

SEC Number 17514
PSE Code _____
File Number _____

**RIZAL COMMERCIAL BANKING
CORPORATION AND SUBSIDIARIES**

(Company's Full Name)

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

(Company's Address)

894-9000

(Telephone Number)

September 30, 2014

(Fiscal Quarter Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

Period Ended Date

(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, 2014
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</u> | <u>Outstanding and Amount of Debt</u> |
|-----------------------------|---|---------------------------------------|
| <u>Outstanding</u> | | |
| Common Stock, P10 par value | 1,275,659,728 | (as of 09/30/14) |
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 ^{1/}

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

		(Unaudited) September 30 2014		(Audited) December 31 2013
ASSETS				
Cash and Other Cash Items	P	9,453	P	9,826
Due From Bangko Sentral ng Pilipinas		47,501		52,491
Due From Other Banks		23,047		7,537
Investment Securities				
Financial Assets at Fair Value Through Profit or Loss		3,304		3,288
Available for Sale Securities, net		83,216		89,412
Held-to-Maturity Investments		0		0
Loans and Receivables, net		247,041		237,960
Investments in Associates, net		324		333
Bank Premises, Furniture, Fixtures & Equipment, net		8,641		8,814
Investment Properties, net		3,944		4,579
Deferred Tax Assets, net		58		83
Other Resources, net		6,503		7,546
TOTAL RESOURCES	P	433,032	P	421,869
LIABILITIES AND CAPITAL FUNDS				
Deposit Liabilities				
Demand Deposits	P	28,868	P	28,448
Savings Deposits		162,533		157,065
Time Deposits		110,451		112,340
Total Deposit Liabilities	P	301,852	P	297,853
Bills Payable		34,199		39,895
Bonds Payable		23,568		23,317
Accrued Taxes, Interest and Other Expenses Payable		3,780		4,537
Other Liabilities		10,611		11,459
Subordinated Debt		9,917		0
TOTAL LIABILITIES	P	383,928	P	377,061
Capital Funds				
Attributable to Parent Company Shareholders:				
Preferred Stock		3		3
Common Stock		12,757		12,757
Hybrid Perpetual Securities		4,883		4,883
Capital Paid in Excess of Par		16,148		16,148
Other Comprehensive Income				
Revaluation Reserves on Available-for-sale Securities		(2,189)		(5,005)
Accumulated Translation Adjustment		77		76
Retirement Plan		(259)		(225)
Reserve for Trust Business		355		348
Other Reserves		(282)		(282)
Retained Earnings		17,589		16,082
		49,081		44,785
Non-controlling Interest		23		23
TOTAL CAPITAL FUNDS		49,105		44,808
TOTAL LIABILITIES & CAPITAL	P	433,032	P	421,869

^{1/} The consolidated financial statements have been prepared in conformity with Financial Reporting Standards in the Philippines for Banks (FRSPB) and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions except for earnings per share)

	(Unaudited) Jan. 1 to Sept. 30 2014	(Unaudited) Jan. 1 to Sept. 30 2013	July 1 to Sept. 30 2014	July 1 to Sept. 30 2013
INTEREST INCOME ON				
Loans and receivables	P 11,822	P 10,638	3,955	3,588
Investment securities	3,078	3,028	968	1,071
Others	182	154	43	61
	<u>15,082</u>	<u>13,820</u>	<u>4,966</u>	<u>4,720</u>
INTEREST EXPENSE ON				
Deposit liabilities	1,902	2,093	649	619
Bills payable and other borrowings	1,944	2,135	659	681
	<u>3,846</u>	<u>4,228</u>	<u>1,308</u>	<u>1,300</u>
NET INTEREST INCOME	11,236	9,592	3,658	3,420
IMPAIRMENT LOSSES	1,627	1,547	500	429
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	<u>9,609</u>	<u>8,045</u>	<u>3,158</u>	<u>2,991</u>
OTHER OPERATING INCOME				
Trading and securities gain-net	1,086	2,879	478	205
Service fees & commissions	1,683	1,767	581	716
Foreign exchange gains (losses)-net	189	62	(17)	11
Trust fees	215	230	72	75
Miscellaneous	1,232	3,312	411	1,576
	<u>4,404</u>	<u>8,250</u>	<u>1,524</u>	<u>2,583</u>
OTHER OPERATING EXPENSES				
Employee benefits	3,029	2,828	1,035	951
Occupancy & equipment-related	1,843	1,757	590	603
Taxes & Licenses	1,061	1,343	335	478
Depreciation and amortization	1,121	967	353	304
Miscellaneous	3,316	3,546	1,173	1,114
	<u>10,371</u>	<u>10,442</u>	<u>3,487</u>	<u>3,451</u>
INCOME BEFORE TAX	3,643	5,853	1,196	2,123
TAX EXPENSE	633	1,136	207	581
NET INCOME	<u>3,010</u>	<u>4,717</u>	<u>989</u>	<u>1,542</u>
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>(1)</u>	<u>10</u>	<u>0</u>	<u>5</u>
NET INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	P <u>3,011</u>	P <u>4,708</u>	<u>989</u>	<u>1,538</u>
Earnings per Share (Annualized)				
Basic	P <u>2.81</u>	P <u>4.89</u>		
Diluted	P <u>2.81</u>	P <u>4.89</u>		

