

SEC Number 17514  
PSE Code             
File Number           

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**RIZAL COMMERCIAL BANKING  
CORPORATION AND SUBSIDIARIES**

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(Company's Full Name)

**Yuchengco Tower, RCBC Plaza  
6819 Ayala Ave. corner Sen G.J. Puyat Ave., Makati City**

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(Company's Address)

**894-9000**

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(Telephone Number)

**March 31, 2008**

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(Fiscal Quarter Ending)

**SEC FORM 17-Q**

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Form Type

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Amendment Designation (if applicable)

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Period Ended Date

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(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC  
RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2008
2. Commission identification number 17514
3. BIR Tax Identification No. 320-000-599-760
4. Exact name of registrant as specified in its charter : RIZAL COMMERCIAL BANKING  
CORP.
5. Philippines  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only) Industry Classification Code
7. 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City 1200  
Address of principal office Postal Code
8. 632/ 894-9000  
Registrant's telephone number, including area code
9. Not applicable  
Former name, former address & former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | <u>Title of Each Class</u>  | <u>Number of Shares of Common Stock<br/>Outstanding and Amount of Debt Outstanding</u> |
|-----------------------------|--|
| Common Stock, P10 par value | 962,837,249 (as of 03/31/08)   |
11. Are any or all of these securities listed on the Philippine Stock Exchange  
Yes (x) No ( )
12. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) :  
(Note : Sec. 26 of the CCP deals with reporting of election of directors or officers to the SEC; Sec. 141 with the submission of financial statements to the SEC.)  
Yes (x) No ( )
- (b) has been subject to such filing requirements for the past 90 days  
Yes (x) No ( )

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**PART I - FINANCIAL INFORMATION**

Item 1. Financial Statements <sup>1/</sup>

**RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CONDITION**

(Amounts in Thousand)

		(Unaudited) March 31 2008		(Audited) December 31, 2007
<b>ASSETS</b>				
Cash and Other Cash Items	P	5,691,098	P	5,875,727
Due From Bangko Sentral ng Pilipinas		18,811,105		17,611,380
Due From Other Banks		3,168,675		4,744,925
Investment Securities				
Financial Assets at Fair Value				
Through Profit or Loss		11,537,371		9,959,187
Available for Sale Securities		45,700,039		54,625,359
Loans and Receivables, net		118,016,815		117,195,202
Investments in Subsidiaries and Associates, net		4,326,611		4,172,885
Bank Premises, Furniture, Fixtures & Equipment, net		3,575,322		3,503,816
Investment Property, net		7,141,321		7,761,435
Deferred Tax Assets		1,646,362		1,645,768
Other Resources, net		12,368,440		12,002,250
<b>TOTAL RESOURCES</b>	<b>P</b>	<b>231,983,159</b>	<b>P</b>	<b>239,097,934</b>
<b>LIABILITIES AND CAPITAL FUNDS</b>				
<b>Deposit Liabilities</b>				
Demand Deposits	P	11,611,536	P	10,765,240
Savings Deposits		69,002,366		66,769,816
Time Deposits		81,382,675		98,393,819
<b>Total Deposit Liabilities</b>	<b>P</b>	<b>161,996,577</b>	<b>P</b>	<b>175,928,875</b>
Bills Payable		13,774,735		12,820,500
Bonds Payable		5,275,207		5,650,670
Outstanding Acceptances Payable		457,719		234,717
Due to Other Banks		15,097		775,492
Accrued Taxes, Interest and Other Expenses Payable		2,728,077		3,087,510
Other Liabilities		6,794,679		6,421,708
Subordinated Debt		12,021,882		5,158,070
<b>TOTAL LIABILITIES</b>	<b>P</b>	<b>203,063,973</b>	<b>P</b>	<b>210,077,542</b>
<b>Capital Funds</b>				
Attributable to Parent Company Shareholders:				
Preferred Stock		859,502		859,512
Common Stock		9,628,372		9,628,369
Hybrid Perpetual Securities		4,883,139		4,883,139
Capital Paid in Excess of Par		5,571,798		5,571,793
Revaluation Reserves on Available-for-sale Securities		59,002		1,039,358
Accumulated Translation Adjustment		74,459		63,937
Reserve for Trust Business		263,337		258,348
Share in Additional Paid-in Capital of an Associate		532,583		532,583
Surplus		7,247,874		6,495,022
		<u>29,120,066</u>		<u>29,332,061</u>
Minority Interest		(200,880)		(311,669)
<b>TOTAL CAPITAL FUNDS</b>		<u>28,919,186</u>		<u>29,020,392</u>
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>P</b>	<b>231,983,159</b>	<b>P</b>	<b>239,097,934</b>

