

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)

**September 30, 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 September 30, 2008  
2. Commission identification number 17514  
3. BIR Tax Identification No. 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 Outstanding and Amount of Debt Outstanding</u>
Common Stock, P10 par value	962,843,035 (as of 09/30/08)

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) September 30 2008	(Audited) December 31, 2007
<b>ASSETS</b>		
Cash and Other Cash Items	P 4,791,706	P 5,875,727
Due From Bangko Sentral ng Pilipinas	24,054,439	17,611,380
Due From Other Banks	4,083,178	4,744,925
Investment Securities		
Financial Assets at Fair Value		
Through Profit or Loss	4,259,735	9,959,187
Available for Sale Securities	46,638,931	54,625,359
Loans and Receivables, net	134,257,313	117,195,202
Investments in Subsidiaries and Associates, net	4,055,044	4,172,885
Bank Premises, Furniture, Fixtures & Equipment, net	4,059,437	3,503,816
Investment Property, net	7,501,486	7,761,435
Deferred Tax Assets	1,646,984	1,645,768
Other Resources, net	11,712,057	12,002,250
<b>TOTAL RESOURCES</b>	<b>P 247,060,310</b>	<b>P 239,097,934</b>
<b>LIABILITIES AND CAPITAL FUNDS</b>		
<b>Deposit Liabilities</b>		
Demand Deposits	P 10,366,095	P 10,765,240
Savings Deposits	73,545,408	66,769,816
Time Deposits	95,802,558	98,393,819
<b>Total Deposit Liabilities</b>	<b>P 179,714,061</b>	<b>P 175,928,875</b>
Bills Payable	16,742,834	12,820,500
Bonds Payable	5,943,450	5,650,670
Outstanding Acceptances Payable	402,900	234,717
Due to Other Banks	6,113	775,492
Accrued Taxes, Interest and Other Expenses Payable	3,146,484	3,087,510
Other Liabilities	7,113,633	6,421,708
Subordinated Debt	6,668,911	5,158,070
<b>TOTAL LIABILITIES</b>	<b>P 219,738,386</b>	<b>P 210,077,542</b>
<b>Capital Funds</b>		
<b>Attributable to Parent Company Shareholders:</b>		
Preferred Stock	859,335	859,512
Common Stock	9,628,430	9,628,369
Hybrid Perpetual Securities	4,883,139	4,883,139
Capital Paid in Excess of Par	5,571,906	5,571,793
Revaluation Reserves on Available-for-sale Securities	(2,081,593)	1,039,358
Accumulated Translation Adjustment	105,900	63,937
Reserve for Trust Business	269,786	258,348
Share in Additional Paid-in Capital of an Associate	532,583	532,583
Surplus	7,495,099	6,495,022
	<u>27,264,585</u>	<u>29,332,061</u>
Minority Interest	57,339	(311,669)
<b>TOTAL CAPITAL FUNDS</b>	<b>27,321,924</b>	<b>29,020,392</b>
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>P 247,060,310</b>	<b>P 239,097,934</b>

