	8.62	4,623	12.18
Arts, entertainment and recreation	2,000	3.46	1,000	2.57	2,000	3.53	1,000	2.63
Accommodation and food service activities	1,152	2.00	870	2.23	1,145	2.02	₱864	2.28
Agriculture, forestry and fishing	920	1.59	660	1.69	676	1.19	501	1.32
Information and communication	865	1.50	802	2.06	865	1.52	801	2.11
Construction	839	1.45	621	1.59	816	1.44	580	1.53
Administrative and support service activities	640	1.11	258	0.66	633	1.12	258	0.68
Water supply, sewerage, waste management and remediation services	492	0.85	789	2.03	492	0.87	788	2.08
Other service activities	961	1.66	394	1.01	296	0.52	347	0.90
	₱57,820	100.00	₱38,941	100.00	₱56,734	100.00	₱37,959	100.00

Other service activities include public administration and defense, compulsory social security, education, human health, social work, professional, scientific, technical, mining and quarrying activities.

The BSP considers that concentration risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of the total loan portfolio.

Restructured receivables of the Parent Company as of December 31, 2017 and 2016 amounted to ₱314.47 million and ₱348.01 million, respectively.

Non-performing loans

Under banking regulations, non-performing loans (NPLs) shall, as a general rule, refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. Under BSP Circular No. 772, which was issued on October 16, 2012, gross NPLs include NPLs that are covered with 100.00% allowance.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three (3) or more installments are in arrears. In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered non-performing at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.00% of the total receivable balance. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.



The Group classifies its loans and receivables as NPL in compliance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans and receivables are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations and future payments appear assured.

As of December 31, 2017 and 2016, details of gross NPLs follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Secured	₱271,661,288	₱217,159,825	₱200,273,137	₱152,204,657
Unsecured	825,251,211	921,465,654	564,708,484	539,003,323
	₱1,096,912,499	₱1,138,625,479	₱764,981,621	₱691,207,980

As of December 31, 2017 and 2016, net NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Total NPLs	₱1,096,912,499	₱1,138,625,479	₱764,981,621	₱691,207,980
Deductions as required by the BSP*	615,482,742	784,875,886	392,046,491	397,721,518
	₱481,429,757	₱353,749,593	₱372,935,130	₱293,486,462

*Allowance for credit losses per BSP

Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

9. Investment in a Subsidiary

On July 25, 2012, the Parent Company's BOD approved the acquisition of the 100.00% controlling interest (both common and preferred shares) in LSB. Further, it was resolved that the Parent Company would seek approval from the Monetary Board (MB) of the BSP for the acquisition and other incentives.

On August 15, 2012, the MB of the BSP issued its approval in principle of the Parent Company's request to acquire LSB and of all the incentives requested by the Parent Company subject to the submission of the necessary requirements.

Beginning August 27, 2012, the Parent Company executed a share purchase agreement (SPA) with the LSB stockholders and made the related partial settlements therewith. The stock and transfer books of LSB will be updated upon the issuance of the certificate authorizing registration from the BIR. As of December 26, 2012, the Parent Company and majority of LSB stockholders had signed on the SPA.

On December 26, 2012, the MB of the BSP approved the SPA covering the Parent Company's acquisition of the 100.00% common shares of LSB. The deeds of sale to implement the SPA were executed afterwards.

In addition to the approval of the acquisition, the MB of the BSP approved the following merger incentives:

1. Grant of several branch licenses to the Parent Company in restricted areas and waiver of corresponding ₱20.00 million special branch licensing fee for each restricted branch license, subject to the following conditions: (a) the establishment of the awarded branches in restricted areas shall be subject to compliance with all other applicable provisions on branch establishment prescribed under Section X151 of the Manual of Regulations for Banks (MORB); and (b) branches shall be opened within three (3) years from BSP final approval of the Parent Company's acquisition of LSB.
 2. Waiver of (a) the monetary penalties aggregating ₱6.40 million as of November 30, 2012 for violation of laws assessed by BSP on LSB, except penalties accruing to other parties, e.g., Micro, Small and Medium Enterprises Development Council Fund. Such waiver shall not preclude BSP from pursuing watchlisting and imposition of non-monetary and administrative sanctions (e.g., fines, disqualifications, suspensions and/or removal from office) against the directors and officers of LSB in accordance with applicable banking laws and regulations, without prejudice to the filing of criminal cases against liable persons under Section 34, 35 and 36 of Republic Act No. 7653 (the New Central Bank Act); (b) the applicable restrictions/ceilings on transactions between the Parent Company and LSB, for a period of three months, with respect to the Parent Company's liquidity support to LSB (through deposits to and/or purchase of receivables from LSB).
 3. Staggered booking, up to five (5) years from final BSP approval of the Parent Company's acquisition of LSB, of the ₱274.10 million required allowance for probable losses on LSB's risk assets. The periodic amortization shall be charged against current operations, in accordance with the regulatory accounting guidelines for deferred loss recognition under Appendix 56a (to Subsection X394.10) of the MORB. The unamortized losses shall be deducted from qualifying capital for purposes of capital adequacy ratio computation and from computation of LSB's unimpaired capital under Subsection X116.1 of the MORB.
- As of December 31, 2017, LSB has recognized the full amount of the required allowance for probable losses on its risk assets.
4. Retention of the thrift branch license of LSB on its existing eleven (11) branches, for its operations as a wholly-owned subsidiary of the Parent Company to pursue microfinance and country-side banking.
 5. Approval of the following interlocking positions:
 - a. concurrent assignment of the Parent Company's Head of Legal Services as Corporate Secretary of LSB;
 - b. secondment of the officers of the Parent Company to LSB to assume the position of President and Chief Compliance Officer subject to the condition that these officers shall (i) relinquish all their duties, responsibilities, and signing authorities in the Parent Company and (ii) receive compensation/salaries and other emoluments from LSB; and
 - c. notation of the interlocking directorships and officership-directorships of the Parent Company.

Based on the foregoing events, the Parent Company acquired effective control and management of LSB as of December 26, 2012. Accordingly, in accordance with PFRS 3, *Business Combinations*, the Parent Company's date of acquisition of LSB is December 26, 2012. However, for convenience purposes, the Group used December 31, 2012 as the cut-off in determining the fair value of the net



assets of LSB. Therefore, only the fair values of the identifiable assets and liabilities of LSB as December 31, 2012 were consolidated and the profit and loss of LSB for the year ended December 31, 2012 were excluded from the Group's consolidated financial statements as of December 31, 2012.

The acquisition resulted in recognition of goodwill amounting to ₱244.33 million. There were no adjustments resulting from the final purchase price allocation from LSB. As of December 31, 2017 and 2016, goodwill amounted to ₱244.33 million.

On August 22, 2012, the BOD of the Parent Company approved the infusion of cash equity to bring LSB's capital adequacy ratio (CAR) to at least 10.00% amounting to ₱620.00 million. In December 2012, the Parent Company infused the ₱620.00 million to LSB as a deposit for future stock subscription.

On January 23, 2013, the BOD of LSB approved the conversion of deposit for future stock subscription amounting to ₱174.04 million equivalent to 1.74 million shares at ₱100.00 par value per share.

On June 22, 2015, LSB obtained approval of its application for increase in authorized capital stock from the BSP.

On September 28, 2015, LSB filed its application for the increase in its authorized capital stock with the SEC and paid for the related filing fees on January 11, 2016. On January 13, 2016, the SEC approved LSB's application for the increase in its authorized capital stock. LSB converted the outstanding deposit for future stock subscription amounting to ₱445.96 million equivalent to 4.46 million shares at ₱100.00 par value.

On April 27, 2016, the Parent Company infused additional capital to LSB amounting to ₱400.00 million equivalent to 4.00 million shares at ₱100.00 par value.

As of December 31, 2017 and 2016, the Parent Company's investment in LSB consists of:

	December 31, 2017	December 31, 2016
Cost		
Balance at beginning of year	₱1,131,000,000	₱731,000,000
Capital infusion	-	400,000,000
Balance at end of year	1,131,000,000	1,131,000,000
Accumulated equity in net income		
Balance at beginning of year	73,802,469	51,415,492
Share in net income of a subsidiary	28,183,574	22,386,977
Balance at end of year	101,986,043	73,802,469
Accumulated equity in OCI		
Balance at beginning of year	81,541	232,361
Unrealized loss on available-for-sale investments	(18,055,001)	-
Remeasurement gain (loss) on retirement liability	700,592	(150,820)
Balance at end of year	(17,272,868)	81,541
	₱1,215,713,175	₱1,204,884,010

10. Property and Equipment

The composition of and the movements in this account follow:

	Consolidated					
	2017					
	Land	Building	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱14,703,332	₱55,097,696	₱163,750,082	₱608,767,376	₱741,661,739	₱1,583,980,225
Additions	-	47,818	18,557,590	80,437,782	130,642,295	229,685,485
Disposals	(8,518,932)	(3,914,516)	(8,471,506)	(7,006,928)	(94,435)	(28,006,317)
Reclassification (Notes 11 and 13)	29,420,923	24,664,772	5,327,157	(1,346,547)	74,582	58,140,887
Balance at end of year	35,605,323	75,895,770	179,163,323	680,851,683	872,284,181	1,843,800,280
Accumulated depreciation and amortization						
Balance at beginning of year	-	25,314,191	101,491,857	357,842,858	584,388,362	1,069,037,268
Depreciation and amortization	-	4,114,165	23,528,730	86,529,282	74,850,788	189,022,965
Disposals	-	(2,146,739)	(4,159,695)	(3,540,848)	(93,568)	(9,940,850)
Reclassification (Notes 11 and 13)	-	(106,615)	-	(3,480,800)	76,266	(3,511,149)
Balance at end of year	-	27,175,002	120,860,892	437,350,492	659,221,848	1,244,608,234
Allowance for impairment losses (Note 14)						
Balance at beginning of year	1,912,400	-	-	-	-	1,912,400
Provision	-	4,434,696	-	-	279,328	4,714,024
Reclassification (Notes 11 and 13)	5,830,127	139,715	-	-	-	5,969,842
Balance at end of year	7,742,527	4,574,411	-	-	279,328	12,596,266
Net Book Value at End of the Year	₱27,862,796	₱44,146,357	₱58,302,431	₱243,501,191	₱212,783,005	₱586,595,780

	Parent Company					
	2017					
	Land	Building	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱-	₱39,946,381	₱150,085,148	₱576,513,076	₱665,536,955	₱1,432,081,560
Additions	-	-	16,844,535	76,622,584	122,300,422	215,767,541
Disposals	-	-	(8,471,506)	-	-	(8,471,506)
Reclassification (Notes 11 and 13)	23,590,796	17,763,464	5,230,665	-	-	46,584,925
Balance at end of year	23,590,796	57,709,845	163,688,842	653,135,660	787,837,377	1,685,962,520
Accumulated depreciation and amortization						
Balance at beginning of year	-	18,187,039	92,317,540	341,580,028	528,027,042	980,111,649
Depreciation and amortization	-	2,486,026	22,050,870	80,213,832	64,191,194	168,941,922
Disposals	-	-	(4,159,695)	-	-	(4,159,695)
Balance at end of year	-	20,673,065	110,208,715	421,793,860	592,218,236	1,144,893,876
Allowance for impairment losses (Note 14)						
Balance at beginning of year	-	-	-	-	-	-
Provision	-	-	-	-	279,328	279,328
Balance at end of year	-	-	-	-	279,328	279,328
Net Book Value at End of the Year	₱23,590,796	₱37,036,780	₱53,480,127	₱231,341,800	₱195,339,813	₱540,789,316



Consolidated						
2016						
	Land	Building	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱14,703,332	₱55,097,696	₱144,927,502	₱475,604,173	₱683,357,742	₱1,373,690,445
Additions	–	–	17,745,866	133,163,203	58,303,997	209,213,066
Disposals	–	–	(7,382,851)	–	–	(7,382,851)
Reclassification (Notes 11 and 13)	–	–	8,459,565	–	–	8,459,565
Balance at end of year	14,703,332	55,097,696	163,750,082	608,767,376	741,661,739	1,583,980,225
Accumulated depreciation and amortization						
Balance at beginning of year	–	24,457,866	84,381,680	283,658,119	510,665,880	903,163,545
Depreciation and amortization	–	3,038,335	24,258,818	69,709,080	74,188,407	171,194,640
Disposals	–	–	(5,320,917)	–	–	(5,320,917)
Reclassification (Notes 11 and 13)	–	(2,182,010)	(1,827,724)	4,475,659	(465,925)	–
Balance at end of year	–	25,314,191	101,491,857	357,842,858	584,388,362	1,069,037,268
Allowance for impairment losses (Note 14)						
Balance at beginning of year	–	–	–	–	–	–
Provision	1,912,400	–	–	–	–	1,912,400
Balance at end of year	1,912,400	–	–	–	–	1,912,400
Net Book Value at End of the Year	₱12,790,932	₱29,783,505	₱62,258,225	₱250,924,518	₱157,273,377	₱513,030,557

Parent Company					
2016					
	Building	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Cost					
Balance at beginning of year	₱39,946,381	₱132,503,291	₱450,866,491	₱619,457,578	₱1,242,773,741
Additions	–	16,205,143	125,646,585	46,079,377	187,931,105
Disposals	–	(7,082,851)	–	–	(7,082,851)
Reclassification (Notes 11 and 13)	–	8,459,565	–	–	8,459,565
Balance at end of year	39,946,381	150,085,148	576,513,076	665,536,955	1,432,081,560
Accumulated depreciation and amortization					
Balance at beginning of year	16,589,183	75,531,022	273,909,308	462,194,708	828,224,221
Depreciation and amortization	1,597,856	21,932,433	67,670,720	65,832,334	157,033,343
Disposals	–	(5,145,915)	–	–	(5,145,915)
Balance at end of year	18,187,039	92,317,540	341,580,028	528,027,042	980,111,649
Net Book Value at End of the Year	₱21,759,342	₱57,767,608	₱234,933,048	₱137,509,913	₱451,969,911

Gain on sale of property and equipment included in ‘Miscellaneous income’ amounted to ₱16.48 million, ₱3.86 million and ₱0.68 million in 2017, 2016 and 2015, respectively, for the Group, and ₱1.76 million, ₱3.82 million and ₱0.68 million in 2017, 2016 and 2015, respectively, for the Parent Company (see Note 22).