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Millions)

	Unaudited Jan. 1 to Sept. 30 2014 (09.30.14 vs. 12.31.13)	Unaudited Jan. 1 to Sept. 30 2013 (09.30.13 vs. 12.31.12)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 3,643	P 5,853
Adjustments for:		
Interest income	(15,082)	(13,820)
Interest expense	3,846	4,228
Impairment losses	1,627	1,547
Gain from disposal of equity investments	-	967
Depreciation and amortization	1,316	172
Dividend income	(88)	(41)
Share in net earnings of associates	(28)	(178)
Operating income before working capital changes	(4,767)	(1,272)
Decrease (Increase) in financial assets at fair value through profit and loss	(16)	5,776
Decrease (Increase) in loans and receivables	(11,285)	(25,635)
Decrease (Increase) in investment property	635	1,967
Decrease (Increase) in other resources	1,235	(1,666)
Increase (Decrease) in deposit liabilities	3,999	12,144
Increase (Decrease) in accrued taxes, interest and other expenses	(329)	(371)
Increase (Decrease) in other liabilities	(630)	1,802
Cash generated from (used in) operations	(11,159)	(7,255)
Interest received	15,659	14,152
Interest paid	(4,333)	(4,721)
Cash paid for taxes	(573)	(853)
Net Cash From (Used in) Operating Activities	(406)	1,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in available-for-sale securities	9,012	(20,318)
Decrease (increase) in Held to Maturity Investments	-	-
Acquisitions of bank premises, furniture, fixtures and equipment (net)	(1,143)	(1,699)
Cash dividends received	(1,486)	(415)
Decrease (increase) in investments in subsidiaries and associates	1,612	3,874
Acquisitions of software	(167)	(216)
Net Cash From (Used in) Investing Activities	7,829	(18,774)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from (payments of) bills payable	(5,696)	16,490
Dividends paid	(1,496)	(1,694)
Issuance of subordinated debt	9,917	(7,000)
Net proceeds from issuance of common stock	(0)	8,099
Net Cash From Financing Activities	2,725	15,896
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,148	(1,555)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	9,826	9,380
Due from Bangko Sentral ng Pilipinas	52,491	36,620
Due from other banks	7,537	5,879
	69,854	51,879
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	9,453	8,176
Due from Bangko Sentral ng Pilipinas	47,501	33,974
Due from other banks	23,047	8,174
	P 80,001	P 50,324

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL FUNDS
(Amounts in Millions)

	Unaudited Jan. 1 to Sept. 30 2014	Unaudited Jan. 1 to Sept. 30 2013
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
PREFERRED STOCK		
Balance, beginning	P 3	P 3
Issuance (Conversion) of preferred stock	(0)	0
Balance, end	<u>3</u>	<u>3</u>
COMMON STOCK		
Balance, beginning	12,757	11,409
Conversion of preferred stock to common stock	-	-
Balance, end	<u>12,757</u>	<u>12,757</u>
HYBRID PERPETUAL SECURITIES	<u>4,883</u>	<u>4,883</u>
CAPITAL PAID IN EXCESS OF PAR		
Balance, beginning	16,148	9,397
Conversion of preferred stock to common stock	-	-
Excess of consideration given over cost of common shares issued	0	6,750
Balance, end	<u>16,148</u>	<u>16,148</u>
REVALUATION RESERVE ON AVAILABLE-FOR-SALE SECURITIES		
Balance, beginning	(5,005)	3,145
Fair value gains (losses) on available-for-sale securities	2,816	(7,613)
Balance, end	<u>(2,189)</u>	<u>(4,468)</u>
ACCUMULATED TRANSLATION ADJUSTMENTS		
Balance, beginning	76	72
Translation adjustment during the period	1	2
Balance, end	<u>77</u>	<u>74</u>
OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN		
Balance, beginning	(225)	-
Remeasurement of the defined benefits during the period	(34)	359
Balance, end	<u>(259)</u>	<u>359</u>
RESERVE FOR TRUST BUSINESS		
Balance, beginning	348	329
Transfer from surplus free	7	8
Balance, end	<u>355</u>	<u>337</u>
OTHER RESERVES	<u>(282)</u>	<u>(330)</u>
SURPLUS FREE		
Beginning balance, as previously reported	16,082	14,035
Prior period adjustments	-	(1,248)
Beginning balance, as restated	<u>16,082</u>	<u>12,787</u>
Net income	3,011	4,708
Cash dividends on common shares	(1,276)	(1,276)
Cash dividends on preferred shares	(0)	(0)
Dividends on Hybrid Capital Securities	(220)	(418)
Transfer to reserves for trust business	(7)	(8)
Balance, end	<u>17,590</u>	<u>15,793</u>
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	<u>49,081</u>	<u>45,557</u>
NON-CONTROLLING INTEREST		
Balance, beginning	23	30
Prior period adjustments	-	-
Fair value gains (losses) on available-for-sale securities	1	(11)
Decrease in share of losses due to dilution	-	-
Net Income (loss) for the year	(1)	10
Balance, end	<u>23</u>	<u>28</u>
TOTAL CAPITAL FUNDS	<u>P 49,105</u>	<u>P 45,585</u>