<sup>1/</sup> The 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 Sept. 30 2008	Jan. 1 to Sept. 30 2007	July 1 to Sept. 30, 2008	July 1 to Sept. 30, 2007
<b>INTEREST INCOME ON</b>				
Loans and receivables	7,734,862	7,353,104	2,933,829	2,352,468
Investment securities	3,072,020	3,654,031	767,681	1,250,354
Others	610,060	473,992	243,463	142,739
	<u>11,416,942</u>	<u>11,481,127</u>	<u>3,944,973</u>	<u>3,745,561</u>
<b>INTEREST EXPENSE ON</b>				
Deposit liabilities	3,561,879	3,021,000	1,314,891	1,002,466
Bills payable and other borrowings	1,530,936	1,912,556	358,386	635,196
	<u>5,092,815</u>	<u>4,933,556</u>	<u>1,673,277</u>	<u>1,637,662</u>
<b>NET INTEREST INCOME</b>	<u>6,324,127</u>	<u>6,547,571</u>	<u>2,271,696</u>	<u>2,107,899</u>
<b>IMPAIRMENT LOSSES</b>	<u>625,568</u>	<u>1,191,312</u>	<u>181,492</u>	<u>146,492</u>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<u>5,698,559</u>	<u>5,356,259</u>	<u>2,090,204</u>	<u>1,961,407</u>
<b>OTHER OPERATING INCOME</b>				
Trading and securities gain (loss)-net	(18,025)	1,258,960	45,578	11,637
Service fees	1,155,713	1,236,984	429,315	420,274
Foreign exchange gains (losses)-net	332,126	148,714	98,423	64,598
Trust fees	162,744	129,478	69,939	51,475
Commissions and other income	1,830,040	839,120	659,400	293,550
	<u>3,462,598</u>	<u>3,613,256</u>	<u>1,302,655</u>	<u>841,534</u>
<b>OTHER OPERATING EXPENSES</b>				
Employee benefits	1,929,189	1,817,223	688,936	535,474
Occupancy & equipment-related	1,099,114	1,016,009	392,236	346,108
Taxes & Licenses	853,277	780,601	284,618	346,784
Depreciation and amortization	282,165	239,891	108,081	83,166
Miscellaneous	2,380,296	2,091,902	1,238,966	636,684
	<u>6,544,041</u>	<u>5,945,626</u>	<u>2,712,837</u>	<u>1,948,216</u>
<b>INCOME BEFORE TAX</b>	<u>2,617,116</u>	<u>3,023,889</u>	<u>680,022</u>	<u>854,725</u>
<b>TAX EXPENSE</b>	<u>598,256</u>	<u>483,228</u>	<u>205,332</u>	<u>132,915</u>
<b>NET INCOME</b>	<u>2,018,860</u>	<u>2,540,661</u>	<u>474,690</u>	<u>721,810</u>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO MINORITY INTEREST</b>	<u>18,094</u>	<u>18,537</u>	<u>1,479</u>	<u>7,882</u>
<b>NET INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS</b>	<u>2,000,766</u>	<u>2,522,124</u>	<u>473,211</u>	<u>713,928</u>
<b>Earnings per Share (Annualized)*</b>				
Basic	<u>2.25</u>	<u>2.38</u>		
Diluted	<u>2.18</u>	<u>2.30</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 Sept. 30 2008 (09.30.08 vs. <u>12.31.07)</u>	Unaudited Jan. 1 to Sept. 30 2007 (09.30.07 vs. <u>12.31.06)</u>
<b>FUNDS WERE PROVIDED FROM</b>			
<b>Operations:</b>			
Net Income	P	2,000,766	P 2,522,124
Add: Charges against Income not requiring outflow of funds		1,788,473	1,413,321
Less: Additions to Income not requiring inflow of funds		<u>(717,703)</u>	<u>(710,199)</u>
Total funds provided from Operations	P	<u>3,071,536</u>	P 3,225,246
Increase in Deposit Liabilities		3,785,186	545,646
Increase in Bills Payable & Outstanding Acceptances Payable		4,090,517	
Increase in Other Liabilities		691,925	2,337,336
Increase in Subordinated Debt		7,000,000	
Increase in Common Stock			2,100,000
Increase in Capital Paid-in Excess of Par			3,453,030
Decrease in Cash and Other Cash Items		1,084,021	1,416,316
Decrease in Due from Other Banks		661,747	3,263,251
Decrease in Investment Securities		10,564,929	
Decrease in Investment Property		259,949	1,770,546
Decrease in Other Resources		<u>290,193</u>	
	P	<u><u>31,500,003</u></u>	P <u><u>18,111,371</u></u>
<b>FUNDS WERE APPLIED TO:</b>			
Increase in Due From BSP	P	6,443,059	P 2,953,288
Increase in Investment Securities			2,867,663
Increase in Loans and Other Receivables		17,687,679	4,307,547
Increase in Fixed Assets		837,786	287,894
Increase in Other Resources			2,871,685
Decrease in Bills Payable & Outstanding Acceptances Payable			77,202
Decrease in Bonds Payable			529,319
Decrease in Due to Other Banks		769,379	3,393,766
Redemption of Unsecured Subordinated Notes		5,000,000	
Cash Dividends on Common Shares		462,165	526,881
Cash Dividends on Preferred Shares		92,362	61,916
Dividends on Hybrid Capital Securities		<u>207,573</u>	<u>234,210</u>
	P	<u><u>31,500,003</u></u>	P <u><u>18,111,371</u></u>