<sup>1/</sup> The interim consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

**RIZAL COMMERCIAL BANKING CORPORATION****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousand except for earnings per share)

	Jan. 1 to Mar. 31 2008	Jan. 1 to Mar. 31 2007
<b>INTEREST INCOME ON</b>		
Loans and receivables	P 2,310,704	P 2,355,569
Investment securities	1,179,429	1,205,246
Others	185,795	191,345
	<u>3,675,928</u>	<u>3,752,160</u>
<b>INTEREST EXPENSE ON</b>		
Deposit liabilities	1,100,688	1,110,403
Bills payable and other borrowings	552,227	617,463
	<u>1,652,915</u>	<u>1,727,866</u>
<b>NET INTEREST INCOME</b>	<u>2,023,013</u>	<u>2,024,294</u>
<b>IMPAIRMENT LOSSES</b>	<u>193,422</u>	<u>778,478</u>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<u>1,829,591</u>	<u>1,245,816</u>
<b>OTHER OPERATING INCOME</b>		
Trading and securities gain-net	(178,978)	1,142,307
Service fees	336,745	455,566
Foreign exchange gains (losses)-net	(11,640)	45,375
Trust fees	49,727	34,413
Commissions and other income	1,043,664	158,947
	<u>1,239,518</u>	<u>1,836,608</u>
<b>OTHER OPERATING EXPENSES</b>		
Employee benefits	604,190	656,309
Occupancy & equipment-related	315,829	342,316
Taxes & Licenses	301,359	234,031
Depreciation and amortization	85,592	77,738
Miscellaneous	688,338	722,255
	<u>1,995,308</u>	<u>2,032,649</u>
<b>INCOME BEFORE TAX</b>	<u>1,073,801</u>	<u>1,049,775</u>
<b>TAX EXPENSE</b>	<u>226,779</u>	<u>216,278</u>
<b>NET INCOME</b>	<u>847,022</u>	<u>833,497</u>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO MINORITY INTERES'</b>	<u>74,128</u>	<u>5,792</u>
<b>NET INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS</b>	<u>772,894</u>	<u>827,705</u>
<b>Earnings per Share *</b>		
Basic	<u>0.66</u>	<u>0.93</u>
Diluted	<u>0.64</u>	<u>0.89</u>

\* After giving retroactive effect to the 15% stock dividend issued in March 2007.