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

	(UNAUDITED)	
	2014	2013
NET PROFIT FOR THE PERIOD	P 3,010	P 4,717
OTHER COMPREHENSIVE INCOME (LOSSES)		
Fair value gains (losses) on available-for-sale securities	2,816	(7,613)
Retirement Plan	(34)	(189)
Translation adjustment during the year	1	2
Other Comprehensive Income (Loss) for the period, net of tax	2,783	(7,799)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	P 5,793	(P 3,082)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	1	(11)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	P 5,793	(P 3,071)

Additional Disclosures to Item I – Financial Statements

Statement of Compliance with Generally Accepted Accounting Principles. The interim financial statements of the Bank have been prepared in accordance with the Financial Reporting Standards in the Philippines for Banks (FRSPB).

Impact of Early Adoption of PFRS 9

On July 28, 2014, RCBC's Board of Directors (BOD) approved the early adoption of PFRS 9 *Financial Instruments* (2009, 2010 and 2013 versions) subject to favorable outcome of an in-depth analysis. After completion of such analysis, the BOD, in its meeting held last October 27, 2014, gave its approval to finally proceed with the early adoption of PFRS 9. The BOD also approved the Business Models developed by the Bank to document the strategies in managing its portfolio of financial instruments.

The Bank's subsidiaries will align their policies with the Parent bank and will also early adopt PFRS 9. The Bank and its subsidiaries (the Group) chose January 1, 2014 as the date of initial application.

The Group's interim financial statements do not yet reflect the impact of adoption of the new standard. The actual entries will be reflected in December 2014 as required by BSP Circular No. 708 and amended by BSP Circular Nos. 733 and 761.

After the comprehensive review and assessment, below is the revised impact of the early adoption of PFRS 9 on the classification and measurement of financial assets and on total equity at the date of initial application. The early adoption will not have an impact on the current classification and measurement of the Group's financial liabilities.

Total Resources

(Amounts in Php Millions)

Original Measurement Category under PAS 39	Original Carrying Amount under PAS 39	Impact of Early Adoption of PFRS 9	New Carrying Amount under PFRS 9	New Measurement Category under PFRS 9
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	3,288	38,023	41,311	Financial Assets at FVTPL
Available-for-sale (AFS)	89,412	(84,731)	4,681	Financial Assets at FVOCI
Held-to-maturity	-	54,026	54,026	Investment Securities at Amortized Cost
Loans and Receivables	237,960	(2,665)	235,295	Loans and Receivables
Other Accounts (Includes financial and non-financial assets)	91,209	-	91,209	No change in measurement
Total Resources	421,869	4,653	426,522	

Total Equity

(Amounts in Php Millions)

Account	Original Carrying Amount under PAS 39	Impact of Early Adoption of PFRS 9	New Carrying Amount under PFRS 9
Revaluation Reserves on AFS	(5,005)	5,981	976
Retained Earnings	16,082	(797)	15,285
Other Capital Accounts	33,731	(532)	33,199
Total Equity	44,808	4,653	49,461

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 materially 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. On May 9, 2014, the BSP authorized the Bank to issue up to ₱10.0 billion of Tier 2 Notes in one or more issuances. On June 27, 2014, the Bank issued P7 Billion Basel 3-compliant Tier 2 Unsecured Subordinated Notes bearing a coupon of 5.375%. The Tier 2 Notes have a tenor of 10 years and 3 months with an early redemption option after 5 years and 3 months.