The details of depreciation and amortization follow:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Property and equipment	₱189,022,965	₱171,194,640	₱153,249,560	₱168,941,922	₱157,033,343	₱138,944,836
Software costs (Note 13)	80,336,227	73,933,679	59,018,378	76,990,421	70,641,825	56,369,530
Repossessed chattels (Note 13)	40,901,818	45,975,711	37,958,112	40,784,202	45,936,432	37,943,224
Investment properties (Note 11)	15,875,764	10,984,617	6,749,378	13,009,489	9,419,569	4,432,873
	₱326,136,774	₱302,088,647	₱256,975,428	₱299,726,034	₱283,031,169	₱237,690,463

As of December 31, 2017 and 2016, the cost of fully depreciated items of property and equipment still in use by the Group amounted to ₱809.59 million and ₱697.19 million, respectively.

As of December 31, 2017 and 2016, the cost of fully depreciated items of property and equipment still in use by the Parent Company amounted to ₱754.88 million and ₱644.76 million, respectively.

11. Investment Properties

The movements in this account follow:

Consolidated			
2017			
	Land	Building	Total
Cost			
Balances at beginning of year	₱224,974,293	₱136,787,732	₱361,762,025
Additions (Note 29)	16,515,308	68,988,466	85,503,774
Disposals	(17,460,672)	(4,299,059)	(21,759,731)
Reclassifications (Note 10)	(32,751,636)	(14,925,207)	(47,676,843)
Balances at end of year	191,277,293	186,551,932	377,829,225
Accumulated depreciation			
Balances at beginning of year	–	37,318,995	37,318,995
Depreciation (Note 10)	–	15,875,764	15,875,764
Disposals	–	(2,255,583)	(2,255,583)
Reclassifications (Note 10)	–	(2,649,291)	(2,649,291)
Balances at end of year	–	48,289,885	48,289,885
Allowance for impairment losses (Note 14)			
Balances at beginning of year	29,875,876	9,133,814	39,009,690
Provisions	–	1,885,207	1,885,207
Disposals	(2,013,460)	(285,525)	(2,298,985)
Reclassifications (Note 10)	5,719,582	711,200	6,430,782
Balances at end of year	33,581,998	11,444,696	45,026,694
Net Book Value at End of the Year	₱157,695,295	₱126,817,351	₱284,512,646

Parent Company			
2017			
	Land	Building	Total
Cost			
Balances at beginning of year	₱61,211,569	₱102,612,348	₱163,823,917
Additions (Note 29)	14,771,218	63,667,765	78,438,983
Disposals	(326,222)	(1,437,078)	(1,763,300)
Reclassifications (Note 10)	(30,287,615)	(13,186,315)	(43,473,930)
Balances at end of year	45,368,950	151,656,720	197,025,670
Accumulated depreciation			
Balances at beginning of year	–	18,112,108	18,112,108
Depreciation (Note 10)	–	13,009,489	13,009,489
Disposals	–	(777,242)	(777,242)
Reclassification (Note 10)	–	(2,119,671)	(2,119,671)
Balances at end of year	–	28,224,684	28,224,684
Allowance for impairment losses (Note 14)			
Balances at beginning of year	6,661,563	9,133,814	15,795,377
Provision	–	1,885,206	1,885,206
Disposals	(54,222)	(285,525)	(339,747)
Balances at end of year	6,607,341	10,733,495	17,340,836
Net Book Value at End of the Year	₱38,761,609	₱112,698,541	₱151,460,150



	Consolidated		
	2016		
	Land	Building	Total
Cost			
Balances at beginning of year	₱204,459,484	₱105,201,788	₱309,661,272
Additions (Note 29)	41,829,746	49,522,434	91,352,180
Disposals	(24,663,347)	(14,588,080)	(39,251,427)
Reclassifications (Note 10)	3,348,410	(3,348,410)	-
Balances at end of year	224,974,293	136,787,732	361,762,025
Accumulated depreciation			
Balances at beginning of year	-	31,816,561	31,816,561
Depreciation (Note 10)	-	10,984,617	10,984,617
Disposals	-	(5,482,183)	(5,482,183)
Balances at end of year	-	37,318,995	37,318,995
Allowance for impairment losses (Note 14)			
Balances at beginning of year	85,971,916	11,081,866	97,053,782
Provisions (Reversals)	(52,619,371)	607,594	(52,011,777)
Disposals	(3,476,669)	(2,555,646)	(6,032,315)
Balances at end of year	29,875,876	9,133,814	39,009,690
Net Book Value at End of the Year	₱195,098,417	₱90,334,923	₱285,433,340

	Parent Company		
	2016		
	Land	Building	Total
Cost			
Balances at beginning of year	₱40,075,456	₱70,701,256	₱110,776,712
Additions (Note 29)	27,232,322	42,762,902	69,995,224
Disposals	(9,444,619)	(7,503,400)	(16,948,019)
Reclassifications (Note 10)	3,348,410	(3,348,410)	-
Balances at end of year	61,211,569	102,612,348	163,823,917
Accumulated depreciation			
Balances at beginning of year	-	11,766,398	11,766,398
Depreciation (Note 10)	-	9,419,569	9,419,569
Disposals	-	(3,073,859)	(3,073,859)
Balances at end of year	-	18,112,108	18,112,108
Allowance for impairment losses (Note 14)			
Balances at beginning of year	155,625	4,686,126	4,841,751
Provision	6,505,938	4,637,394	11,143,332
Disposals	-	(189,706)	(189,706)
Balances at end of year	6,661,563	9,133,814	15,795,377
Net Book Value at End of the Year	₱54,550,006	₱75,366,426	₱129,916,432

Investment properties include real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the asset upon foreclosure and the carrying value of the loan is recognized as gain or loss on initial recognition recorded included under 'Miscellaneous Income'.

The fair values of investment properties are disclosed in Note 5.

Direct operating expenses on investment properties (recorded in 'Litigation expense on assets acquired' under 'Miscellaneous expense') amounted to ₱14.01 million, ₱14.90 million and ₱8.84 million in 2017, 2016 and 2015, respectively, for the Group, and ₱10.21 million, ₱13.09 million and ₱8.06 million in 2017, 2016 and 2015, respectively, for the Parent Company (see Note 22).

Gain on initial recognition of investment properties included in 'Miscellaneous income' of the Group amounted to ₱33.89 million, ₱17.30 million and ₱35.55 million in 2017, 2016 and 2015, respectively,

for the Group, and ₱31.53 million, ₱12.67 million and ₱30.70 million in 2017, 2016 and 2015, respectively, for the Parent Company (see Note 22).

Gain on sale of investment properties included in 'Miscellaneous income' amounted to ₱5.35 million, ₱8.15 million and ₱10.47 million in 2017, 2016 and 2015, respectively for the Group and ₱0.18 million, ₱3.54 million and ₱5.94 million in 2017, 2016 and 2015, respectively, for the Parent Company (see Note 22).

12. Branch Licenses

The movements in this account follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Cost				
Balance at beginning of year	₱1,229,977,111	₱1,185,377,111	₱609,377,111	₱565,377,111
Additions	1,814,157	44,600,000	1,814,157	44,000,000
Reclassifications	(200,000)	-	-	-
Balance at end of year	1,231,591,268	1,229,977,111	611,191,268	609,377,111
Allowance for impairment losses (Note 14)				
Balance at beginning and end of year	232,526,929	232,526,929	232,526,929	232,526,929
	₱999,064,339	₱997,450,182	₱378,664,339	₱376,850,182

The allowance for impairment losses amounting to ₱232.53 million relates to branches that the Parent Company ceased to operate in 2010.

13. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Software costs - net	₱327,820,769	₱353,353,540	₱324,661,296	₱348,001,639
Creditable withholding tax	243,598,700	141,316,753	243,598,700	141,316,753
Prepaid expenses	122,786,531	84,489,727	111,900,595	80,194,606
Repossessed chattels - net	89,981,581	103,598,417	89,654,561	103,489,250
Refundable deposits	50,104,352	57,201,471	49,101,474	55,721,032
Advance payment to suppliers	38,976,196	25,857,400	38,976,196	25,857,400
Bills payment - contra	13,462,751	626,363,142	13,462,751	626,363,142
Documentary stamp tax on hand	6,103,931	25,806,925	3,215,220	23,048,149
Sundry debits	371,235	27,898,129	75,335	27,898,129
Others	37,456,104	20,946,370	35,094,075	14,800,243
	930,662,150	1,466,831,874	909,740,203	1,446,690,343
Allowance for impairment losses (Note 14)	(10,201,994)	(10,201,994)	(7,678,160)	(7,678,160)
	₱920,460,156	₱1,456,629,880	₱902,062,043	₱1,439,012,183

Bills payment-contra is the contra account of bills payment under 'Accrued expenses and other liabilities' (see Note 17).

Advance payment to suppliers consists of various down payments made to various suppliers and contractors in connection with the Group's and the Parent Company's operation and other projects such as branch expansions.



Software costs - net represent the carrying amount of software purchased by the Group for use in operations, net of amortization.

Others include stationeries, office supplies, and other miscellaneous assets.

In 2017, 2016 and 2015, the Group and the Parent Company recognized provision for impairment losses on certain miscellaneous assets amounting to nil, ₱0.20 million and ₱7.48 million, respectively.

The composition of and the movements in 'Repossessed chattels - net' of the Group and the Parent Company follow:

	Consolidated		
	2017		
	Cars	Others	Total
Cost			
Balances at beginning of year	₱12,015,001	₱142,658,117	₱154,673,118
Additions (Note 29)	41,855,947	192,563,580	234,419,527
Disposals	(32,065,001)	(217,663,389)	(249,728,390)
Reclassifications (Note 10)	(6,855,000)	(465,308)	(7,320,308)
Balances at end of year	14,950,947	117,093,000	132,043,947
Accumulated depreciation			
Balances at beginning of year	2,883,906	36,677,976	39,561,882
Depreciation (Note 10)	3,144,224	37,757,594	40,901,818
Disposals	(3,868,835)	(45,245,894)	(49,114,729)
Reclassifications (Note 10)	(1,644,972)	(42,493)	(1,687,465)
Balances at end of year	514,323	29,147,183	29,661,506
Allowance for impairment losses (Note 14)			
Balances at beginning of year	₱1,565,516	₱9,947,303	₱11,512,819
Provisions	649,318	6,793,918	7,443,236
Disposals	(1,179,245)	(5,020,067)	(6,199,312)
Reclassifications (Note 10)	(386,272)	30,389	(355,883)
Balances at end of year	649,317	11,751,543	12,400,860
Net Book Value at End of the Year	₱13,787,307	₱76,194,274	₱89,981,581
	Parent Company		
	2017		
	Cars	Others	Total
Cost			
Balances at beginning of year	₱12,015,001	₱142,471,915	₱154,486,916
Additions (Note 29)	41,855,947	192,011,578	233,867,525
Disposals	(32,065,001)	(217,543,833)	(249,608,834)
Reclassifications (Note 10)	(6,855,000)	(369,862)	(7,224,862)
Balances at end of year	14,950,947	116,569,798	131,520,745
Accumulated depreciation			
Balances at beginning of year	2,883,906	36,609,594	39,493,500
Depreciation (Note 10)	3,144,224	37,639,978	40,784,202
Disposals	(3,868,835)	(45,239,811)	(49,108,646)
Reclassifications (Note 10)	(1,644,972)	(50,106)	(1,695,078)
Balances at end of year	514,323	28,959,655	29,473,978
Allowance for impairment losses (Note 14)			
Balances at beginning of year	1,565,516	9,938,650	11,504,166
Provision	649,318	6,793,918	7,443,236
Disposals	(1,179,245)	(4,989,679)	(6,168,924)
Reclassifications (Note 10)	(386,272)	-	(386,272)
Balances at end of year	649,317	11,742,889	12,392,206
Net Book Value at End of the Year	₱13,787,307	₱75,867,254	₱89,654,561

	Consolidated		
	2016		
	Cars	Others	Total
Cost			
Balances at beginning of year	₱10,730,001	₱114,513,229	₱125,243,230
Additions (Note 29)	22,680,000	202,906,603	225,586,603
Disposals	(12,995,000)	(174,146,215)	(187,141,215)
Reclassifications (Note 10)	(8,400,000)	(615,500)	(9,015,500)
Balances at end of year	12,015,001	142,658,117	154,673,118
Accumulated depreciation			
Balances at beginning of year	5,846,529	32,197,840	38,044,369
Depreciation (Note 10)	2,950,281	43,025,430	45,975,711
Disposals	(4,803,995)	(38,455,663)	(43,259,658)
Reclassifications (Note)	(1,108,909)	(89,631)	(1,198,540)
Balances at end of year	2,883,906	36,677,976	39,561,882
Allowance for impairment losses (Note 14)			
Balances at beginning of year	873,576	12,982,047	13,855,623
Provisions	1,045,676	5,968,500	7,014,176
Disposals	(353,736)	(9,003,244)	(9,356,980)
Balances at end of year	1,565,516	9,947,303	11,512,819
Net Book Value at End of the Year	₱7,565,579	₱96,032,838	₱103,598,417

	Parent Company		
	2016		
	Cars	Others	Total
Cost			
Balances at beginning of year	₱10,730,001	₱114,432,703	₱125,162,704
Additions (Note 29)	22,680,000	202,740,303	225,420,303
Disposals	(12,995,000)	(174,085,591)	(187,080,591)
Reclassifications (Note 10)	(8,400,000)	(615,500)	(9,015,500)
Balances at end of year	12,015,001	142,471,915	154,486,916
Accumulated depreciation			
Balances at beginning of year	5,846,529	32,152,548	37,999,077
Depreciation (Note 10)	2,950,281	42,986,151	45,936,432
Disposals	(4,803,995)	(38,439,474)	(43,243,469)
Reclassifications (Note 10)	(1,108,909)	(89,631)	(1,198,540)
Balances at end of year	2,883,906	36,609,594	39,493,500
Allowance for impairment losses (Note 14)			
Balances at beginning of year	873,576	12,973,394	13,846,970
Provision	1,045,676	5,968,500	7,014,176
Disposals	(353,736)	(9,003,244)	(9,356,980)
Balances at end of year	1,565,516	9,938,650	11,504,166
Net Book Value at End of the Year	₱7,565,579	₱95,923,671	₱103,489,250

In 2017, loss on initial recognition of repossessed chattels included in 'Miscellaneous income' amounted to ₱18.90 million and ₱18.79 million, for the Group and the Parent Company, respectively. In 2016 and 2015, gain on initial recognition of repossessed chattels included in 'Miscellaneous income' amounted to ₱25.02 million and ₱6.00 million, respectively, for the Group and ₱25.07 million and ₱6.00 million, respectively, for the Parent Company (Note 22).