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

		<b>Unaudited</b>		<b>Unaudited</b>
		<b>Jan. 1 to</b>		<b>Jan. 1 to</b>
		<b>Sept. 30,</b>		<b>Sept. 30,</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		(177)		(195,314)
Additional Public Offering (APO)				2,100,000
Increase in Common Shares due to conversion of Preferred Stock		61		104,557
Increase in Capital Paid-in Excess of Par arising from APO and PS conversion		113		3,453,030
Decrease in Revaluation Reserves on AFS Securities		(3,120,951)		(2,462,092)
Increase (decrease) in Equity adjustment from translation		41,963		(46,227)
Net income for the period		2,000,766		2,522,124
Cash Dividends on Common Stock		(462,165)		(526,881)
Cash Dividends on Preferred Stock		(92,362)		(61,916)
Dividends on Hybrid Capital Securities		(207,573)		(234,210)
Prior period adjustment		(227,151) <sup>1/</sup>		
		<hr/>		<hr/>
<b>Capital Funds, end</b>	<b>P</b>	<b>27,264,585</b>	<b>P</b>	<b>28,326,882</b>

<sup>1/</sup> This represents adjustment resulting from the direct consolidation of Bankard in the consolidated financial statements and the corresponding dilution of minority stockholders' ownership in Bankard in relation to Bankard's debt-to-equity conversion. The SEC and PSE approved the increase in Bankard's authorized capital stock on January 4, 2008 and April 23, 2008, respectively.

## **Additional Disclosures to Item I – Financial Statements**

**Accounting Policies and Methods of Computation.** Although 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, the Bangko Sentral ng Pilipinas (BSP) issued Circular Nos. 626 and 628 covering the latest International Accounting Standards (IAS) amendments, including certain provisions for prudential reporting purposes, to serve as implementing guidelines for banks.

In October 2008, the International Accounting Standards Board (IASB) issued amendments to IAS 39: *Financial Instruments: Recognition and Measurement* and International Financial Reporting Standards (IFRS) 7: *Financial Instruments: Disclosures* allowing the reclassifications of investments out of Fair Value Through Profit or Loss (FVPL) category except derivatives and financial instruments designated at FVPL (DFVPL). Additionally, instruments which would have met the definition of loans and receivables can be reclassified out of the FVPL or Available for sale securities (AFS) if the entity had the intent and ability to hold that financial asset for the foreseeable future or until maturity. Reclassifications out of FVPL category should be done only in rare circumstances. These amendments were adopted by the Financial Reporting Standards Council (FRSC), the local counterpart of IASB.

The amendments to IFRS 7 pertain to additional disclosures about the reclassification made and its effects on the financial statements. The effective date of the above amendments to IAS 39 and IFRS 7 is from July 1, 2008.

The Bank is currently in the process of identifying and evaluating the impact of the reclassification of financial assets for purposes of regulatory compliance and reporting on its 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, on April 3, 2008, approved the early redemption of the Bank's unsecured subordinated debt prior to maturity. Consequently, the Bank redeemed its P5.0 billion 12% unsecured subordinated debt on July 14, 2008 through the exercise of the call option feature of the debt issue.