**RIZAL COMMERCIAL BANKING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousand)

	Unaudited Jan. 1 to Mar. 31 2008 (03.31.08 vs. <u>12.31.07</u> )	Unaudited Jan. 1 to Mar. 31 2007 (03.31.07 vs. <u>12.31.06</u> )
<b>FUNDS WERE PROVIDED FROM</b>		
<b>Operations:</b>		
Net Income	P 772,894	P 827,705
Add: Charges against Income not requiring outflow of funds	279,014	856,216
Less: Additions to Income not requiring inflow of funds		
<b>Total funds provided from Operations</b>	<b>P 1,051,908</b>	<b>P 1,683,921</b>
Increase in Bills Payable	954,235	
Increase in Outstanding Acceptances Payable	223,002	
Increase in Other Liabilities	372,971	39,347
Increase in Subordinated Debt	6,863,812	
Increase in Common Stock	3	3,024,644
Increase in Capital Paid-in Excess of Par	5	3,024,547
Increase in Accumulated Translation Adjustment	10,522	
Increase in Minority Interest	110,789	21,110
Decrease in Cash and Other Cash Items	184,629	1,878,028
Decrease in Due from Other Banks	1,576,250	
Decrease in Investment Securities	7,347,136	7,415,222
Decrease in Loans and Other Receivables		663,680
Decrease in Investment Property	620,114	262,174
Decrease in Deferred Tax Assets		3,331
	<b>P 19,315,376</b>	<b>P 18,016,004</b>
<b>FUNDS WERE APPLIED TO:</b>		
Increase in Due From BSP	P 1,199,725	P 7,422,387
Increase in Due From Other Banks		254,282
Increase in Loan Portfolio	1,015,035	
Increase in Investments in Associates	153,726	54,379
Increase in Fixed Assets	157,098	66,566
Increase in Deferred Tax Assets	594	
Increase in Other Resources	366,190	1,152,338
Decrease in Deposit Liabilities	13,932,298	1,432,664
Decrease in Bills Payable		2,467,439
Decrease in Bonds Payable		106,701
Decrease in Outstanding Acceptances Payable	375,463	12,972
Decrease in Due to Other Banks	760,395	1,567,645
Decrease in Accrued Taxes, Interest and Other Expenses Payable	359,433	660,113
Decrease in Unsecured Subordinated Debt		27,506
Decrease in Preferred Stock due to conversion to Common Stock	10	194,951
Decrease in Revaluation Reserves on AFS Securities	980,356	1,289,256
Decrease in Accumulated Translation Adjustment		22,785
Cash Dividends on Common Shares		189,889
Cash Dividends on Preferred Shares	15,053	
15% Stock Dividends on Common and Preferred Shares		1,094,131
	<b>P 19,315,376</b>	<b>P 18,016,004</b>

**RIZAL COMMERCIAL BANKING CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
(Amounts in Thousands)

		<b>Unaudited</b>		<b>Unaudited</b>
		<b>Jan. 1 to Mar.</b>		<b>Jan. 1 to Mar.</b>
		<b>31</b>		<b>31</b>
		<b>2008</b>		<b>2007</b>
		<hr/>		<hr/>
Capital Funds, beginning	P	29,332,061	P	23,673,811
Add/(Deduct) Changes in Capital:				
Decrease in Preferred Stock (PS) due to conversion to Common shares		(10)		(194,951)
Additional Public Offering (APO)				1,826,087
Increase in Common Shares due to conversion of Preferred Stock		3		104,426
Increase in Capital Paid-in Excess of Par arising from APO and PS conversion		5		3,024,547
Revaluation Reserves on AFS Securities		(980,356)		(1,289,256)
Equity adjustment from translation		10,522		(22,785)
Net income for the period		772,894		827,705
Cash Dividends on Common Stock				(189,889)
Cash Dividends on Preferred Stock		(15,053)		
		<hr/>		<hr/>
<b>Capital Funds, end</b>	P	<b>29,120,066</b>	P	<b>27,759,695</b>
		<hr/>		<hr/>

## Additional Disclosures to Item I – Financial Statements

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

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

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

**Issuances, Repurchases and Repayments of Debt and Equity Securities.** The BSP-approved P7.0 billion unsecured subordinated debt was successfully issued on February 22, 2008. The notes qualify as lower tier 2 capital and have a call option after the fifth year, giving the Bank the right but not the obligation to redeem the notes on that year. The notes bear interest at the rate of 7% per annum from February 22, 2008 and interest will be payable quarterly in arrears at the end of each interest period on May 22, August 22, November 22 and February 22. The notes are due 2018 unless redeemed after the fifth year.

On April 3, 2008, the Bangko Sentral's Monetary Board, in its Resolution No. 410, approved Bank's request to redeem its P5.0 billion 12% unsecured subordinated debt prior to maturity under the exercise of call option on July 11, 2008.

**Dividends Paid for Ordinary or Other Shares.** In its meeting held on March 31, 2008, the Board of Directors approved the declaration and payment of cash dividends, subject to Bangko Sentral approval, amounting to P0.48 per share or approximately P462.162 million payable to holders of Common Class shares, and approximately P41.256 million payable to holders of Preferred Class shares.