Loss on sale of repossessed chattels included in 'Miscellaneous income' amounted to ₱28.27 million and ₱28.30 million in 2017, for the Group and the Parent Company, respectively. Loss on sale of repossessed chattels included in 'Miscellaneous income' amounted to ₱13.78 million and ₱13.79 million in 2016, respectively, for the Group and the Parent Company, respectively (see Note 22). Gain on sale of repossessed chattels include in 'Miscellaneous income' amounted to



₱12.43 million and ₱12.28 million in 2015, respectively, for the Group and the Parent Company, respectively (see Note 22).

Movements in 'Software costs - net' follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Cost				
Balance at beginning of year	₱599,078,204	₱572,885,012	₱584,037,987	₱559,242,555
Additions	54,618,179	26,193,192	53,650,078	24,795,432
Reclassifications	200,000	-	-	-
	653,896,383	599,078,204	637,688,065	584,037,987
Accumulated amortization				
Balance at beginning of year	245,724,664	171,790,985	236,036,348	165,394,523
Amortization (Note 10)	80,336,227	73,933,679	76,990,421	70,641,825
Reclassifications	14,723	-	-	-
Balance at end of year	326,075,614	245,724,664	313,026,769	236,036,348
Net Book Value at the End of the Year	₱327,820,769	₱353,353,540	₱324,661,296	₱348,001,639

14. Allowance for Credit and Impairment Losses

Movements in the allowance for credit and impairment losses follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Balances at beginning of year				
Loans and receivables (Note 8)	₱913,019,864	₱769,545,245	₱797,284,966	₱721,268,058
Property and equipment (Note 10)	1,912,400	-	-	-
Investment properties (Note 11)	39,009,690	97,053,782	15,795,377	4,841,751
Branch licenses (Note 12)	232,526,929	232,526,929	232,526,929	232,526,929
Repossessed chattels (Note 13)	11,512,819	13,855,623	11,504,166	13,846,970
Other assets (Note 13)	10,201,994	7,866,310	7,678,160	7,478,160
	1,208,183,696	1,120,847,889	1,064,789,598	979,961,868
Provision for the year	241,076,252	155,922,043	234,917,540	147,571,357
Disposals	(45,529,482)	(15,389,295)	(39,301,801)	(9,546,686)
Reversals/others	12,044,741	(53,196,942)	(386,272)	(53,196,941)
	207,591,511	87,335,806	195,229,467	84,827,730
Balances at end of year				
Loans and receivables (Note 8)	1,103,022,464	913,019,864	989,801,606	797,284,966
Property and equipment (Note 10)	12,596,266	1,912,400	279,328	-
Investment properties (Note 11)	45,026,694	39,009,690	17,340,836	15,795,377
Branch licenses (Note 12)	232,526,929	232,526,929	232,526,929	232,526,929
Repossessed chattels (Note 13)	12,400,860	11,512,819	12,392,206	11,504,166
Other assets (Note 13)	10,201,994	10,201,994	7,678,160	7,678,160
	₱1,415,775,207	₱1,208,183,696	₱1,260,019,065	₱1,064,789,598

A reconciliation of the allowance for credit losses by class of loans and receivables follows (in thousands):

	Consolidated					
	2017					
	Commercial	Consumption	Real Estate	Domestic Bills Purchased	Others	Total
Balance at beginning of year	₱508,809	₱219,143	₱14,247	₱20,399	₱150,422	₱913,020
Provisions for the year	169,140	24,426	-	-	33,468	227,034
Reversals/others	(37,273)	72,778	(8,831)	(20,399)	(43,307)	(37,032)
Balance at end of year	₱640,676	₱316,347	₱5,416	₱-	₱140,583	₱1,103,022
Individual impairment	₱320,355	₱68,772	₱5,412	₱-	₱32,491	₱427,030
Collective impairment	320,321	247,575	4	-	108,092	675,992
	₱640,676	₱316,347	₱5,416	₱-	₱140,583	₱1,103,022
Gross amount of loans and receivables individually determined to be impaired	₱429,950	₱69,047	₱5,587	₱-	₱39,638	₱544,222
	Parent Company					
	2017					
	Commercial	Consumption	Real Estate	Domestic Bills Purchased	Others	Total
Balance at beginning of year	₱448,839	₱191,714	₱7,400	₱20,399	₱128,933	₱797,285
Provisions for the year	167,997	23,845	-	-	33,468	225,310
Reversals/others	33,134	9,256	(7,400)	(20,399)	(47,384)	(32,793)
Balance at end of year	₱649,970	₱224,815	₱-	₱-	₱115,017	₱989,802
Individual impairment	₱201,541	₱-	₱-	₱-	₱8,869	₱210,410
Collective impairment	448,429	224,815	-	-	106,148	779,392
	₱649,970	₱224,815	₱-	₱-	₱115,017	₱989,802
Gross amount of loans and receivables individually determined to be impaired	₱386,066	₱-	₱-	₱-	₱19,869	₱405,935
	Consolidated					
	2016					
	Commercial	Consumption	Real Estate	Domestic Bills Purchased	Others	Total
Balance at beginning of year	₱362,454	₱207,256	₱24,866	₱5,467	₱169,502	₱769,545
Provisions for the year	130,929	57,427	(1,449)	14,932	(5,167)	196,672
Reversals/others	15,426	(45,540)	(9,170)	-	(13,913)	(53,197)
Balance at end of year	₱508,809	₱219,143	₱14,247	₱20,399	₱150,422	₱913,020
Individual impairment	₱350,466	₱139,405	₱6,509	₱-	₱21,455	₱517,869
Collective impairment	158,343	79,738	7,738	20,399	128,967	395,151
	₱508,809	₱219,143	₱14,247	₱20,399	₱150,422	₱913,020
Gross amount of loans and receivables individually determined to be impaired	₱894,379	₱248,032	₱7,687	₱-	₱41,298	₱1,191,396
	Parent Company					
	2016					
	Commercial	Consumption	Real Estate	Domestic Bills Purchased	Others	Total
Balance at beginning of year	₱364,703	₱194,192	₱16,571	₱5,467	₱140,335	₱721,268
Provisions for the year	68,709	43,062	-	14,932	2,511	129,214
Reversals/others	15,427	(45,540)	(9,170)	-	(13,913)	(53,197)
Balance at end of year	₱448,839	₱191,714	₱7,401	₱20,399	₱128,933	₱797,285
Individual impairment	₱184,831	₱-	₱-	₱-	₱-	₱184,831
Collective impairment	264,008	191,714	7,401	20,399	128,933	612,454
	₱448,839	₱191,714	₱7,401	₱20,399	₱128,933	₱797,285
Gross amount of loans and receivables individually determined to be impaired	₱552,972	₱-	₱-	₱-	₱-	₱552,972



Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Loans and receivables	₱227,033,785	₱196,671,560	₱210,622,430	₱225,309,770	₱129,213,849	₱176,953,835
Reposessed chattels	7,443,236	7,014,176	6,523,886	7,443,236	7,014,176	6,515,241
Property and equipment	4,714,024	1,912,400	—	279,328	—	—
Investment properties	1,885,207	(52,011,777)	41,423,866	1,885,206	11,143,332	4,513,531
Other assets	—	2,335,684	7,478,160	—	200,000	7,478,160
	₱241,076,252	₱155,922,043	₱266,048,342	₱234,917,540	₱147,571,357	₱195,460,767

15. Deposit Liabilities

Of the total deposit liabilities of the Group as of December 31, 2017 and 2016, 57.04% and 52.12%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities bear annual fixed interest rates ranging from nil to 4.50% in 2017 and from nil to 2.88% in 2016, respectively.

On March 27, 2014, the BSP through Circular 830 approved the 1.00% increase in reserve requirements effective April 11, 2014, thereby increasing the reserve requirements on non-FCDU deposit liabilities of the Parent Company and LSB from 18.00% to 19.00% and 6.00% to 7.00% respectively. As mandated by the Circular, only demand deposit accounts maintained by the bank with the BSP are eligible for compliance with reserve requirements, thereby excluding government securities and cash in vault as eligible reserves. Further, deposits maintained with the BSP in compliance with the reserve requirement shall no longer be paid interest. On May 8, 2014, the BSP, through BSP Circular 832, approved the 1.00% increase in reserve requirement effective May 30, 2014, thereby further increasing the reserve requirements on non-FCDU deposit liabilities of the Parent Company and LSB from 19.00% to 20.00% and from 7.00% to 8.00%, respectively.

The Group's liquidity and statutory reserves as reported to the BSP follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Due from BSP	₱15,487,675,837	₱11,015,517,416	₱15,091,432,509	₱10,872,258,187

As of December 31, 2017 and 2016, the Group is in compliance with the regulations.

Details of interest expense on deposit liabilities follow:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Demand	₱2,456,744	₱1,938,352	₱1,785,501	₱2,456,744	₱1,938,352	₱1,785,501
Savings	707,442,240	327,306,744	287,391,613	697,253,892	315,475,701	270,638,593
Time	318,812,552	319,618,027	274,848,318	300,798,222	300,207,579	253,812,635
LTNCD	96,808,815	—	—	96,808,815	—	—
	₱1,125,520,351	₱648,863,123	₱564,025,432	₱1,097,317,673	₱617,621,632	₱526,236,729

Long-Term Negotiable Certificates of Deposit (LTNCD)

On May 4, 2017, the BSP approved the Parent Company's issuance of the ₱3.00 billion LTNCD, with a right to increase the aggregate issue up to ₱5 billion in the even of over subscription.

On June 16, 2017, the Parent Company listed its LTNCD issuance amounting to ₱4.18 billion through the PDEX. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125%

and EIR of 4.287%, payable every quarter. The proceeds was used to diversify the Parent Company's maturity profile and funding sources and general corporate purposes.

16. Redeemable Preferred Shares

In 2013, the Parent Company acquired 29,000 redeemable preferred shares at ₱1,000 par value from LSB (see Note 7). In 2016, the Parent Company acquired additional 1,200 redeemable preferred shares amounting to ₱1.20 million. Details of LSB's redeemable preferred shares as of December 31, 2017 and 2016 follow:

	Shares	Amount
Preferred shares – ₱1,000 par value		
Authorized	50,000	₱50,000,000
Issued and outstanding		
Balances at beginning and end of year	30,200	₱30,200,000

The preferred shares has the following features:

- The minimum subscription is 100 shares and payable in cash;
- The shares shall earn monthly interest at a rate to be fixed by the BOD, but such interest shall not be less than the prevailing market interest rates and said shares shall not be treated as time deposit, deposit substitute or as other form of borrowings;
- The interest shall be paid in the form of dividends cumulatively, which may be declared annually or as often as the BOD may determine;
- The shares shall have preference in the distribution of dividends and in the distribution of assets in case of liquidation or dissolution, provided, however that no dividend shall be declared or paid on redeemable shares in the absence of sufficient undivided profits, free surplus and approval of the BSP;
- The shares are non-voting on matters provided for in the last paragraph of Section 6 of the Corporation Code;
- Pre-emptive rights are not available on preferred shares nor shall they be subject to one and the shares shall be held for five (5) years with a right of alienation or encumbrance of the same to any third person within the period of five years from the original date of subscription, provided, however, that on the 5th year the holder shall be obliged to surrender the same to the corporation and upon prior approval of the BSP and in compliance with the provisions of the MORB and the BSP's circulars regarding this matter, the corporation shall be obliged to take up the subscription at the price when the preferred shares of stock were originally subscribed. Provided that shares redeemed are replaced with at least an equivalent amount of newly paid-in shares so that the total paid-in capital stock is maintained at the same level immediately prior to redemption and provided further, that the corporation is not insolvent or if such redemption will not cause insolvency, impairment of capital or inability of the corporation to meet its debts as they mature; and
- As of December 31, 2013, LSB has not yet created a sinking fund pending request from BSP to redeem and retire the preferred shares. The fund that will be used to redeem the preferred shares will be taken from the equity infused by the Parent Company.

As discussed in Note 9, the SEC approved LSB's application for increase in authorized capital stock on January 13, 2016.



The shares may again be disposed of by LSB for a price fixed by the BOD. Based on the BOD resolution on March 6, 2013, the entire redeemable preferred shares of LSB will be retired after its redemption subject to BSP's approval. As of December 31, 2017 and 2016, the entire redeemable preferred shares of LSB are still subject to BSP's approval.

17. Accrued Expenses and Other Liabilities

Accrued expenses account consist of:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Accrued expenses	₱399,203,511	₱322,888,723	₱386,883,423	₱315,439,003
Accrued interest payable	151,195,970	97,510,939	150,763,406	97,137,965
	₱550,399,481	₱420,399,662	₱537,646,829	₱412,576,968

Accrued expenses consist of accruals and provisions for general expenses, bonuses and insurance on deposits, fees and advertisements.