As approved by the Board of Directors and the BSP, the Bank paid on October 24, 2008 the 4<sup>th</sup> semi-annual dividend payment on the US\$100.0 million non-cumulative step-up callable perpetual hybrid securities amounting to US\$4.938 million.

Apart from the successful issuance of the BSP-approved P7.0 billion unsecured subordinated debt on February 22, 2008, there were no issuances, repurchases and repayments of debt and equity securities in the interim financial statements as compared with the most recent annual financial statements. The notes qualify as lower tier 2 capital and bear interest at the rate of 7% per annum from February 22, 2008. After the fifth year, the notes have a call option that gives the Bank the right but not the obligation to redeem the notes. The interest is 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.

**Dividends Paid for Ordinary or Other Shares.** On September 29, 2008, the Board of Directors approved the declaration and payment of cash dividends, subject to Bangko Sentral approval, for the Bank's convertible preferred shares amounting to approximately P0.1331 (US\$0.0029) per share or an estimated total of P11.442 million (US\$247 thousand @ P46.30). The cash dividend is payable to holders of convertible preferred shares as of December 21, 2008. To date, the Bank has not received the approval of the aforementioned cash dividends from the Bangko Sentral.

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

<b>Date</b>	<b>Dividend</b>		<b>Date Approved</b>	<b>Date</b>	<b>Nature of</b>
<b>Declared</b>	<b>Per Share</b>	<b>Total Amount</b>	<b>By BSP</b>	<b>Paid</b>	<b>Securities</b>
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	-	207.573	04.04.08	04.25.08	Hybrid Tier 1 securities
03.31.08	0.1177	10.671 *	06.19.08	07.03.08	Preferred stock
03.31.08	0.4800	462.165	06.19.08	06.30.08	Common stock
03.31.08	0.4800	41.248	06.19.08	06.30.08	Preferred stock
06.30.08	0.1227	10.445	09.03.08	09.30.08	Preferred stock
07.30.07	-	241.893	09.03.08	10.24.08	Hybrid Tier 1 securities

\* Inclusive of P554 thousand additional cash dividends to holders of convertible preferred stock booked on July 3, 2008, payment date of said dividends.

**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 September 30, 2008 (in millions).

	<b>Retail Banking *</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	2,314	423	561	1,332	4,630
Non-interest income	1,949	1,057	809	( 779)	3,036
Total revenue	4,263	1,480	1,370	553	7,666
Noninterest expense	2,905	539	193	1,642	5,279
Income (loss) before Income tax	1,358	941	1,177	( 1,089)	2,387
Income tax provision				386	386
Net income (loss)	1,358	941	1,177	( 1,475)	2,001

\* Includes credit card, telemoney and SMED operations

**Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements.** In light of recent developments, RCBC allocated approximately P1.0 billion from the current excess reserves for its exposure to Lehman Brothers. The allocation was made to ensure that any possible writedown that may result from the said exposure will be fully provided

for. Other than the foregoing, 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.** The Bangko Sentral ng Pilipinas (BSP) approved on May 15, 2008 the Bank's acquisition of 96.38% of the equity of Merchants Savings and Loan Association, Inc. (Merchants Bank). Under the terms of the BSP approval, RCBC would upgrade 20 of the 21 thrift bank licenses of Merchants Bank into universal bank branch licenses and transfer Merchants Bank's Head Office (HO) and HO branch from Makati City to Koronadal City, South Cotabato.

To date, three (3) branches of Merchants Bank have been converted as a universal bank branch as follows:

- a) MB-Molino branch to RCBC-Bacoor Business Center;
- b) MB-Santiago branch to RCBC-San Jose City; and
- c) MB-Antipolo branch to RCBC-Sta. Lucia Mall

Except for the abovementioned acquisition, 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 except for the reclassification of certain contingent accounts based on the BSP's latest classification as mentioned in the footnotes after commitments and contingencies.