On September 5, 2014, the Bank issued an additional ₱3.0 billion Tier 2 Capital Notes that constituted a further issuance of, and formed a single series with the existing ₱7.0 billion 5.375% Unsecured Subordinated Notes due 2024 issued on June 27, 2014.

Dividends Paid for Ordinary or Other Shares. In the October 27, 2014 meeting, the Board approved the declaration and payment of cash dividends to holders of Preferred Class shares amounting to P0.05640 per share or P19 thousand, subject to the approval of the Bangko Sentral ng Pilipinas.

In the July 28, 2014 meeting, the Board approved the declaration and payment of cash dividends to holders of Preferred Class shares amounting to P0.05640 per share or P19 thousand. This was approved by the BSP on September 15, 2014 and paid on October 10, 2014.

In its meeting held on April 28, 2014, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.05700 per share or a total of P19 thousand to holders of Preferred Class shares. This was approved by the Bangko Sentral ng Pilipinas on July 25, 2014 and paid on July 30, 2014.

In its meeting held on March 31, 2014, the Board of Directors approved the declaration and payment of cash dividends amounting to P1.00 per share or a total of P1.276 billion payable to holders of Common Class shares, and a total of P642 thousand payable to holders of Preferred Class shares. These were approved by the Bangko Sentral ng Pilipinas on May 23, 2014 and paid on June 16, 2014.

In its meeting held on January 27, 2014, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.05615 per share or a total of P19 thousand to holders of Preferred Class shares. This was approved by the Bangko Sentral ng Pilipinas on February 25, 2014 and paid on March 27, 2014.

In its meeting held on October 29, 2013, the Board of Directors approved the declaration and payment of cash dividends, which was approved by Bangko Sentral on February 25, 2014, amounting to P220.435 million to holders of Hybrid Tier 1 securities and paid on April 27, 2014. The Board also approved the declaration and payment of cash dividends amounting to P212.806 million to be paid to holders of Hybrid Tier 1 securities on October 27, 2014, subject to the final approval by the Bangko Sentral ng Pilipinas.

The Board also approved the declaration and payment of cash dividends to holders of Preferred Class shares amounting to P0.05686 per share or P19 thousand which was approved by the Bangko Sentral on January 13, 2014 and paid on January 15, 2014.

The details of the 2014 cash dividend approvals and distributions for the 3 quarters are as follows (amounts in thousands except per share figures):

Date Declared	Dividend		Date Approved BSP	Date Paid/Payable	Nature of Securities
	Per Share	Total Amount			
November 26, 2012	P 0.0593	P 20	December 18, 2012	January 2, 2013	Preferred stock
November 26, 2012	*	P 203,524	March 4, 2013	April 27, 2013	Hybrid Tier 1
November 26, 2012	*	P 212,559	September 6, 2013	October 25, 2013	Hybrid Tier 1
January 28, 2013	P 0.0578	P 20	March 4, 2013	March 26, 2013	Preferred stock
March 25, 2013	P1.00	P 1,275,659	April 29, 2013	May 27, 2013	Common stock
March 25, 2013	P1.00	P 342	April 29, 2013	May 27, 2013	Preferred stock
April 29, 2013	P 0.05774	P 20	June 10, 2013	June 27, 2013	Preferred stock
July 29, 2013	P 0.05745	P 20	September 6, 2013	September 26, 2013	Preferred stock
October 29, 2013	P 0.05686	P 19	January 13, 2014	January 15, 2014	Preferred stock
October 29, 2013	*	P 224,014	February 25, 2014	April 25, 2014	Hybrid Tier 1
October 29, 2013	*	P 221,250	September 15, 2014	October 24, 2014	Hybrid Tier 1
January 27, 2014	0.05615	P 19	February 25, 2014	March 27, 2014	Preferred Stock
March 31, 2014	P1.00	P 1,275,659	May 23, 2014	June 16, 2014	Common stock
March 31, 2014	P1.00	P 342	May 23, 2014	June 16, 2014	Preferred Stock
April 28, 2014	P0.05700	P 19	July 25, 2014	July 30, 2014	Preferred Stock
July 28, 2014	P0.0564	P 19	September 15, 2014	October 10, 2014	Preferred Stock
October 27, 2014	P0.0564	P19	pending	pending	Preferred Stock

* Cash dividends on Hybrid Perpetual Securities

Segment Information. The following table presents revenues and expenses of the Parent Company that are directly attributable to primary business segments for the period ended September 30, 2014 (in millions).