Other liabilities include:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Accounts payable	₱648,749,723	₱547,012,550	₱644,825,240	₱538,416,916
Bills purchased-contra (Note 8)	498,529,953	139,337,392	498,529,953	139,337,392
Acceptances payable (Note 8)	89,333,544	38,298,006	89,333,544	38,298,006
Withholding taxes and other taxes payable	85,215,233	51,540,202	84,467,025	51,240,746
Retirement liability (Note 20)	81,624,895	49,731,351	76,072,917	45,183,200
Dormant manager's checks	47,805,213	49,515,703	47,805,213	49,515,703
Bills payment	9,815,035	632,856,221	9,815,035	632,856,221
Derivative liabilities (Note 7)	5,904,377	7,447,751	5,904,377	7,447,751
Redeemable preferred shares (Note 16)	500,000	500,000	-	-
Income tax payable	219,637	219,637	-	-
Others	97,965,442	7,536,488	98,666,427	7,098,463
	₱1,565,663,052	₱1,523,995,301	₱1,555,419,731	₱1,509,394,398

Accounts payable consists of payables to service providers, advance payments from customers and unreleased checks.

Bills purchased-contra is the contra account of bills purchased under loans. Bills purchased are receivables from customers from converting checks and bank drafts to cash. As of December 31, 2017 and 2016, bills purchased-contra consists mainly of DOSRI accounts.

Acceptances payable is the contra account of customer liability under acceptances included under commercial loans.

Bills payment pertains to various payments made by depositors of the Parent Company as an intermediary for various merchants.

Others consist mainly of sundry credits, advances, payables to agencies servicing employee welfare such as Social Security System, Home Development Mutual Fund and Medicare.

18. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from statements of financial position date:

	Consolidated					
	2017		Total	2016		Total
	Due Within One Year	Due Beyond One Year		Due Within One Year	Due Beyond One Year	
Financial Assets						
Cash and other cash items	₱1,639,300,590	₱-	₱1,639,300,590	₱1,684,403,861	₱-	₱1,684,403,861
Due from BSP	16,017,675,837	-	16,017,675,837	13,415,517,416	-	13,415,517,416
Due from other banks	3,820,050,486	-	3,820,050,486	4,090,364,784	-	4,090,364,784
Interbank loans receivable/SPURA	3,303,644,739	23,750,000	3,327,394,739	581,831,467	96,000,000	677,831,467
Financial assets at FVPL	48,134,331	-	48,134,331	2,555,185	-	2,555,185
AFS investments	169,591,351	19,025,433,213	19,195,024,564	146,278,223	11,597,651,996	11,743,930,219
HTM investment	-	-	-	254,550,191	3,295,350,413	3,549,900,604
Loans and receivables – gross	19,078,809,903	39,913,496,968	58,992,306,871	16,616,828,833	23,224,271,469	39,841,100,302
Other assets	490,000	49,614,352	50,104,352	1,035,710	56,165,761	57,201,471
	44,077,697,237	59,012,294,533	103,089,991,770	36,793,365,670	38,269,439,639	75,062,805,309
Non-financial Assets						
Property and equipment – net	-	586,595,780	586,595,780	-	513,030,557	513,030,557
Investment properties – net	-	284,512,646	284,512,646	-	285,433,340	285,433,340
Branch licenses – net	-	999,064,339	999,064,339	-	997,450,182	997,450,182
Deferred tax asset	-	176,717,759	176,717,759	-	53,435,098	53,451,334
Goodwill	-	244,327,006	244,327,006	-	244,327,006	244,327,006
Other assets	463,718,107	406,637,697	870,355,804	890,572,874	508,855,534	1,399,428,408
	₱44,541,415,344	₱61,710,149,760	₱106,251,565,104	₱37,683,938,544	₱40,871,971,356	₱78,555,926,136
Less:						
Unearned interest and discounts (loans)			235,511,770			30,998,551
Allowance for credit and impairment losses – loans and receivables			1,103,022,464			913,019,864
			₱1,104,913,030,870			₱77,611,891,486
Financial Liabilities						
Deposit liabilities	₱81,972,919,272	₱8,006,668,527	₱89,979,587,799	₱59,123,635,173	₱4,171,464,853	₱63,295,100,026
Manager's checks	724,047,158	-	724,047,158	404,180,308	-	404,180,308
Accrued expenses	550,399,481	-	550,399,481	420,399,662	-	420,399,662
Other liabilities	1,205,425,208	-	1,205,425,208	1,377,238,397	-	1,377,238,397
	84,452,791,119	8,006,668,527	92,459,459,646	61,325,453,540	4,171,464,853	65,496,918,393
Non-financial Liabilities						
Other liabilities	284,164,927	76,072,917	360,237,844	96,525,553	50,231,351	146,756,904
	₱84,736,956,046	₱8,082,741,444	₱92,819,697,490	₱61,421,979,093	₱4,221,696,204	₱65,643,675,297

	Parent					
	2017		Total	2016		Total
	Due Within One Year	Due Beyond One Year		Due Within One Year	Due Beyond One Year	
Financial Assets						
Cash and other cash items	₱1,597,057,290	₱-	₱1,597,057,290	₱1,653,720,370	₱-	₱1,653,720,370
Due from BSP	15,621,432,509	-	15,621,432,509	12,722,258,187	-	12,722,258,187
Due from other banks	3,749,409,945	-	3,749,409,945	3,995,280,423	-	3,995,280,423
Interbank loans receivable/SPURA	2,845,174,517	23,750,000	2,868,924,517	493,077,515	96,000,000	589,077,515
Financial assets at FVPL	48,134,331	-	48,134,331	2,555,185	-	2,555,185
AFS investments	169,591,351	18,873,224,505	19,042,815,856	176,478,223	11,597,651,996	11,774,130,219
HTM investment	-	-	-	239,560,181	3,094,967,870	3,334,528,051
Loans and receivables – gross	18,645,831,587	39,173,544,952	57,819,376,539	16,465,803,192	22,309,163,493	38,774,966,685
Other assets	-	49,101,474	49,101,474	194,611	55,526,421	55,721,032
	₱42,676,631,530	₱58,119,620,931	₱100,796,252,461	₱35,748,927,887	₱37,153,309,780	₱72,902,237,667

(Forward)



	Parent					
	2017			2016		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Non-financial Assets						
Property and equipment – net	₱–	₱540,789,316	₱540,789,316	₱–	₱451,969,911	₱451,969,911
Investment properties – net	–	151,460,150	151,460,150	–	129,916,432	129,916,432
Branch licenses – net	–	378,664,339	378,664,339	–	376,850,182	376,850,182
Deferred tax asset	–	318,065,832	318,065,832	–	194,482,918	194,499,154
Investment in subsidiary	–	1,215,713,175	1,215,713,175	–	1,204,884,010	1,204,884,010
Other assets	446,322,872	406,637,697	852,960,569	890,356,639	492,934,512	1,383,274,915
	₱43,122,954,402	₱61,130,951,440	104,253,905,842	₱36,639,284,526	₱40,004,347,745	76,643,632,271
Less:						
Unearned interest and discounts (loans)			170,640,420			8,332,311
Allowance for credit and impairment losses – loans and receivables			989,801,606			797,284,966
			₱103,093,463,816			₱75,838,014,994
Financial Liabilities						
Deposit liabilities	₱80,207,281,030	₱7,975,735,688	₱88,183,016,718	₱57,772,149,864	₱3,771,497,267	₱61,543,647,131
Manager's checks	724,047,158	–	724,047,158	404,180,308	–	404,180,308
Accrued expenses	537,646,829	–	537,646,829	412,576,968	–	412,576,968
Other liabilities	1,197,064,783	–	1,197,064,783	1,367,573,983	–	1,367,573,983
	82,666,039,800	7,975,735,688	90,641,775,488	59,956,481,123	3,771,497,267	63,727,978,390
Non-financial Liabilities						
Other liabilities	282,282,031	76,072,917	358,354,948	96,637,215	45,183,200	141,820,415
	₱82,948,321,831	₱8,051,808,605	₱91,000,130,436	₱60,053,118,338	₱3,816,680,467	₱63,869,798,805

19. Equity

As of December 31, 2017 and 2016, the Parent Company's capital stock consists of:

	Shares		Amount	
	2017	2016	2017	2016
Common shares - ₱10 par value				
Authorized	1,500,000,000	1,500,000,000	₱15,000,000,000	₱15,000,000,000
Issued and outstanding				
Issued and outstanding	1,200,000,000	43,683,500	₱12,000,000,000	₱436,835,000
Issued during the year	–	1,156,316,500	–	11,563,165,000
Balances at end of year	1,200,000,000	1,200,000,000	₱12,000,000,000	₱12,000,000,000
Preferred shares A - ₱10 par value				
Authorized	–	–	₱–	₱–
Issued and outstanding				
Balance at beginning of year	–	356,316,500	–	3,563,165,000
Issuance of preferred shares A	–	–	–	–
Conversion of preferred shares A	–	(356,316,500)	–	(3,563,165,000)
	–	–	–	–
Preferred shares B - ₱10 par value				
Authorized	–	–	–	–
Issued and outstanding				
Balance at beginning of year	–	210,000,000	–	2,100,000,000
Issuance of preferred shares B	–	–	–	–
Conversion of preferred shares B	–	(210,000,000)	–	(2,100,000,000)
	–	–	–	–
	–	–	₱–	₱–

The preferred shares have the following features:

- Preferred stockholders are entitled to receive preferential but non-cumulative dividends at the rate to be determined by the BOD.
- Preferred stocks are redeemable at the option of the Parent Company at any time provided that the redemption price shall not be lower than the par value or higher than 110.00% of said par value;
- In the event of any voluntary or involuntary liquidation, the preferred stockholders are entitled to receive the liquidation value of the said shares equivalent to 110.00% of the par value plus any unpaid but declared dividends thereon. If the net assets of the Parent Company shall be insufficient to pay in full the liquidation value of all the preferred stock, then such net resources shall be distributed among such preferred stock ratably in accordance with the respective liquidation value of the shares they are holding.

Surplus Reserves

In compliance with existing BSP regulations, 10.00% of the net profits realized by the Parent Company from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Parent Company's regulatory capital.

In 2017 and 2016, the Parent Company's BOD approved to appropriate reserves for trust reserves amounting to ₱0.64 million and ₱0.93 million, respectively. In 2017, the Parent Company's BOD approved to reverse appropriation of reserves for self-insurance amounting to ₱106.95 million.

Capital Management

The Group considers the equity attributable to the equity holders of the Parent Company as the capital base of the Group. The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities and assessment of prospective business requirements or directions. In order to maintain or adjust the capital structure, the Group may adjust the amount and mode of dividend payment to shareholders, issue capital securities or undertake a share buy-back. The processes and policies guiding the determination of the sufficiency of capital for the Group relative to its business risks are the very same methodology that have been incorporated into the Group's Internal Capital Adequacy Assessment Process (ICAAP) in compliance with the requirements of BSP Circular No. 639 for its adoption. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget; as well as regulatory edicts. BSP requires submission of an ICAAP document every January 31.

The Group had complied with all externally imposed capital requirements throughout the year.

Regulatory Qualifying Capital

In 2013, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis



(parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 125.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Following is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax)
125%	All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

* Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.00% CET1 capital ratio and 10.00% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25.00% on the Group's real estate exposure. These limits shall be complied with at all times.

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides implementing guidelines for universal, commercial, and their subsidiary banks/quasi banks. The circular sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times.

The CAR of the Group and of the Parent Company as reported to the BSP as of December 31, 2017 and 2016 follows:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Common Equity Tier 1 Capital	₱10,475	₱10,570	₱10,243	₱10,270
Additional Tier 1 Capital	—	—	—	—
Tier 1 capital	10,475	10,570	10,243	10,270
Tier 2 capital	491	331	478	318
Total qualifying capital	₱10,966	₱10,901	₱10,721	₱10,588
Credit RWA	₱49,861	₱46,439	₱48,542	₱38,931
Market RWA	1,340	222	1,340	223
Operational RWA	4,696	4,355	4,365	4,224
Total RWA	₱55,897	₱51,016	₱54,247	₱43,378
Common Equity Tier 1 Ratio 1	18.74%	20.72%	18.88%	23.68%
Additional Tier 1 Ratio	0.00%	0.00%	0.00%	0.00%
Tier 1 capital ratio	18.74%	20.72%	18.88%	23.68%
Tier 2 capital ratio	0.88%	0.65%	0.88%	0.73%
Risk-based capital adequacy ratio	19.62%	21.37%	19.76%	24.41%

As of December 31, 2017 and 2016, the Group was in compliance with the required CAR.



On October 29, 2014, the BSP issued amendments to Circular No. 854 which required a new minimum capitalization for Banks. The Parent Company, as a commercial bank with more than 100 branches, was required to increase its capitalization to ₱15.00 billion.

On January 28, 2015 and February 25, 2015, the BOD of the Parent Company and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, respectively, approved the issuance of the remaining 46,070,226 unissued preferred shares (A and B) at ₱10.00 par value in favor of JGSCSC and RRHI as follows:

Stockholder	Types of Shares	No. of Shares		Amount
		Subscribed	Par Value	
JGSCSC	Preferred A	27,404,962	₱10	₱274,049,620
	Preferred B	237,174	10	2,371,740
RRHI	Preferred A	18,269,974	10	182,699,740
	Preferred B	158,116	10	1,581,160
Total		46,070,226		₱460,702,260

Furthermore, the BOD also approved the following resolutions:

- Conversion of all preferred shares of the Parent Company, whether issued or unissued, particularly the 356.32 million preferred shares A and the 210.00 million preferred shares B, into common shares, and removal of all the other class of shares of the Parent Company, except common shares.
- Increase in the Parent Company's authorized capital stock from ₱6.10 billion divided into 610.00 million common shares with par value of ₱10.00 each.
- The total authorized stock of the Parent Company is ₱15.00 billion divided into 1.50 billion common shares with a par value of ₱10.00 each.