The Board likewise approved on March 31, 2008 the declaration and payment of cash dividends for the Bank's convertible preferred shares amounting to P0.1177 (US\$0.0028) per share or a total of approximately P10.118 million (US\$244 thousand @ P41.55, subject to Bangko Sentral approval. The cash dividend is payable to holders of convertible preferred shares as of June 21, 2008. To date, the Bank has not received the approval of the aforementioned cash dividends from the Bangko Sentral.

The details of the first quarter 2008 cash dividend distributions are as follows (amounts in millions except per share figures):

Date	Dividend		Date Approved	Date	Nature of
Declared	Per Share	Total Amount	By BSP	Paid	Securities
10.30.07	0.1829	P15.054	01.04.08	01.10.08	Preferred stock
01.28.08	0.1740	14.945	04.04.08	04.17.08	Preferred stock
07.30.07	-	207.572	04.04.08	04.25.08	Hybrid Tier 1 securities

**Segment Information.** The following table presents revenues and expenses of the Parent Company that are directly attributable to primary business segments for the quarter ended March 31, 2008 (in millions).

	<b>Retail Banking Group</b>	<b>Corporate Banking Group</b>	<b>Financial Markets Group</b>	<b>Others</b>	<b>Total</b>
<b>Results of Operations</b>					
Net interest income	473	412	158	438	1,481
Non-interest income	241	119	334	382	1,076
Total revenue	714	531	492	820	2,557
Noninterest expense	584	69	88	899	1,640
Income (loss) before Income tax	130	462	404	( 79)	917
Income tax provision				144	144
Net income (loss)	130	462	404	(223)	773

**Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements.** There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

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

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

**Material Contingencies and Any Other Events or Transactions.** There exists no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Financial Performance**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>Unaudited March 31, 2008</b>	<b>Audited December 31, 2007</b>	<b>Unaudited March 31, 2008</b>	<b>Audited December 31, 2007</b>
Return on Average Assets (ROA) <sup>1/</sup>	1.34% * 0.33%	1.42%	0.96% * 0.24%	1.04%
Return on Average Equity (ROE) <sup>2/</sup>	11.08% * 2.77%	12.43%	6.56% * 1.64%	7.26%
BIS Capital Adequacy Ratio <sup>3/</sup>	21.79%	18.70%	22.10%	18.21%
Non-Performing Loans				

(NPL) Ratio <sup>4/</sup>	5.31%	5.27%	6.08%	6.12%
Non-Performing Assets (NPA) Ratio <sup>5/</sup>	6.77%	6.85%	4.86%	5.20%
Earnings per share (EPS) <sup>6/</sup>				
Basic	2.64 *	2.93	1.36 *	1.53
Diluted	2.56 *	2.84	1.31 *	1.48

\* Annualized

<sup>1/</sup> Average assets for the consolidated and parent ratios were computed based on the 3-month average of end of month balances of total assets. Unaudited net income for the 3-month period ended March 31, 2008 in the amount of P773 million and P464 million represented the consolidated and parent net income, respectively.

<sup>2/</sup> Average equity for the consolidated and parent ratios were, likewise, computed based on the 3-month average of end of month balances. Unaudited net income for the 3-month period ended March 31, 2008 in the amount of P773 million and P464 million represented the consolidated and parent net income, respectively.

<sup>3/</sup> Risk-based capital adequacy ratio was determined based on BSP Circular No. 538 and covers combined credit risk, market risk and operational risk.

<sup>4/</sup> Non-performing loans (NPLs) were net of accounts fully provided with valuation reserves.

<sup>5/</sup> NPLs net of accounts fully provided with allowance for losses plus gross ROPOA

<sup>6/</sup> Total weighted average number of issued and outstanding common shares (diluted) as of March 31, 2008 – 992,679,741 shares; as of December 31, 2007 – 909,324,962 shares.

### Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

<b>RCBC SAVINGS BANK</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	1.88% *	1.73%
Return on Average Equity (ROE)	14.21% *	14.99%
BIS Capital Adequacy Ratio (CAR)	15.32%	15.36%
Non-Performing Loans (NPL) Ratio	3.13% *	3.49%
Non-Performing Assets (NPA) Ratio	14.50% *	12.11%
Earnings per share (EPS)	36.75 *	33.09

<b>RCBC CAPITAL CORPORATION and Subsidiaries</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	(4.38%) *	16.02%
Return on Average Equity (ROE)	(7.02%) *	21.16%
BIS Capital Adequacy Ratio (CAR)	28.27%	28.27%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	(3.07)*	10.46

<b>RCBC FOREX BROKERS CORPORATION</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	19.05% *	15.79%
Return on Average Equity (ROE)	35.74% *	26.40%
Capital to Total Assets	51.19%	55.90%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	155.82 *	110.47

<b>RCBC INTERNATIONAL FINANCE LIMITED</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	(0.04%) *	1.25%
Return on Average Equity (ROE)	(0.05%) *	1.36%
Capital to Total Assets	91.95%	91.49%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	(0.03) *	1.00

<b>RCBC CALIFORNIA INTERNATIONAL, INC. and Subsidiary</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	(14.77%) *	4.85%
Return on Average Equity (ROE)	(57.82%) *	14.58%
Capital to Total Assets	23.85%	27.49%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	(39.14) *	11.02

<b>RCBC TELEMONEY EUROPE S.P.A.</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	**	2.66%
Return on Average Equity (ROE)	**	13.07%
Capital to Total Assets	26.49%	27.82%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	**	8.15

\* Annualized

\*\* Statement of Income and Expenses for the period ended March 31, 2008 not available

### **31 March 2008 vs. 31 December 2007**

Consolidated total resources for the quarter ended March 31, 2008 stood at P231.983 billion, P7.115 billion lower than yearend's P239.098 billion.

The decrease in total assets was mainly due to the decline in deposits with other banks, available for sale securities and investment property of 33.22%, 16.34% and 7.99%, respectively. However, the growth in deposits with Bangko Sentral and financial assets at fair value through profit or loss of 6.81% and 15.85%, respectively, neutralized these mentioned decreases.

Deposits with Bangko Sentral, representing 8.11% of total assets, recorded a 6.81% growth primarily due to the excess funds from the proceeds of the partial termination of overnight lending that was left as working funds in the Bank's deposit account with the BSP. On the other hand, deposits with other banks went down by P1.576 billion, or by 33.22%, resulting from the shift to higher yielding investments. Hence, financial assets at fair value through profit or loss increased from P9.959 billion, or by 15.85%, to P11.537 billion. However, this increase was offset by the 16.34% decline in available for sale (AFS) securities. The P8.925 billion drop was mainly on account of the sale of foreign currency denominated ROPs and other securities inclusive of unamortized discount and the impact of the decline in unrealized marked-to-market gains of P980 million.

Investment property decreased from P7.761 billion to P7.141 billion, or by almost 8%, as the Bank aggressively pursued the disposition and/or sale of acquired real estate properties. Additionally, the sale of a lot with improvement located along Ayala Avenue, Makati City to Valparaiso I Land Holdings, Inc. contributed to the drop in investment property.

Loans and receivables, net and investment securities accounted for 50.87% and 24.67%, respectively, of total resources and remained the major components of Bank's balance sheet. Of total investment securities, AFS securities accounted for 19.70% of total assets. At P12.368 billion, other resources, net represented 5.33% of total assets.

Notwithstanding the P7.0 billion unsecured subordinated notes eligible as lower tier 2 capital issued in late February 2008, total interest bearing liabilities of P193.068 billion, consisting of deposit liabilities, bills payable, bonds payable and unsecured subordinated debt, contracted by P6.490 billion primarily due to the decline in deposit liabilities and the revaluation of foreign currency denominated borrowings. Total deposit liabilities went down by 7.92%, from P175.929 billion to P161.996 billion, largely due to the 17.29% decrease in time deposit liabilities neutralized by the 7.86% growth in demand deposits.