**Material Contingencies and Any Other Events or Transactions.** There exist 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

	Consolidated		Parent	
	Unaudited	Audited	Unaudited	Audited
	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007
Return on Average Assets (ROA) <sup>1/</sup>	1.10% *	1.42%	0.92% *	1.04%
	0.83%		0.69%	
Return on Average Equity (ROE) <sup>2/</sup>	9.68% *	12.43%	7.07% *	7.26%
	7.26%		5.30%	
BIS Capital Adequacy Ratio <sup>3/</sup>	18.70%	18.70%	17.66%	18.21%
Non-Performing Loans (NPL) Ratio <sup>4/</sup>	3.67%	5.27%	3.90%	6.12%
Non-Performing Assets (NPA) Ratio <sup>5/</sup>	5.91%	6.85%	4.06%	5.20%
Earnings per share (EPS) <sup>6/</sup>				
Basic	2.25*	2.93	1.42*	1.53
Diluted	2.18*	2.84	1.38*	1.48

\* Annualized

<sup>1/</sup> Average assets for the consolidated and parent ratios were computed based on the 9-month average of end of month balances of total assets. Unaudited net income for the 9-month period ended September 30, 2008 in the amount of P2.001 billion and P1.402 billion 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 9-month average of end of month balances. Unaudited net income for the 9-month period ended September 30, 2008 in the amount of P2.001 billion and P1.402 billion represented the consolidated and parent net income, respectively. Ratio computed based on net income after HT1 dividends.

<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 ROPA

<sup>6/</sup> Total weighted average number of issued and outstanding common shares (diluted) as of September 30, 2008 – 992,680,028 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>September 30, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	1.69% *	1.73%
Return on Average Equity (ROE)	13.11% *	14.99%
BIS Capital Adequacy Ratio (CAR)	15.41%	15.36%
Non-Performing Loans (NPL) Ratio	2.99% *	3.49%
Non-Performing Assets (NPA) Ratio	13.56% *	12.11%
Earnings per share (EPS)	23.47*	33.09

<b>RCBC CAPITAL CORPORATION and Subsidiaries</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>September 30, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	3.69% *	16.02%
Return on Average Equity (ROE)	5.35% *	21.16%
BIS Capital Adequacy Ratio (CAR)	33.65%	28.27%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	2.37*	10.46

<b>RCBC FOREX BROKERS CORPORATION</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>September 30, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	17.38% *	15.79%
Return on Average Equity (ROE)	33.59% *	26.40%
Capital to Total Assets	46.65%	55.90%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	150.47*	110.47

<b>RCBC INTERNATIONAL FINANCE LIMITED</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>September 30, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	(3.36%) *	1.25%
Return on Average Equity (ROE)	(3.62%) *	1.36%
Capital to Total Assets	94.79%	91.49%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	(2.51) *	1.00

<b>RCBC CALIFORNIA INTERNATIONAL, INC. and Subsidiary</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>September 30, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	(15.34%) *	4.85%
Return on Average Equity (ROE)	(55.54%) *	14.58%
Capital to Total Assets	29.08%	27.49%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	(36.35) *	11.02

<b>RCBC TELEMONEY EUROPE S.P.A.</b>		
<b>in Php</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>September 30, 2008</b>	<b>2007</b>
Return on Average Assets (ROA)	12.64**	2.66%
Return on Average Equity (ROE)	74.24**	13.07%
Capital to Total Assets	10.14%	27.82%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per share (EPS)	60.66**	8.15

\* Annualized

\*\* Statement of Income and Expenses for the period ended June 30, 2008. Financial statements as of September 30, 2008 not available

### **30 September 2008 vs. 31 December 2007**

At the end of the first nine months of 2008, total consolidated resources reached P247.060 billion, 3.33% higher than the yearend level of P239.098 billion.

The P7.962 billion improvement in total assets was mainly due to the increases in loans and receivables-net, deposits with Bangko Sentral and bank premises, furniture, fixtures and equipment-net of 14.56%, 36.58% and 15.86%, respectively. However, the substantial decreases in financial assets at fair value through profit or loss (FVPL), available for sale (AFS) securities, cash and other cash items, and deposits with other banks of 57.23%, 14.62%, 18.45% and 13.95%, respectively, neutralized these mentioned increases.