On March 15, 2015, JGSCSC acquired additional preferred shares A and B of 27,404,962 shares and 237,174 shares, respectively.

In 2015, RRHI acquired additional preferred shares A and B of 18,269,974 shares and 158,116 shares, respectively.

On June 17, 2015, RRHI subscribed to an additional 297,094,118 common shares at ₱10.00 per share.

On July 8, 2015, JGSCSC subscribed to an additional 292,905,882 common shares at ₱10.00 per share.

On July 9, 2015, the Parent Company BOD approved the increase in authorized capital stock amounting to ₱8.90 billion composed of 890.00 million common shares at ₱10.00 per share. Out of the ₱8.90 billion increase, ₱5.90 billion was paid-up and subscribed as follows:

Stockholder	No. of Shares		Amount
	Subscribed	Amount	
JGSCSC	292,905,882	₱2,929,058,820	
RRHI	297,094,118	2,970,941,180	
Total	590,000,000	₱5,900,000,000	

On November 15, 2015, the BSP approved the Parent Company's capital build-up program with the following milestones:

1. Capital infusion from unissued shares up to the existing authorized capital stock of ₱6.10 billion.
2. Capital infusion from the increase in authorized capital stock from ₱6.10 billion to ₱15.00 billion of which ₱12.00 billion is paid up.
3. Internally generated capital based on the Parent Company's financial projections for the period 2015 to 2019.

The approval of BSP to the capital build-up program further provides that the Parent Company shall:

1. Refrain from declaring and distributing cash dividends until the ₱15.00 billion minimum capital requirement is attained;
2. Call on its stockholders to infuse additional capital in case of shortfall in internally-generated income to meet the target capital levels; and
3. Submit progress reports with supporting documents, duly noted by its BOD, to the Central Point of Contact Department II, within 20 banking days from end of December of each year until the Bank is deemed by the BSP to have fully complied with its capital build-up program.

On December 15, 2015, the Parent Company filed its application for the increase in its authorized capital stock as approved by the BOD and the BSP with the SEC.

On January 29, 2016, the SEC approved the Parent Company's application for the increase in authorized capital stock from ₱6.10 billion divided into 43.68 million common shares, 356.32 million preferred shares A and 210.00 million preferred shares B of ₱10.00 par value each, to ₱12.00 billion divided into 633.64 million common shares, 356.32 million preferred shares A and 210.00 million preferred shares B of ₱10.00 par value each.

In 2016, the Parent Company issued 590.00 million common shares amounting to ₱5.90 billion in exchange for the deposits for future subscriptions.

In 2016, the Parent Company removed all the other classes of shares, except common shares, and converted its 356.32 million preferred shares A and 210.00 million preferred shares B to 566.32 million common shares with ₱10.00 par value.

Surplus

As of December 31, 2017 and 2016, a portion of the Parent Company's retained earnings amounting to ₱181.54 million and ₱57.87 million, respectively, relating to deferred tax asset, ₱106.28 million and ₱129.76 million, respectively, relating to unrealized gain on foreclosure of investment properties and resposessed chattels, and ₱7.10 million and ₱6.25 million, respectively, relating to changes in fair value of financial instruments at FVPL, ₱28.18 million and ₱22.39 million, respectively, relating to the share in net income from Subsidiary, is not available for dividend declaration in accordance with SEC Memorandum Circular No. 11 and SRC Rule 68.

20. Retirement Plan

The Parent Company has a noncontributory defined benefit retirement covering substantially all its officers and regular employees. Under this retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. In 2008, the Parent Company established a plan asset for its defined benefit retirement plan (see Note 24).



LSB has an unfunded noncontributory retirement plan covering all its regular permanent employees. Under the retirement plan, all employees are entitled to cash benefits after satisfying certain age and service requirements.

The latest actuarial valuation of the retirement plan of the Group was made as of December 31, 2017. The principal actuarial assumptions used in determining retirement liability of the Group as of January 1 follow:

	Parent Company		LSB	
	2017	2016	2017	2016
Average remaining working life in years	6	6	8	10
Discount rate	5.75%	5.27%	5.79%	5.54%
Salary rate increase	5.70%	5.70%	5.70%	5.70%

The amounts recognized in the statements of financial position follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Present value of defined benefit obligation	₱159,432,652	₱130,697,133	₱153,880,674	₱126,148,982
Fair value of plan assets	(77,807,757)	(80,965,782)	(77,807,757)	(80,965,782)
Retirement liability	₱81,624,895	₱49,731,351	₱76,072,917	₱45,183,200

The amounts of 'Retirement expense' included in 'Compensation and fringe benefits' in the statements of income follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Current service cost	₱24,820,397	₱26,724,158	₱23,067,077	₱25,293,666
Net interest cost	2,632,507	3,422,140	2,381,155	3,277,099
	₱27,452,904	₱30,146,298	₱25,448,232	₱28,570,765

Changes in net defined benefit obligation (DBO) of funded funds follow:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
January 1, 2017	₱130,697,133	₱80,965,782	₱49,731,351
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	24,820,397	–	24,820,397
Net interest cost	6,721,274	4,088,767	2,632,507
Sub-total	31,541,671	4,088,767	27,452,904
Benefits paid	(5,273,704)	(5,273,704)	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	(1,973,088)	1,973,088

(Forward)

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Actuarial changes arising from experience adjustments	₱9,758,889	₱–	₱9,758,889
Actuarial changes arising from changes in financial/demographic assumptions	(7,291,337)	–	(7,291,337)
Sub-total	2,467,552	(1,973,088)	4,440,640
December 31, 2017	₱159,432,652	₱77,807,757	₱81,624,895

January 1, 2016	₱123,620,708	₱55,090,638	₱68,530,070
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	26,724,158	–	26,724,158
Net interest cost	6,089,146	2,667,006	3,422,140
Sub-total	32,813,304	2,667,006	30,146,298
Benefits paid	(1,225,393)	(1,225,393)	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	(67,520)	(860,135)	792,615
Actuarial changes arising from experience adjustments	(2,652,787)	–	(2,652,787)
Actuarial changes arising from changes in financial/demographic assumptions	(21,791,179)	–	(21,791,179)
Sub-total	(24,511,486)	(860,135)	(23,651,351)
Contributions	–	25,293,666	(25,293,666)
December 31, 2016	₱130,697,133	₱80,965,782	₱49,731,351

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
January 1, 2017	₱126,148,982	₱80,965,782	₱45,183,200
Net Benefit Cost in Statement of Income			
Current service cost	23,067,077	–	23,067,077
Net interest cost	6,469,922	4,088,767	2,381,155
Sub-total	29,536,999	4,088,767	25,448,232
Benefits paid	(5,273,704)	(5,273,704)	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	(1,973,088)	1,973,088
Actuarial changes arising from experience adjustments	9,529,945	–	9,529,945
Actuarial changes arising from changes in financial assumptions	(6,061,548)	–	(6,061,548)
Sub-total	3,468,397	(1,973,088)	5,441,485
December 31, 2017	₱153,880,674	₱77,807,757	₱76,072,917



	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Parent Company			
January 1, 2016	₱120,763,964	₱55,090,638	₱65,673,326
Net Benefit Cost in Statement of Income			
Current service cost	25,293,666	–	25,293,666
Net interest cost	5,944,105	2,667,006	3,277,099
Sub-total	31,237,771	2,667,006	28,570,765
Benefits paid	(1,225,393)	(1,225,393)	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	(860,135)	860,135
Actuarial changes arising from experience adjustments	(2,836,181)	–	(2,836,181)
Actuarial changes arising from changes in financial assumptions	(21,791,179)	–	(21,791,179)
Sub-total	(24,627,360)	(860,135)	(23,767,225)
Contributions	–	25,293,666	(25,293,666)
December 31, 2016	₱126,148,982	₱80,965,782	₱45,183,200

The major categories of plan assets as a percentage of the fair value of total plan assets follow:

	2017	2016
Deposits in banks	28.13%	72.63%
Debt securities:		
Government securities	64.18%	24.54%
Private securities	7.15%	2.56%
	71.33%	27.10%
Other assets	0.54%	0.27%
	100%	100.00%

Movements in “Remeasurement losses on retirement plan” in OCI follow:

	Consolidated	
	2017	2016
Balance at beginning of year	₱10,358,609	₱26,844,846
Remeasurement losses (gains) on retirement plan in OCI		
Return on plan assets (excluding amount included in net interest)	1,973,088	860,135
Due to experience adjustments	9,758,889	(2,778,202)
Due to changes in financial/demographic assumptions	(7,291,337)	(21,633,700)
Remeasurement losses (gains) during the year	4,440,640	(23,551,767)
Tax effect	(1,332,192)	7,065,530
Remeasurement losses (gains) during the year, net of tax	3,108,448	(16,486,237)
Balance at end of year, net of tax	₱13,467,057	₱10,358,609

	Parent Company	
	2017	2016
Balance at beginning of year	₱10,358,609	₱26,844,846
Remeasurement losses (gains) on retirement plan in OCI		
Return on plan assets (excluding amount included in net interest)	1,973,088	860,135
Due to experience adjustments	9,529,945	(2,836,181)
Due to changes in financial/demographic assumptions	(6,061,548)	(21,791,179)
Remeasurement losses (gains) during the year	5,441,485	(23,767,225)
Tax effect	(1,632,446)	7,130,168
Remeasurement losses (gains) during the year, net of tax	3,809,040	(16,637,057)
Share in OCI of the subsidiary	(700,592)	150,820
	3,108,448	(16,486,237)
Balance at end of year, net of tax	₱13,467,057	₱10,358,609

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the DBO as of December 31, 2017 and 2016, assuming if all other assumptions were held constant:

	+/- basis points (bps)	2017	
		Consolidated	Parent Company
		Impact to DBO	Impact to DBO
Discount rate	+100 bps	(₱146,963,340)	(₱142,031,508)
	-100 bps	173,741,158	167,448,823
Salary increase rate	+100 bps	174,639,259	168,315,856
	-100 bps	(145,963,333)	(141,067,257)
		2016	
	+/- basis points (bps)	Consolidated	Parent Company
		Impact to DBO	Impact to DBO
Discount rate	+100 bps	(₱120,131,501)	(₱116,194,738)
	-100 bps	142,870,744	137,576,236
Salary increase rate	+100 bps	143,555,487	138,240,060
	-100 bps	(119,344,416)	(115,434,562)

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Less than 1 year	₱10,056,276	₱6,782,350	₱9,847,365	₱6,760,113
More than 1 year to 5 years	71,303,466	49,233,106	70,138,352	48,218,318
More than 5 years to 10 years	128,225,332	109,549,008	123,566,569	106,602,246
More than 10 years to 15 years	269,862,355	220,065,974	255,148,432	207,554,266
More than 15 years to 20 years	221,528,585	187,952,652	208,339,127	169,639,965
More than 20 years	433,323,570	363,788,797	380,580,534	282,348,379

The weighted average duration of the defined benefit obligation is equivalent to 16.61 years and 22.03 years in 2017 and 2016, respectively.



21. Leases

Operating Lease - Group as Lessee

The Parent Company leases its head office and branch premises for periods ranging from one (1) to ten (10) years, renewable upon mutual agreement of both parties. LSB also leases the premises occupied by its head offices and most of its branches for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts of the Group include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

As of December 31, 2017, 2016 and 2015, the lease rentals of the Group charged to operations amounted to ₱315.18 million, ₱277.52 million and ₱242.07 million, respectively, are included under 'Occupancy and equipment-related expenses' in the statements of income.

As of December 31, 2017, 2016 and 2015, the lease rentals of the Parent Company amounted to ₱303.68 million, ₱268.13 million and ₱232.68 million, respectively, are included under 'Occupancy and equipment-related expenses' in the statements of income.

Future minimum rentals payable on non-cancellable leases follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Within one year	₱259,731,834	₱261,639,924	₱250,552,890	₱252,450,190
Beyond one year but not more than five years	417,228,668	531,101,622	379,456,844	496,308,714
More than five years	41,247,312	27,025,441	21,454,223	7,789,314
	₱718,207,814	₱819,766,987	₱651,463,957	₱756,548,218

Finance Lease - LSB as Lessor

LSB has entered to a lease on its investment property portfolio. The lease contract provides an option to purchase the properties the end of the lease term. The lease has a lease term of ten (10) years, from April 30, 2009 to March 31, 2019. The building being leased out has an estimated useful life of ten (10) years.

As of December 31, 2017 and 2016, the future minimum lease receivable under the finance lease as follows:

	2017			2016		
	Minimum Lease Receivable	Interest	Principal	Minimum Lease Receivable	Interest	Principal
Within one year	₱750,000	₱1,309,117	(₱559,117)	₱750,000	₱1,236,467	(₱486,467)
Beyond one year but not more than five years	10,000,000	339,866	9,660,134	10,750,000	1,648,986	9,101,014
	₱10,750,000	₱1,648,983	₱9,101,017	₱11,500,000	₱2,885,453	₱8,614,547

22. Income and Expenses

Net service fees and commission income consists of:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Service fees and commission income:						
Deposit-related	₱65,967,676	₱66,119,009	₱68,313,430	₱64,427,343	₱62,349,982	₱64,211,300
Credit-related	52,709,375	52,492,218	54,264,781	52,709,375	52,492,218	54,264,781
Commissions	33,275,605	29,962,443	17,429,860	32,569,202	29,273,023	16,939,854
Utility and store payment charges	15,233,502	12,683,084	10,867,246	15,233,502	12,683,084	10,867,246
Trust and other fiduciary	14,463,260	12,959,348	10,904,401	14,463,260	12,959,348	10,904,401
	181,649,418	174,216,102	161,779,718	179,402,682	169,757,655	157,187,582
Service charges and commission expense:						
Banking fees	42,765,040	46,675,184	35,955,063	42,765,040	44,398,222	35,463,836
Brokerage and commissions	14,121,381	10,893,648	15,812,123	9,830,211	10,893,648	15,247,989
	56,886,421	57,568,832	51,767,186	52,595,251	55,291,870	50,711,825
	₱124,762,997	₱116,647,270	₱110,012,532	₱126,807,431	₱114,465,785	₱106,475,757

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Gain on initial recognition of investment properties (Note 11)	₱33,889,035	₱17,303,414	₱35,549,709	₱31,526,513	₱12,665,271	₱30,698,176
Penalties	18,534,384	31,117,160	31,347,431	18,534,384	27,104,964	31,347,431
Gain on sale of property and equipment (Note 10)	16,475,650	3,864,811	680,079	1,756,476	3,824,515	680,079
Gain on sale of investment properties (Note 11)	5,351,114	8,148,422	10,466,376	178,689	3,543,546	5,936,420
Recovery on charged-off assets	318,879	9,345,586	1,296,639	48,970	9,275,154	1,212,938
Gain (loss) on sale of repossessed chattels (Note 13)	(28,274,026)	(13,778,921)	12,433,552	(28,301,193)	(13,792,885)	12,283,552
Gain (loss) on initial recognition of repossessed chattels (Note 11)	(18,896,886)	25,017,967	6,001,755	(18,786,884)	25,066,668	5,995,744
Others (Note 7)	47,794,589	31,030,388	19,016,686	38,934,624	21,376,899	10,657,568
	₱75,192,739	₱112,048,827	₱116,792,227	₱43,891,579	₱89,064,132	₱98,811,908

Other income includes share on notarial and insurance fees, rental income from safety deposit box, night depository and dividend income.