Bills payable grew by 7.44% or by P954 million due to higher foreign currency denominated borrowings this period. Similarly, unsecured subordinated debt went up to P12.022 billion, from 5.158 billion, on account of the proceeds of the P7.0 billion unsecured subordinated debt issued in February. The almost 7% drop in bonds payable from P5.651 billion to P5.275 billion was on account of the impact of revaluation arising from lower interest rates during the period. The average US dollar Singapore Offered Rate (SIBOR) lost 192 basis points year on year from 5.31% to 3.39% and 177 basis points weaker from 5.16% at yearend 2007. Outstanding acceptances payable increased by 95.01%, or from P235 million to P458 million on account of the higher volume of import bills acceptances under usance that were negotiated during the period. The P760 million or 98.05% drop in due to other banks was mainly attributable to the lower credit balances, which are temporary in nature, of working funds

maintained with local and foreign correspondent banks. These accounts are funded by inward remittances subject to drawing through payment order.

Accruals of interest, taxes and other expenses payable shrunk by 11.64%, from P3.087 billion to P2.728 billion, as total deposit liabilities contracted by P13.932 billion from its yearend level of P175.929 billion. Moreover, low interest rates still prevailed during the period. The benchmark 91-day Treasury Bill averaged 3.67% this period, slightly increasing by 41 basis points from the previous year's 3.26%. Further, the Bank continuously monitors and efficiently manages its costs and expenses.

Other liabilities, on the other hand, grew by 5.81% to P6.795 billion on account of higher balances of payment orders payable, derivatives with negative fair values, guaranty deposits and miscellaneous liabilities. Additionally, bills purchased for encashment and clearing the following day was higher this period.

Total liabilities accounted for 87.53% of total resources. At 69.83% of total assets, total deposit liabilities of P161.996 billion continued to be the Bank's main source of funding, particularly savings and time deposits which comprised 29.74% and 35.08%, respectively, of total resources. Bills payable and unsecured subordinated debt representing 5.94% and 5.18%, respectively, of total resources are other important sources of funding for liquidity purposes.

The Bank's capital, excluding minority interest and representing 12.55% of total resources, stood at P29.120 billion at the end of the first quarter of 2008. Surplus account was 11.59% higher on account of the P773 million net profits generated for the first quarter and partially reduced by the cash dividends paid to holders of convertible preferred shares.

Revaluation reserves on AFS securities dropped by 94.32% primarily on account of the sale/disposition of AFS securities that went down by P8.925 billion during the period. Accumulated translation adjustment went up by 16.46% as the peso slightly depreciated. The peso dollar exchange rate closed at P41.76 at end March 2008, 1.16% weaker than yearend's P41.28. The year to date average exchange rate was pegged at P40.83, a 15.95% appreciation from the previous year's P48.58 to the US dollar.

Minority interest improved from negative P312 million to negative P201 million on account of the improved results of the subsidiaries that are not wholly owned.

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

### **31 March 2008 vs. 31 March 2007**

RCBC posted a net income of P773 million in the first quarter of 2008, P55 million or 6.62% lower than the P828 million net income reported for the same period last year. The lower net profits reflected the effects of the slowing economy reeling from the impact of the US sub-prime mortgage problems and the controversies hounding the government.

Net interest income, representing 41.16% of gross profits, was stable at P2.023 billion in spite of the increasingly challenging environment mainly due to the success of the various initiatives undertaken to provide value offerings to Bank's clients. Net income of P773 million accounted for 15.72% of gross revenues during the period.

Although total interest expense dropped by 4.34%, interest expense on bills payable and other borrowings decreased by 10.57% as prevailing interest rates were lower this period compared to the same period last year. Additionally, outstanding bills payable was lower year on year by P1.392 billion.

Interest income of P3.676 billion, accounting for 74.78% of gross income, consisted of interest income from loans and receivables and investment securities that accounted for 47.01% and 23.99% of total profits, respectively. Total interest expense at 33.63% of total revenues consisted of interest on deposit liabilities and bills payable and other borrowings, accounting for 22.39% and 11.23% of gross revenues, respectively.

Provisioning for probable losses this period at P193 million was 75.15% lower year on year as the quality of Bank's assets continued to improve.

Accounting for 25.22% of gross revenues, other operating income of P1.240 billion went down by 32.51% year on year mainly due to the decreases in trading and securities-net, service fees and foreign exchange gains (losses)-net of 115.67%, 26.08% and 125.65%, respectively. Earnings opportunities for trading gains disappeared due to the highly volatile and unfavorable global markets. These decreases were partially offset by the substantial increases in trust fees and commissions and other income of 44.50% and 556.61%, respectively. The substantial increase in commissions and other income was partly on account of the sale of Bank's Ayala Avenue property to Valparaiso I Land Holdings, Inc. Service fees and commissions and other income comprised 6.85% and 21.23%, respectively, of total income.