Accounting for 54.34% of total assets, loans and receivables grew P17.062 billion largely due to the higher interbank loans outstanding during the period. Total loan portfolio, both peso and foreign currency denominated, likewise expanded during the period. Deposits with

Bangko Sentral, representing 9.74% of total resources, went up by P6.443 billion mainly on account of the higher reserve requirement corresponding to the growth in deposit liabilities.

The 15.86% increase in bank premises, furniture, fixtures and equipment was on account of the physical renovation of existing and/or relocated business centers as well as the acquisition of additional computer equipment to replace obsolete and outmoded ones. Additionally, the real estate properties owned by Merchants Bank in various locations wherein some of its branches were located accounted for the growth in bank premises.

Cash and other cash items dropped 18.45% from P5.876 billion to P4.792 billion primarily due to the lower funding requirements for deposit withdrawals. Excess funds were, likewise, shifted to interest earning assets. Similarly, deposits with other banks declined by 13.95% as excess funds were channeled to other interest earning assets. Hence, deposits with Bangko Sentral and loans and receivables, net grew from P17.611 billion to P24.054 billion and from P117.195 billion to P134.257 billion, respectively, this period.

Investment securities consisting of FVPL and AFS securities, 1.72% and 18.88% of total resources, respectively, substantially declined by P5.699 billion or by 57.23% and by P7.986 billion or by 14.62%, respectively, 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. The staggered maturity of the investment assets corresponding to the Bank's P5.0 billion Capital Notes further caused the sharp drop in FVPL securities.

Total interest bearing liabilities of P209.069 billion, consisting of deposit liabilities, bills payable, bonds payable and unsecured subordinated debt, went up by P9.511 billion, from P199.558 billion. The P7.0 billion unsecured subordinated notes eligible as lower tier 2 capital issued in late February 2008 and the expansion in low cost deposits generated, particularly savings deposits that grew 10.15%, during the period mainly accounted for the 4.77% growth in interest earning liabilities.

Bills payable grew by P3.922 billion or by 30.59% due to higher foreign currency denominated borrowings and higher borrowings of the consolidated subsidiaries this period. Similarly, subordinated debt went up to P6.669 billion or by 29.29%, from P5.158 billion, on account of the proceeds of the P7.0 billion unsecured subordinated debt issued in February and net of the early redemption of the P5.0 billion 12% unsecured subordinated debt in July 2008. Outstanding acceptances payable increased by 71.65%, or from P235 million to P403 million on account of the higher volume of import bills acceptances under usance that were negotiated during the period.

The 5.18% increase in bonds payable was primarily on account of the revaluation of the USD150.0 million senior notes issued by the Bank in 2005. Other liabilities, likewise, grew by 10.77% to P7.114 billion on account of higher balances of accounts payable deposits and miscellaneous liabilities. Due to other banks, on the other hand, dropped 99.21% from P775 million to P6 million largely 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.

Total liabilities accounted for 88.94% of total resources. At 72.74% of total assets, total deposit liabilities of P179.714 billion is the Bank's main source of funding, particularly savings

and time deposits which comprised 29.77% and 38.78%, respectively, of total resources. Bills payable, a major source of funding for liquidity purposes, comprise 6.78% of total assets.

The Bank's capital funds, excluding minority interest and representing 11.04% of total resources, stood at P27.265 billion at the end of the first nine months of 2008. Surplus account was 15.40% higher on account of the P2.001 billion net profits generated during the first three quarters of the year and partially reduced by the cash dividends paid to holders of convertible preferred shares, common shares and hybrid capital securities.