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Transportation and travel	₱47,966,358	₱47,170,766	₱38,351,888	₱39,176,801	₱40,318,065	₱33,327,807
Stationery and supplies	41,780,709	37,691,988	33,426,496	39,556,205	34,851,681	31,523,948
Advertising	24,971,786	43,584,613	23,606,017	23,632,177	41,819,403	22,951,122
Fines, penalties and other charges	17,991,040	8,429,624	14,424,703	17,584,545	8,429,624	14,423,388
Litigation expense on assets acquired (Note 11)	14,012,833	14,901,894	8,840,503	10,208,486	13,086,222	8,064,075
Appraisal fees	6,063,676	12,772,070	8,208,406	6,063,676	12,772,070	8,208,406
Membership dues	5,651,017	3,018,896	5,876,471	5,537,984	2,918,798	5,770,516
Others	13,502,326	21,812,717	34,355,636	10,163,395	16,242,560	25,124,124
	₱171,939,745	₱189,382,568	₱167,090,120	₱151,923,269	₱170,438,423	₱149,393,386



Other expenses include notarial fee, registration expense, documentary stamps used, freight charges, periodicals and magazines, donations.

23. Income and Other Taxes

Under Philippine tax laws, the Parent Company is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income taxes consist of final withholding taxes on gross interest income from government securities, deposits and other deposit substitutes, tax on the FCDU income and RCIT, as discussed below, on net taxable income. These income taxes, as well as the deferred tax benefit, are presented in the statement of income as 'Provision for income tax'.

Current tax regulations provide that the RCIT rate shall be 30.00%. Interest allowed as deductible expense shall be 33.00% of interest income subjected to final tax.

The optional standard deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. In 2017 and 2016, the Parent Company elected to claim itemized expense deductions instead of the OSD in the RCIT computation.

The regulations also provide for MCIT of 2.00% of modified gross income and allow a NOLCO benefit. Both the excess of over the RCIT and NOLCO may be applied against the regular tax liability and taxable income, respectively, over three (3) years from the year of inception.

Current tax regulations also provide for the ceiling on the amount of entertainment and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses of the Parent Company amounted to ₱82.89 million and ₱62.02 million in 2017 and 2016, respectively.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%.

Current tax regulations provide that the income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency-denominated loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax. FCDUs' all other income is subject to 30.00% income tax.

Provision for income tax consists of the Group:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Current:						
Final	₱151,415,187	₱125,650,508	₱118,319,148	₱147,025,406	₱122,224,466	₱114,555,705
MCIT	3,241,853	26,838,816	23,223,859	—	26,838,816	21,343,580
RCIT	47,595,411	6,054,119	—	47,595,411	1,465,282	—
	202,252,451	158,543,443	141,543,007	194,620,817	150,528,564	135,899,285
Deferred	(168,596,012)	(61,863,999)	(44,980,628)	(168,596,012)	(59,075,808)	(15,587,919)
	₱33,656,439	₱96,679,444	₱96,562,379	₱26,024,805	₱91,452,756	₱120,311,366

The provision for deferred taxes charged to other comprehensive income as of 2017, 2016 and 2015 amounted to ₱5.77 million, ₱4.44 million, and ₱11.50 million respectively.

Net deferred tax assets (liabilities) of the Group and the Parent Company consist of the following:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Deferred tax assets on:				
Allowance for credit and impairment losses	₱315,685,111	₱209,889,771	₱264,163,718	₱158,869,194
Provision for profit sharing	34,604,216	40,237,851	34,604,216	40,237,851
Retirement liability	22,821,875	13,554,959	22,821,875	13,554,959
Accumulated depreciation on investment properties and repossessed chattels	17,309,599	17,281,683	17,309,599	17,281,683
Accrued rent	17,439,717	9,887,686	17,439,717	9,887,686
Unrealized loss on financial asset at FVPL	367,147	38,448	367,147	38,448
	408,227,665	290,890,398	356,706,272	239,869,821
Deferred tax liabilities on:				
Branch licenses	186,000,000	186,000,000	—	—
Unrealized gain on initial recognition of investment properties and repossessed chattels	31,885,155	38,928,407	27,703,752	34,931,662
Unrealized foreign exchange gain	10,942,551	10,470,888	10,936,688	10,455,241
Unrealized income on finance lease receivable	2,347,000	2,021,059	—	—
Retirement liability	335,200	34,946	—	—
	231,509,906	237,455,300	38,640,440	45,386,903
	₱176,717,759	₱53,435,098	₱318,065,832	₱194,482,918

The Group did not set up deferred tax assets on the following temporary differences since management believes that it is not highly probable that these differences will be realized in the future:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Unrealized loss on AFS investments	₱1,013,501,867	₱838,255,143	₱1,013,501,867	₱838,255,143
Allowance for credit and impairment losses	482,618,859	1,037,754,576	101,116,755	535,225,618
NOLCO	49,280,590	—	—	—
Unearned income	34,056,872	22,666,240	—	—
Accumulated depreciation on investment properties and repossessed chattels	20,065,201	19,275,269	—	—
Accrued SL VL	18,836,385	—	18,836,385	—
Unfunded retirement liability	5,551,978	4,432,277	—	—
Excess of MCIT over RCIT	5,122,132	51,935,813	—	—
Accrued rent	4,751,226	4,464,193	—	—
	₱1,633,785,110	₱1,978,783,511	₱1,133,455,007	₱1,373,480,761

Details of NOLCO follow:

Inception Year	Subsidiary			
	Amount	Used/Expired	Balance	Expiry Year
2017	₱49,280,590	₱—	₱49,280,590	2020



Details of the excess of MCIT over RCIT follow:

Consolidated				
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	₱3,241,853	₱-	₱3,241,853	2020
2016	25,368,247	25,368,247	-	2019
2015	23,223,859	21,277,296	1,946,563	2018
2014	2,677,819	2,677,819	-	2017
	₱54,511,778	₱46,645,543	₱5,188,416	

Parent Company				
Inception Year	Amount	Used	Balance	Expiry Year
2016	₱25,368,247	₱25,368,247	₱-	2019
2015	21,343,580	21,277,296	66,284	2018
	₱46,711,827	₱46,645,543	₱310,419	

A reconciliation of statutory income tax rate to the effective income tax rate of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Statutory income tax rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Tax effect of:						
Tax paid and tax-exempt income	(34.06)	(32.09)	(26.56)	(33.58)	(31.90)	(24.10)
Non-deductible expenses	44.19	38.82	55.14	41.02	37.31	49.15
Unrecognized deferred tax assets	(30.65)	(7.64)	(22.33)	(22.07)	(9.36)	(15.72)
FCDU income	(4.90)	2.87	3.11	(5.01)	2.91	2.83
Others – net	5.29	(3.87)	0.78	(2.55)	(1.98)	3.36
Effective income tax rate	9.87%	28.09%	40.14%	7.81%	26.98%	45.52%

24. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control of common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Parent Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time of comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

The significant transactions and outstanding balances of the Parent Company and the Subsidiary with its related parties follow:

Nature of Transaction	Parent Company				Terms and Conditions/Nature
	2017		2016		
	Amount/Volume	Outstanding Balance	Amount/Volume	Outstanding Balance	
Subsidiary					
Advances from a subsidiary	(₱8,042,775)	₱1,074,651	₱6,519,174	₱9,117,426	Transportation expenses and down payment for software cost
Accounts receivable	(219,167)	2,741,531	(6,245,094)	2,960,698	Unsecured, noninterest-bearing, payable on demand
Deposit liabilities	8,573,376	12,157,062	3,583,686	3,583,686	Regular checking account, non-interest bearing
Affiliates					
Receivable from customers - commercial loans	2,734,548,750	4,743,548,750	4,009,000,000	2,009,000,000	Secured loans with annual interest of 2.50%
Receivable from customers - bills purchased	362,037,505	501,374,897	124,460,470,947	139,337,392	Non-interest bearing domestic bills purchased
Deposit liabilities	16,487,419,891	21,077,305,795	20,454,512,089	4,589,885,904	Various terms and with annual interest rates ranging from nil to 2.55%
Interest expense	30,227,255		18,299,800		Interest expense on deposit liabilities
Interest income	49,833,268		6,524,583		Interest income from secured commercial loans
Service fee income	172,619		265,814		Income from non-interest bearing domestic bills purchased
Rent expense	262,361,846		103,367,676		Office rental paid to affiliates and JG Summit Holdings Inc.
Shareholders					
Deposit liabilities	(2,682,711,182)	61,076,519	44,936,968,931	2,743,787,701	Various terms and with annual interest rates ranging from nil to 2.55%
Interest expense	112,213		34,361,234		Interest expense on deposit liabilities
Board of Directors					
Deposit liabilities	4,550,295,779	4,593,180,867	6,741,499,964	42,885,088	Various terms and with annual interest rates ranging from nil to 2.25%
Interest expense	11,428,290		2,439,371		Interest expense on deposit liabilities
Key Officers					
Deposit liabilities	10,554,339	19,015,674	130,269,038	8,461,335	Various terms and with annual interest rates ranging from nil to 1.88%
Interest expense	35,239		120,447		Interest expense on deposit liabilities

Details on significant related party transactions of the Subsidiary with its other related parties follow:

Nature of Transaction	Subsidiary				Terms and Conditions/Nature
	2017		2016		
	Amount/Volume	Outstanding Balance	Amount/Volume	Outstanding Balance	
Key employees					
Receivables from customers	₱10,201,475	₱13,793,148	₱364,037	₱3,591,673	Loans of directors, officers and stockholders
Interest income	194,807		269,552		Interest earned from loans of directors, officers and stockholders
Deposit liabilities	378,977	773,750	(998,726)	394,773	Deposits of directors, officers and stockholders
Interest expense	9,538		2,669		Interest expense on deposit liabilities
Compensation and fringe benefits	8,036,444		6,938,634		Remuneration and benefits to directors and key management personnel
Post-employment benefits	543,803		302,018		Post-employment benefits



Regulatory Reporting

In the ordinary course of business, the Parent Company has loan transactions with affiliates and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed the Bank's total regulatory capital or 15.00% of total loan portfolio, whichever is lower.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

The following table shows information relating to DOSRI accounts of the Parent Company:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Total outstanding DOSRI accounts	₱5,258,716,795	₱2,151,929,065	₱5,244,923,647	₱2,148,337,392
Percent of DOSRI accounts to total loans	9.09%	5.53%	9.24%	5.66%
Percent of past due DOSRI loans to total DOSRI loans	—	—	—	—
Percent of nonperforming DOSRI loans to total DOSRI loans	—	—	—	—
Percent of unsecured DOSRI loans to total DOSRI loans	0.24%	0.05%	—	—

The Parent Company has no assets pledged as collaterals on its liabilities.

The retirement fund of the Parent Company's employees amounted to ₱77.81 million and ₱80.97 million as of December 31, 2017 and 2016, respectively (see Note 20). The fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with Robinsons Bank Corporation (RBC)-Trust and Investment Group as the trustee.

Details of the transactions of the Parent Company with its retirement plan follow:

		2017		
Related Party	Nature of Transaction	Amount/Volume	Outstanding Balance	Terms and Conditions/Nature
Retirement plan	Contribution and interest earned	(₱3,158,025)	₱77,807,757	Contributions to the Fund plus interest earned during the year
		2016		
Related Party	Nature of Transaction	Amount/Volume	Outstanding Balance	Terms and Conditions/Nature
Retirement plan	Contribution and interest earned	₱1,806,871	₱80,965,782	Contributions to the Fund plus interest earned during the year

The retirement plan under the MERP has an Executive Retirement Committee, which is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Details of remuneration of directors and other key management personnel of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Short-term benefits	₱81,482,135	₱72,065,338	₱74,183,691	₱65,126,704
Post-employment benefits	6,219,193	5,539,408	5,675,390	5,291,390
	₱87,701,328	₱77,604,746	₱79,859,081	₱70,418,094

25. Trust Operations

Properties held by the Parent Company in fiduciary or agency capacity for their customers are not included in the accompanying statement of financial position since these are not assets of the Parent Company (see Note 26).

In compliance with the requirements of the General Banking Law relative to the Parent Company's trust functions, treasury notes and bills with a total face value of ₱171.00 million included under 'Available-for-Sale Investments' as of December 31, 2017 and ₱140.00 million under 'Held-to-Maturity Investments' as of December 31, 2016, were deposited with the BSP (see Note 7).

An appropriation of 10.00% of the Parent Company's income from trust operations is set aside as surplus reserve to absorb any losses that may arise from its trust functions.