Other operating expenses at P1.995 billion, representing 40.59% of gross profits, was P37 million lower year on year. The contraction and relative containment of operating expenses reflects management's prudence in efficiently monitoring and managing costs and expenses. Manpower costs and occupancy and equipment-related costs declined by 7.94% and 7.74%, respectively, and accounted for 12.29% and 6.43%, respectively, of total income. The increases in taxes and licenses and depreciation and amortization of 28.77% and 10.10%, respectively, however, neutralized these mentioned decreases. In support of Bank's thrust to provide new products and services as well as improve existing ones, investments in information technology are on going, hence, the higher depreciation and amortization expenses this period. Taxes and licenses and miscellaneous expenses represented 6.13% and 14.00%, respectively, of gross income.

Minority interest in net income went up to P74 million from P6 million due to the improved profitability of Bank's not wholly-owned subsidiaries.

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

## **Commitments and Contingent Liabilities**

To date, the Bank has no material commitment for capital expenditures.

Likewise, in the normal course of operations of the Bank, there are various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. Management does not anticipate losses from these transactions that will adversely affect its operations.

Several suits and claims also remain unsettled. Management is of the opinion that even if these are decided adversely, it will not involve sums that would have material effect on its financial position or operating results.

The following is a summary of contingencies and commitments arising from off-balance sheet items at their equivalent peso contractual amounts as of March 31, 2008 and December 31, 2007:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>Unaudited March 31, 2008</b>	<b>Audited December 31, 2007</b>	<b>Unaudited March 31, 2008</b>	<b>Audited December 31, 2007</b>
Trust department accounts	52,664,191	53,627,739	49,887,864	49,552,269
Forward exchange sold	16,680,738	19,350,292	16,680,738	19,349,801
Forward exchange bought	7,176,886	8,097,761	7,176,886	8,097,756
Unused commercial letters of credit	6,730,690	6,792,708	6,730,690	6,792,708
Spot exchange bought	3,920,742	3,222,455	3,806,308	3,222,455
Outstanding guarantees issued	1,190,524	3,154,313	1,190,524	516,108
Inward bills for collection	1,641,196	2,640,192	1,641,196	2,637,266
Spot exchange sold	2,861,146	619,739	2,861,146	3,154,313
Outward bills for collection	88,772	516,108	85,846	111,406
Late deposits/payments received	1,285,936	180,241	506,039	619,739
Traveler's check unsold	24,889	25,415	24,889	25,415
Items held for safekeeping	289	194	253	33

Forward exchange sold includes the Parent Company's outstanding long-term cross currency swap contracts where it sells US dollar and buys Philippine peso, with an aggregate notional amount of P5.0 billion as of March 31, 2008.

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

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

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

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

Lastly, there were no seasonal aspects that have a material effect on the financial condition or results of operation of the Bank.

**RIZAL COMMERCIAL BANKING CORPORATION & SUBSIDIARIES**

**Aging of Accounts Receivable**

**As of March 31, 2008**

	<b>Total</b>	<b>1-90 days</b>	<b>91-180 days</b>	<b>181-1 year</b>	<b>more than 1 Year</b>	<b>Past Due accounts &amp; Item in Litigation</b>
<b>a) Trade Receivables</b>	148	148	-			
Less: Allow For Doubtful Acct.	-					
<b>Net Trade Receivable</b>	148	148	-	-	-	-
<b>b) Non-Trade Receivables</b>	1,638,206	700,035	9,961	29,127	538,704	360,379
Less: Allow For Doubtful Acct.	360,379					360,379
<b>Net Non-Trade Receivable</b>	1,277,827	700,035	9,961	29,127	538,704	-
<b>Net Receivables (a + b)</b>	<u>1,277,975</u>					

*Notes: If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection in this schedule may be changed to appropriately reflect the Company's actual collection period.*