Revaluation reserves on AFS securities went down to negative P2.082 billion from P1.039 billion primarily on account of the sale/disposition of AFS securities that decreased by P7.986 billion during the period and unrealized MTM losses brought about by higher average interest rates during the period. Accumulated translation adjustment went up by P42 million or by 65.63% as the peso continued its slide during the period. The peso – dollar exchange rate closed at P47.05 at end September 2008, 13.98% weaker than yearend's P41.28. The year to date average exchange rate was pegged at P43.09, an 8.59% appreciation from the previous year's P47.14 to the US dollar.

Minority interest improved from negative P312 million to P57 million on account of the significant decrease in minority stockholders' ownership in Bankard and 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.

### **30 September 2008 vs. 30 September 2007**

RCBC posted net profits of P2.001 billion for the first nine months of 2008, P521 million or 20.67% lower than the P2.522 billion net income reported for the same period last year. Operating results for the first three quarters of 2008 was a reflection of the continued effects of the weakening global economy reeling not only from external factors like the impact of the US sub-prime mortgage problems, the fall of US investment bank Lehman Brothers and other problems besetting the US financial system but also from internal factors such as the controversies hounding the government.

Net interest income, representing 42.50% of gross revenues, dropped from P6.548 billion to P6.324 billion on account of lower spreads and higher carrying costs. Net income of P2.001 billion accounted for 13.45% of gross revenues during the period.

Although net interest income went down by 3.41%, interest earned from loans and receivables and deposits with banks and from the higher balances of its reserve deposit account (RDA) with the Bangko Sentral improved by 5.19%, from P7.353 billion, and by 28.71%, from P474 million, respectively. Interest income from investment securities, however, was 15.93% lower year on year due to the lower volume of financial markets assets. In contrast, interest expense moved up 3.23%, from P4.934 billion to P5.093 billion, due to the 17.90% increase in interest expense on deposit liabilities corresponding to the higher level of deposits generated. Interest rates was also higher year on year as the benchmark 91-day Treasury Bills averaged 4.30% this period, increasing 100 basis points from the previous year's 3.30%. This was, however, neutralized by the 19.95% decrease in interest expense on bills payable and other borrowings.

Interest income of P11.417 billion, accounting for 76.73% of gross income, comprised of interest income from loans and receivables and investment securities that accounted for 51.98% and 20.65%, respectively, of total profits. Total interest expense at 34.23% of total income consisted of interest on deposit liabilities and bills payable and other borrowings, representing 23.94% and 10.29% of gross revenues, respectively.

At P626 million, provisioning for impairment losses this period was 47.49% lower year on year as the quality of Bank's assets continued to improve. Strict monitoring and evaluation of accounts are carried out to ensure that the turnover rate of existing and potential accounts turning sour is low. Notwithstanding the enormous challenges posed by a slowing economy and to ensure that any possible writedown that may result from its exposure to Lehman Brothers will have been properly and fully provided for, the Bank has allocated approximately P1.0 billion from its current excess reserves. This provisioning has no adverse effect on the Bank's capital base.

Comprising 23.27% of gross revenues, other income of P3.463 billion went down by P151 million year on year mainly due to the decreases in trading and securities-net and service fees of 101.43% and 6.57%, respectively. The highly volatile and unfavorable global markets have reduced earnings opportunities from trading gains. Nonetheless, these decreases were partially offset by the substantial increases in foreign exchange gains (losses)-net, commissions and other income and trust fees of 123.33%, 118.09% and 25.69%, respectively. The sale of the Bank's Ayala Avenue property to Valparaiso I Land Holdings, Inc. in March 2008 caused the considerable increase in commissions and other income. Service fees and commissions and other income comprised 7.77% and 12.30%, respectively, of total profits.