26. Commitments and Contingencies

- The Group is also involved in a number of legal proceedings. The estimate of the probable costs for the resolutions of these claims has been developed in consultation with outside counsel handling the Group's defense and is based on an analysis of potential results. The Group does not believe that these proceedings will have a material adverse effect on the financial statements.
- In the normal course of the Group's operations, there are various outstanding commitments, contingent liabilities and bank guarantees which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

Following is a summary of the Group's commitments and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Trust and investment group accounts (Note 25)	₱16,424,743,919	₱15,507,740,556	₱16,424,743,919	₱15,507,740,556
Contingent - foreign currency swap	1,936,176,488	5,681,648,084	1,936,176,488	5,681,648,084
Inward bills for collection	966,438,653	288,993,938	966,438,653	288,993,938
Spot exchange - foreign currency	952,213,950	2,338,846,500	952,213,950	2,338,846,500
Outward bills for collection	683,173,837	253,379,120	683,173,837	253,379,120
Letters of credit	483,189,586	479,316,335	483,189,586	479,316,335
Committed credit lines	337,635,067	22,000,000	337,635,067	22,000,000
Guarantees issued	184,930,289	81,382,715	184,930,289	81,382,715
Late deposit/payment received	172,496,144	11,795,810	170,403,076	9,817,849
Items held for safekeeping	78,187	47,997	42,474	44,349
Other contingent account	270,701	278,508	268,686	277,159



27. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. The Group's business segments follow:

- Consumer Banking - principally providing consumer type loans and support for effective sourcing and generation of consumer business;
- Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and corporate banking;
- Branch Banking - principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients; and
- Others - principally handling other services including but not limited to trust operations, remittances, leasing, account financing, and other support services. Other operations of the Group comprise the operations and financial control groups.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income after taxes, which is measured in a manner consistent with PFRS as shown in the statements of income. This is regularly reported to the Group's Chief Operating Decision Maker.

The Group's Chief Operating Decision Maker is the Parent Company's President and Chief Executive Officer.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location), therefore, geographical segment information is no longer presented.

The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.

The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities: (amounts in millions):

	December 31, 2017					Total
	Consumer Banking	Corporate Banking	Treasury	Branch Banking	Others	
Statement of Income						
Net interest income:						
Third party	₱1,418	₱1,600	₱221	(₱418)	₱162	₱2,983
	1,418	1,600	221	(418)	162	2,983
Noninterest income	35	2	258	98	142	535
Revenue - net of interest expense	1,453	1,602	479	(320)	304	3,518
Noninterest expense	520	290	187	968	1,211	3,176
Income before income tax	₱933	₱1,312	₱292	(₱1,288)	(₱907)	₱342
Provision for income tax						34
Net income						₱308
Statement of Financial Position						
Total assets	₱16,332	₱39,584	₱41,133	₱3,069	₱4,795	₱104,913
Total liabilities	₱716	₱248	₱44,763	₱44,358	₱2,735	₱92,820
Other Segment Information						
Capital expenditures	₱48	₱27	₱4	₱272	₱236	₱587
Depreciation and amortization	₱50	₱7	₱1	₱38	₱230	₱326
Provision for credit and impairment losses	₱51	₱160	₱-	₱-	₱30	₱241

	December 31, 2016					Total
	Consumer Banking	Corporate Banking	Treasury	Branch Banking	Others	
Statement of Income						
Net interest income:						
Third party	₱1,153	₱1,011	₱509	(₱394)	₱142	₱2,421
	1,153	1,011	509	(394)	142	2,421
Noninterest income	73	30	230	102	111	546
Revenue - net of interest expense	1,226	1,041	739	(292)	253	2,967
Noninterest expense	423	168	121	828	1,083	2,623
Income before income tax	₱803	₱873	₱618	(₱1,120)	(₱830)	344
Provision for income tax						97
Net income						₱247
Statement of Financial Position						
Total assets	₱11,627	₱26,222	₱32,247	₱3,341	₱4,175	₱77,612
Total liabilities	₱505	₱66	₱20,257	₱42,652	₱2,164	₱65,644
Other Segment Information						
Capital expenditures	₱28	₱20	₱4	₱261	₱200	₱513
Depreciation and amortization	₱45	₱5	₱1	₱37	₱214	₱302
Provision for credit and impairment losses	₱63	₱83	₱-	₱-	₱10	₱156



December 31, 2015						
	Consumer Banking	Corporate Banking	Treasury	Branch Banking	Others	Total
Statement of Income						
Net interest income:						
Third party	₱1,025	₱895	₱435	(₱336)	₱110	₱2,129
	1,025	895	435	(336)	110	2,129
Noninterest income	101	53	169	103	17	443
Revenue - net of interest expense	1,126	948	604	(233)	127	2,572
Noninterest expense	317	166	102	455	1,291	2,331
Income before income tax	₱809	₱782	₱502	(₱688)	(₱1,164)	241
Provision for income tax						97
Net income						₱144
Statement of Financial Position						
Total assets	₱7,675	₱18,577	₱24,662	₱2,669	₱4,076	₱57,659
Total liabilities	₱271	₱83	₱9,001	₱33,409	₱2,906	₱45,670
Other Segment Information						
Capital expenditures	₱13	₱14	₱4	₱232	₱208	₱471
Depreciation and amortization	₱32	₱2	₱1	₱30	₱192	₱257
Provision for credit and impairment losses	₱111	₱81	₱-	₱-	₱74	₱266

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain - net, foreign exchange gain - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related cost, amortization of software costs, income (loss) attributable to non-equity non-controlling interest and miscellaneous expense.

28. Financial Performance

The following basic ratios measure the financial performance of the Group:

	Consolidated		Parent Company	
	2017	2016	2017	2016
Return on average equity	2.56%	2.07%	2.56%	2.07%
Return on average assets	0.34%	0.37%	0.34%	0.38%
Net interest margin on average earnings assets	3.50%	3.92%	3.34%	3.73%

29. Notes to Statements of Cash Flows

As of December 31, 2017 and 2016, interbank loans receivables of the Group and Parent Company to local savings bank amounting to ₱23.75 million and ₱96.00 million, respectively, which have original maturity of more than three (3) months are not considered cash and cash equivalents.

Details of non-cash investing activities follow:

	Consolidated			Parent Company		
	2017	2016	2015	2017	2016	2015
Increase in capital stock due to conversion of deposit for future stock subscription	₱-	₱445,960,000	₱-	₱-	₱-	₱-
Increase in NUGL due to MTM loss (gain) on AFS	170,346,723	275,307,049	-	170,346,723	275,307,049	-
Additions to investment properties due to foreclosure	85,503,774	91,352,180	65,416,514	78,438,983	69,995,224	49,023,341
Disposal of investment properties and repossessed chattels through sales contract receivable	-	34,045,955	44,567,987	-	30,613,955	44,567,987
Increase in property and equipment due to reclassifications	2,435,778	17,938,868	4,975,862	46,497,771	7,502,851	4,975,862
Increase in repossessed chattels due to foreclosure	234,419,527	225,586,603	128,093,011	233,867,525	225,420,303	128,086,999
Increase in software licenses due to reclassifications from advances to suppliers	-	-	373,181,951	-	-	373,181,951
Increase in software licenses due to reclassifications from property and equipment	-	-	46,195,441	-	-	46,195,441

The changes in the liabilities of the Group and the Parent Company arising from financing activities has no non-cash component as of December 31, 2017, 2016 and 2015.

30. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were approved and authorized for issue by the BOD on March 26, 2018.

31. Supplementary Information Required under Revenue Regulations (RR) 15-2010

The BIR issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. This RR include provisions for additional disclosure requirements in the notes to the financial statements, particularly on composition of taxes, duties, licenses paid or accrued during the year.

Supplementary Information Required Under RR No. 15-2010

The Parent Company reported and/or paid the following types of taxes for the year:

Gross Receipts Tax (GRT)

The National Internal Revenue Code (NIRC) of 1997 provides for the imposition of GRT on gross receipts derived by banks from sources within the Philippines. Accordingly, the Parent Company's gross receipts are subject to GRT as re-imposed in RA No. 9238 beginning January 1, 2004.



Details of the Parent Company's gross receipts and GRT due declared and paid for taxable year 2017 follow:

	Gross Receipts	GRT Due
Interest income	₱3,500,189,668	₱86,423,748
Other income	124,840,538	8,738,838
	₱3,625,030,206	₱95,162,586

Documentary Stamp Tax:

The Documentary stamp tax (DST) paid or accrued on the following transactions are:

Transaction	Amount	DST thereon
Deposits	₱307,725,477,619	₱148,926,514
Loan instruments	30,329,539,342	151,647,697
	₱338,055,016,961	₱300,574,211

Other Taxes and Licenses

This includes all other taxes, local and national, including documentary stamp tax, fringe benefits tax, local business tax, licenses and permit fees lodged under the 'Salaries and employees' benefits and 'Taxes and Licenses' account in the statement of income and expenses.

a. <u>Local</u>	
Business Permits	₱11,519,406
Community Tax Certificates	10,500
b. <u>National</u>	
Gross Receipt Tax	₱73,796,775

Part of the GRT and DST remitted to the BIR are shouldered/ charged to clients/borrowers.

Withholding Taxes

The following table shows the breakdown of taxes withheld and remitted in 2017:

	Total Withheld	Total Remitted
Withholding tax on deposits	₱146,776,930	₱129,193,651
Withholding taxes on compensation and benefits	140,850,474	119,828,529
Expanded withholding taxes	31,947,879	28,768,176
	₱319,575,283	₱277,790,356

As of December 31, 2017, there are no outstanding tax cases under investigation, litigation or prosecution in courts or bodies outside BIR.





LEGAZPI SAVINGS BANK

LEGAZPI SAVINGS BANK (LSB) IS A WHOLLY OWNED SUBSIDIARY OF ROBINSONS BANK SINCE 2012. SINCE ITS ACQUISITION IN 2012, ITS MAIN FOCUS IS TO CATER TO HIGHLY RETAIL LOANS MOSTLY IN THE COUNTRYSIDE COVERING ITS BRANCH REACH. DURING THE YEAR, THE BANK OPENED ITS DEPOSIT TAKING SERVICES TO THE CALABARZON REGION AS IT OPENED LSB LUCENA BRANCH. THE BANK INTENDS TO FURTHER EXPAND AND SERVE OTHER REGIONS NOT BEING SERVED BY THE PARENT BANK AND EXTEND BOTH ITS DEPOSITS AND LOAN PRODUCTS TO ITS TARGET CLIENTELE WITHIN THE COUNTRYSIDE. AS OF 2017, LSB ALREADY HAS A TOTAL OF FOURTEEN (14) BRANCHES/MBOS AND FOURTEEN (14) ATMS. LSB CONTRIBUTED AN INCOME TO THE PARENT BANK AMOUNTING TO PHP 28 MILLION OR AN INCREASE OF 33% FROM THE PREVIOUS YEAR'S INCOME OF PHP 20.9 MILLION.

LSB BOARD OF DIRECTORS

**As of April 18, 2018*

OMAR BYRON T. MIER
Chairman

ELFREN ANTONIO S. SARTE
Vice Chairman

MYKEL D. ABAD
Member

ANGELITO V. EVANGELISTA
Member

ERIC B. SANTOS
Member

JANETTE C. GONZALVO
Member

HERMOGENES S. ROXAS
Independent Director

VICTOR V. LAYNES
Independent Director

ROBERTO S. GAERLAN
Independent Director

LSB KEY OFFICERS

**As of April 30, 2018*

MYKEL D. ABAD
President ⁽¹⁾

ATTY. ROEL S. COSTUNA
Corporate Secretary and
Legal Unit Head ⁽²⁾

ATTY. AILEEN MARY C. EJERCITO
Asst. Corporate Secretary ⁽²⁾

ELEANOR LENI M. ANTE
Treasurer

EXEQUIEL T. TUA
Chief Risk Officer ⁽²⁾

CYNTHIA C. BAUTISTA
Chief Audit Officer ⁽²⁾

KAREEN R. VILLAREAL
Chief Compliance Officer ⁽¹⁾

EVIE B. ABRAHAM
Human Resource Management
Group Head ⁽²⁾

MA. SOCORRO S. LIGANOR
Retail Banking Group Head

ERLINDA O. DEL VILLAR
Operations Head

VICTOR C. DE LA CRUZ, JR.
Lending Head ⁽¹⁾

ABUNDIO B. BLANQUISCO, JR.
Branch & Administration Operations
Department Head

JASON-DENNIS R. SAMBITAN
Information Technology
Department Head

ADRIAN T. LLANA
Credit Cycle & Operations Head

CARMELA MONICA C. BORROMEO
Controllership Department Head

RET. COL. RODOLFO T. QUINTO
Chief Security Officer ⁽²⁾

⁽¹⁾ Seconded from RBC
⁽²⁾ Concurrent Officers of RBC

LSB BOARD OF DIRECTORS



OMAR BYRON T. MIER
CHAIRMAN

ELFREN ANTONIO S. SARTE
VICE CHAIRMAN

MYKEL D. ABAD
MEMBER

ANGELITO V. EVANGELISTA
MEMBER



ERIC B. SANTOS
MEMBER

JANETTE C. GONZALVO
MEMBER

HERMOGENES S. ROXAS
MEMBER

VICTOR V. LAYNES
INDEPENDENT DIRECTOR

ROBERTO S. GAERLAN
INDEPENDENT DIRECTOR

LSB KEY OFFICERS



MYKEL D. ABAD
 PRESIDENT

ATTY. ROEL S. COSTUNA
 CORPORATE SECRETARY
 AND LEGAL UNIT HEAD

ATTY. AILEEN MARY C. EJERCITO
 ASST. CORPORATE SECRETARY
 OFFICER

ELEANOR LENI M. ANTE
 TREASURER

MA. SOCORRO S. LIGANOR
 RETAIL BANKING GROUP HEAD

ERLINDA O. DEL VILLAR
 OPERATIONS HEAD

VICTOR C. DE LA CRUZ, JR.
 LENDING HEAD

ABUNDIO B. BLANQUISCO, JR.
 BRANCH & ADMINISTRATION
 OPERATIONS DEPARTMENT HEAD



EXEQUIEL T. TUA
 CHIEF RISK OFFICER

CYNTHIA C. BAUTISTA
 CHIEF AUDIT OFFICER

KAREEN R. VILLAREAL
 CHIEF COMPLIANCE OFFICER

EVIE B. ABRAHAM
 HUMAN RESOURCE MANAGEMENT
 GROUP HEAD

JASON-DENNIS R. SAMBITAN
 INFORMATION TECHNOLOGY
 DEPARTMENT HEAD

ADRIAN T. LLANA
 CREDIT CYCLE &
 OPERATIONS HEAD

CARMELA MONICA C. BORROMEO
 CONTROLLERSHIP
 DEPARTMENT HEAD

RET. COL. RODOLFO T. QUINTO
 CHIEF SECURITY OFFICER

LSB PRODUCTS AND SERVICES

A. DEPOSIT PRODUCTS

LSB offers a wide-range of interest-earning deposit products. The Bank's customers may open a savings, checking, or term deposit account.

SAVINGS ACCOUNT

- Regular Savings Account
- Special Savings Account
- Friendly Savings Account
- Bulilit Savings Account
- Savings ATM Account

CHECKING ACCOUNT

- NOW Account

TIME DEPOSIT

- Regular Time Deposit
- Friendly Time Deposit

B. LOAN PRODUCTS

CONSUMER LOANS

- Personal Salary Loan
- Teachers Loan
- Motorcycle Loan
- Housing Loan
- Auto Loan

COMMERCIAL LOANS

- Small and Medium Enterprise Loan
- Microfinance Loan
- Small Business Loan

OTHER LOANS

- Back to back Loan
- Sales Contract Receivables
- Lease Purchase Agreement

C. OTHER SERVICES

Electronic Services

- ATM Services

Deposit Product	Product Definition
Regular Savings Account	An interest bearing savings account that allows the customer the flexibility of accessing funds anytime through over-the-counter (OTC) for both savings and transactional purposes.
NOW Account	A non-interest bearing peso deposit account that provides the additional transactional convenience of a checking facility (i.e. check issuance). Funds are accessed through check issuance, over-the-counter check encashment or deposits.
Bulilit Savings Account	An interest bearing savings account designed specifically for minors aging from seven (7) to twelve (12) years old. Like the Regular Savings Account, it allows the customer the flexibility of accessing funds anytime through over-the-counter (OTC) for savings and transactional purposes.
Special Savings Account	Special Savings Account is a Peso Term Deposit account that allows clients to earn higher than regular savings rates by maintaining their deposit balances for a specified period of time. The earnings potential is largely influenced by the amount of deposit maintained, the tenor of deposit, and the prevailing Market Interest Rates.
Friendly Savings Deposit	Friendly Savings Deposit is a Savings Account that allows clients to earn higher than regular savings rates by maintaining high deposit balances. The earnings potential is largely influenced by the amount of deposit maintained and the prevailing Market Interest Rates.
Savings ATM Account	An interest bearing savings account that allows the customer the flexibility of accessing funds anytime through an Automated Teller Machine (ATM) for both savings and transactional purposes.
Regular Time Deposit	A Peso Term Deposit account that is evidenced by a certificate of Time Deposit (CTD). It allows clients to earn higher than regular savings rates by maintaining their deposit balances for a specified period of time. The earnings potential is largely influenced by the amount of deposit maintained, the tenor of deposit, and the prevailing Market Interest Rates.
Friendly Time Deposit	A Peso Term Deposit account that allows clients to earn higher than regular savings rates by maintaining their deposit balances for a specified period of time. The earnings potential is largely influenced by the amount of deposit maintained, the tenor of deposit, and the prevailing Market Interest Rates.

Loan Product	Product Definition
Personal Salary Loan	A multi-purpose loan program managed by the Retail Banking Group (RBG) that is targeted to employed individuals. The loan is granted based on the paying capacity of the borrower. It is a clean or unsecured type of loan. Repayment for PSL obligations are drawn against the borrower's salaries and other payroll credits.
Financial Assistance for Teachers via APDS (Automatic Payroll Deduction System)	A multi-purpose loan product managed by the Retail Banking Group (RBG) that is targeted to DepEd's teaching and non-teaching personnel. Repayment for APDS obligation is drawn against DepEd teaching personnel's salaries thru automatic payroll deduction.
Motorcycle Loan	A credit facility used to finance motorcycle units sold by accredited dealers. The purpose of the loan is the purchase of motorcycle units for personal use or for business.
Housing Loan	An amortizing term loan facility secured by real estate properties under the borrower's name.
Auto Loan	A peso loan available to individuals or entrepreneurs to finance the purchase of brand-new or second-hand vehicles. Refinancing of units already owned by the applicant is also covered by the product.

Loan Product	Product Definition
Small and Medium Enterprise (SME) Loan	A loan program that helps build business by providing short and long term facilities to Small and Medium Enterprise to support liquidity or capital build-up, expansion and acquisitions or buyouts, among and other business needs.
Loans at Savings ng Bayan (Microfinance Loan)	A loan product managed by the Retail Banking Group that is targeted to micro-enterprises. It is created to provide an affordable credit facility that will help micro entrepreneurs expand their present business activities that will eventually increase their income. It offers better interest rates and easier payment schemes as compared to the informal money lenders that micro-entrepreneurs currently deal with.
Small Business Loan (SBL)	A loan product that is a fully-secured credit facility (either by real estate or deposits) targeted to Small and Medium Enterprises (SMEs). In the current market, SMEs have limited access to credit. The SBL product aims to address this need by providing SMEs the cash they need to grow their business. Extending loans to this target market will also help the Bank in increasing its deposits, given that SMEs represent a huge CA/SA market.

LSB BRANCHES

LEGAZPI CITY

Corner Rizal and Mabini Streets
Legazpi City
Tel. Nos. (052) 742-1380/ 480-7039

DARAGA (LOCSIN)

Rizal Street, Daraga, Albay
Tel. Nos. (052) 742-0070/ 483-3726

TABACO

Alta 1 Theater Building
Ziga Avenue, Tabaco City, Albay
Tel. Nos. (052) 487-7121 to 22

POLANGUI

National Road, Basud
Polangui, Albay
Tel. No. (052) 486-2164

SORSOGON CITY

Monje Bldg. Rizal St. Polvorista
Tel. Nos. (056) 421-5289/ 421-5

ALBAY

Rizal St. Brgy Sagpon Albay
Tel. Nos. (052) 481-1145/ 481-2366

LEGAZPI CITY

Rizal St., Sagpon,
Albay District 4500, Legazpi City
Tel. No. (052) 481-1253

GUINOBATAN

T. Paulate Street
Guinobatan, Albay
Tel. Nos. (052) 484-6664/826-0039

DAET

Emil 4 Building, Corner Lukban &
Pineapple Sts., Daet
Camarines Norte
Tel. Nos. (054) 440-0570 to
440-0580/09175841680

VIRAC

G/F D&L Building, Cor. Surtida
& Rizal Streets, San Jose, Virac
Catanduanes
Tel. No. 09178374227*

MASBATE CITY

Matungao, Tugbo, Masbate City
Tel. Nos. (056) 333-5744 to
45/09175841690

NAGA CITY

NEA Bldg., Central Business District
Triangulo, Naga City
Tel. Nos. (054) 473-5086 to 87/
811-1765

GOA

Bagumbayan, Pequeño Rizal Street
Goa, Camarines Sur
Tel. No. (054) 881-9287

CALAUAG

Sito Maharlika District 2, Barangay
Sta. Maria, Calauag, Quezon
Tel. No. (042) 717-6763

LUCENA CITY

A. M. Lubi Bldg. M. L. Tagarao
corner Elias St., Brgy. 5
Lucena City, Quezon
Tel. No. (042) 717-6765

SAN FERNANDO CITY

4 AND 2 Bldg.
Mc Arthur Highway Sindalan
Tel. No. (045) 436-6005

ONSITE ATMS

LEGAZPI CITY

Corner Rizal and Mabini Streets.
Legazpi City
Tel. Nos. (052) 742-1380/ 480-7039

DARAGA (LOCSIN)

Rizal Street, Daraga, Albay
Tel. Nos. (052) 742-0070/ 483-3726

TABACO

Alta 1 Theater Building, Ziga Avenue
Tabaco City, Albay
Tel. Nos. (052) 487-7121 to 22

POLANGUI

National Road, Basud
Polangui, Albay
Tel. No. (052) 486-2164

SORSOGON CITY

Monje Bldg. Rizal St. Polvorista
Tel. Nos. (056) 421-5289/ 421-5

ALBAY

Rizal St. Brgy Sagpon Albay
Tel. Nos. (052) 481-1145/ 481-2366

LEGAZPI CITY

Rizal St., Sagpon, Albay District 4500
Legazpi City
Tel. No. (052) 481-1253

GUINOBATAN

T. Paulate Street.,
Guinobatan, Albay
Tel. Nos. (052) 484-6664/ 826-0039

DAET

Emil 4 Building, Corner Lukban &
Pineapple Sts., Daet
Camarines Norte
Tel. Nos. (054) 440-0570 to
440-0580/09175841680

VIRAC

G/F D&L Building, Cor. Surtida
& Rizal Streets, San Jose, Virac
Catanduanes
Tel. No. 09178374227*

MASBATE CITY

Matungao, Tugbo, Masbate City
Tel. Nos. (056) 333-5744 to
45/09175841690

NAGA CITY

NEA Bldg., Central Business District
Triangulo, Naga City
Tel. Nos. (054) 473-5086 to 87/
811-1765

GOA

Bagumbayan, Pequeño Rizal Street
Goa, Camarines Sur
Tel. No. (054) 881-9287

CALAUAG

Sito Maharlika District 2, Barangay
Sta. Maria, Calauag, Quezon
Tel. No. (042) 717-6763

LUCENA CITY

A. M. Lubi Bldg. M. L. Tagarao corner
Elias St., Brgy. 5
Lucena City, Quezon
Tel. No. (042) 717-6765

** No available Landline yet in the said
province, Branch can be reach via assigned
mobile number*



JG SUMMIT BUSINESSES

FOOD, AGRO-INDUSTRIAL AND COMMODITIES

Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez Jr. Avenue (C5 Road)
Ugong Norte, Quezon City
Tel. Nos.: (632) 633-7631 to 40/
(632) 240-8801
Fax Nos.: (632) 633-9207/
(632) 240-9106
Hotline: 559-8URC (872)
Toll Free: 1800-10URCCARE
(8722273)

AIR TRANSPORTATION

Cebu Air, Inc.
Cebu Pacific Building
Domestic Road, Barangay 191
Zone 20 Pasay City
Tel. No.: (02) 802-7000

REAL ESTATE AND HOTELS

Robinsons Land Corporation
Level 2, Galleria Corporate Center
EDSA corner Ortigas Avenue
Quezon City
Tel. No.: (632) 397-1888

BANKING & FINANCIAL SERVICES

Robinsons Bank Corporation
17th Floor, Galleria Corporate Center
EDSA corner Ortigas Avenue
Quezon City
Tel. Nos.: (632) 702-9500/
(632) 637-2273

PETROCHEMICALS

JG Summit Petrochemical Corporation
Ground Floor, Cybergate Tower 1
EDSA corner Pioneer Street
Mandaluyong City
Tel. No.: (632) 230-5000

JG Summit Olefins Corporation
Ground Floor, Cybergate Tower 1
EDSA corner Pioneer Street
Mandaluyong City
Tel. No.: (632) 397-3200

CORE INVESTMENTS

TELECOMMUNICATIONS

PLDT Inc.
Ramon Cojuangco Building
Makati Avenue corner
Dela Rosa Street, Makati City
Tel. No.: (02) 816-8024

REAL ESTATE AND PROPERTY DEVELOPMENT

United Industrial Corporation Limited
24 Raffles Place, #22-01/06
Clifford Center
Singapore 048621
Tel. No.: (65) 622-0135-2

POWER

Manila Electric Company (Meralco)
Ortigas Avenue, Brgy. Ugong
Pasig City 1605
Tel. Nos.: (632) 631-2222/
(632) 16220

Global Business Power Corporation
22nd Floor, GT Tower International
6813 Ayala Avenue corner
H.V. Dela Costa Street
1227 Makati City, Philippines
Tel. No.: (632) 464-1600

SUPPLEMENTARY BUSINESS

INSURANCE BROKERAGE SERVICES

Unicon Insurance Brokers Corporation
34th Floor, Robinsons Equitable Tower
ADB Avenue corner
Poveda Street, Ortigas Center
Pasig City
Tel. No.: (632) 633-7631
loc. 390/369

AFFILIATES

Robinsons Retail Holdings, Inc.
43rd Floor, Robinsons Equitable
Tower, ADB Avenue corner
Poveda Street, Ortigas Center
Pasig City
Tel. No.: (632) 635-0751 to 64

Summit Publishing Company, Inc.
6th & 7th Flr., Robinsons
Cybergate Center, Tower 3
Robinsons Pioneer Complex
Pioneer Street, Mandaluyong City
Tel. No.: (632) 451-8888

i-Tech Global Business Solutions Inc.
3rd Floor, Robinsons Otis
1536 P. Guazon Street
Paco, Manila
Tel. No.: (632) 249-4305

ADVOCACY

Gokongwei Brothers Foundation
6th Floor, Robinsons
Cybergate Tower 3
Robinsons Pioneer Complex
Pioneer Street, Mandaluyong City
Tel. No.: (632) 451-8888 ext. 1118

GBF Technical Training Center
Litton Mills Compound
Amang Rodriguez Avenue
Rosario, Pasig City
Tel. No.: (632) 640-1820



JG SUMMIT HOLDINGS, INC.

ROBINSONSBANK

A Commercial Bank

17F Galleria Corporate Center
EDSA corner Ortigas Avenue
Quezon City



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