Other operating expenses of P6.544 billion, representing 43.98% of gross income, was 10.06% higher year on year. In spite of management's prudence and efficient monitoring and management of costs and expenses, operating expenses went up by P1.948 billion over the same period the previous year. Manpower costs increased 6.16% on account of higher retirement fund contribution, impact of additional headcount due to newly opened business centers and replacements. The impact of soaring oil prices and uncertainties in both local and global economies has pushed prices and the costs of doing business upward. Hence, occupancy and equipment-related expenses moved up by 8.18% from P1.016 billion. Additionally, taxes and licenses, depreciation and amortization and miscellaneous expenses went up by 9.31%, 17.62% and 13.79%, respectively. With the continued thrust to provide new and improved products and services, investments in information technology are on going. Additionally, renovation and improvement of existing physical facilities are currently being undertaken. Hence, depreciation and amortization expenses are higher this period. Manpower costs, occupancy and equipment-related expenses, taxes and licenses and miscellaneous expenses represented 12.97%, 7.39%, 5.73% and 16.00%, respectively, of total revenues.

The provision for tax expense rose from P483 million or by 23.80%, as a large portion of revenues were subjected to final taxes withheld at source.

Despite the more challenging operating environment, the Bank would continue to grow its core business. It would continue to pursue its core strategies of building financial strength and expanding market reach.

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 September 30, 2008 and December 31, 2007:

	Consolidated			Parent		
	09.30.08 Unaudited	12.31.07 Audited		09.30.08 Unaudited	12.31.07 Audited	
Trust department accounts	51,523,473	53,627,739		48,988,084	49,552,269	
Derivatives	20,315,575	27,448,053	<sup>1/</sup>	20,315,575	27,447,557	<sup>1/</sup>
Financial standby letters of credit			<sup>2/</sup>			<sup>2/</sup>
Performance standby letters of credit	3,530,489	6,792,708	<sup>2/</sup>	3,530,489	6,792,708	<sup>2/</sup>
Commercial letters of credit	2,152,936	-	<sup>2/</sup>	2,152,936	-	<sup>2/</sup>
Trade related guarantees	3,815,371	-	<sup>2/</sup>	3,815,371	-	<sup>2/</sup>
Spot foreign exchange contracts	10,020,640	3,842,194	<sup>3/</sup>	10,020,640	6,376,768	<sup>3/</sup>
Guarantees issued		3,154,313			516,108	
Others	2,449,216	3,362,150	<sup>4/</sup>	2,409,387	3,393,859	<sup>4/</sup>

<sup>1/</sup> Includes both Forward exchange bought and sold.

<sup>2/</sup> Previously classified as Unused commercial letters of credit now broken down into four (4) categories/classification.

<sup>3/</sup> Includes both Spot exchange bought and sold.

<sup>4/</sup> Includes Inward and outward bills for collection, Late deposits/payments received, Traveler's check unsold and Items held for safekeeping.

The long-term cross currency swap contracts included in the Parent Company's derivatives with an aggregate notional amount of P5.0 billion matured on July 11, 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.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **RIZAL COMMERCIAL BANKING CORPORATION**


Date **November 14, 2008**



**LORENZO V. TAN**  
President & CEO



**MA. TERESITA A. NUÑEZ**  
EVP/Head- Controllership Group *11/14/08*



**ELBERT M. ZOSA**  
EVP/Corporate Information Officer

Date **November 14, 2008**

**RIZAL COMMERCIAL BANKING CORPORATION & SUBSIDIARIES**

**Aging of Accounts Receivable**

**As of September 30, 2008**

	<b>Total</b>	1-90 days	91-180 days	181-1 year	more than 1 Year	Past Due accounts & Item in Litigation
<b>a) Trade Receivables</b>	9	9	-			
Less: Allow For Doubtful Acct.	-					
<b>Net Trade Receivable</b>	9	9	-	-	-	-
<b>b) Non-Trade Receivables</b>	1,477,987	605,614	15,647	73,489	425,256	357,981
Less: Allow For Doubtful Acct.	357,981					357,981
<b>Net Non-Trade Receivable</b>	1,120,006	605,614	15,647	73,489	425,256	-
<b>Net Receivables (a + b)</b>	<u>1,120,015</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.*