	Retail Banking Group	Corporate Banking Group	Treasury / Trust	Others	Total
Results of Operations					
Net interest income	3,333	4,587	125	(654)	7,391
Non-interest income	1,738	1,015	595	447	3,795
Total revenue	5,070	5,602	720	(207)	11,186
Non-interest expense	4,502	739	302	2,220	7,764
Income (loss) before Income tax	568	4,863	417	(2,427)	3,422
Income tax provision				411	411
Net income (loss)	568	4,863	417	(2,838)	3,011

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. In its regular meeting held on 28 July 2014, the Board of Directors approved a P4.5 billion Stock Rights Offer by the Bank, subject to market conditions and receipt of regulatory approvals, exemptions, confirmations, and consents, as applicable. The Stock Rights Offer will be conducted by way of offering common shares from the unissued portion of its authorized capital stock, to all eligible shareholders of the Bank.

On 26 August 2014, the Bank’s Board of Directors approved a plan to issue up to Php 20 billion in Philippine Peso-denominated Long-Term Negotiable Certificate of Time Deposits (LTNCDs) subject to the prevailing market conditions and Bangko Sentral ng Pilipinas (BSP) approval.

On 29 September 2014, the Bank’s Board of Directors selected Cathay Life Insurance Co., Ltd. as the preferred bidder for the proposed acquisition of a 20% share block in RCBC. The proposed acquisition would involve Cathay:

- (i) subscribing to 124,340,272 primary common shares of RCBC at PHP64.00 per share to raise new Core Equity Tier 1 (CET1) capital for the Bank of PHP7.957 billion, pursuant to a Share Subscription Agreement;
- (ii) acquiring from Hexagon Investments B.V., an entity controlled by funds advised by CVC Asia Pacific Limited (“CVC”), 118,935,590 secondary shares also at PHP64.00 per share, pursuant to a Sale and Purchase Agreement;
- (iii) acquiring from the International Finance Corporation (“IFC”) 36,724,138 secondary shares at PHP64.00 per share, pursuant to a Sale and Purchase Agreement; and
- (iv) entering into a shareholders agreement with the Pan Malayan and Investment Corp and RCBC.

Transaction agreements are being negotiated and finalized. Consummation of the proposed transaction is subject to certain conditions to closing contained in these documents including approval of the transaction by the relevant Philippine regulatory authorities, Taiwanese regulatory authorities, CVC’s Board of Directors, and IFC’s Board of Directors.

The subscription to the primary shares is estimated to boost RCBC’s CET1 ratio from 10.9% to 13.5% as of June 30, 2014 on a pro-forma basis and will allow the Bank to support its asset growth.

Consequently, the Bank also formally placed on hold its planned P4.5 billion rights offer which was already approved by the PSE on 26 September 2014.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Financial Performance

	Consolidated		Parent	
	Unaudited	Audited	Unaudited	Audited
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Return on Average Assets (ROA) ^{1/}	0.95%*	1.39%	1.38%*	1.49%
	0.71%		1.03%	
Return on Average Equity (ROE) ^{2/}	8.56%*	12.18%	12.03%*	12.96%
	6.40%		9.00%	
BIS Capital Adequacy Ratio ^{3/}	15.14%	16.52%	15.05%	15.10%

Non-Performing (NPL) Ratio ^{4/}	Loans	1.08%	1.07%	0.49%	0.51%
Non-Performing (NPA) Ratio ^{5/}	Assets	1.85%	2.10%	0.55%	1.02%
Net Interest Margin (NIM)		4.31%*	4.22%	3.71%*	3.75%
Cost-to-Income Ratio		66.31%	61.14%	59.52%	57.22%
Loans-to-Deposit Ratio		80.65%	72.21%	79.20%	68.55%
Current Ratio		0.42	0.42	0.46	0.50
Liquid Assets	-to-Total Assets Ratio	0.39	0.43	0.41	0.46
Debt-to-Equity Ratio		7.82	8.42	7.19	8.07
Asset-to- Equity Ratio		8.82	9.42	8.19	9.07
Asset -to- Liability Ratio		1.13	1.12	1.14	1.12
Interest Rate Coverage Ratio		1.95	2.20	2.25	2.27
Earnings per share (EPS) ^{6/}					
Basic		2.81*	3.95	3.43*	3.52
Diluted		2.81*	3.95	3.43*	3.52

* Annualized

^{1/} Average assets for the consolidated and parent ratios were computed based on the 10-month average of end of month balances of total assets. Unaudited net income for the 9-month period ended September 30, 2014 in the amount of P3.011 billion and P3.608 billion represented the consolidated and parent, respectively.

^{2/} Average equity for the consolidated and parent ratios were, likewise, computed based on the 10-month average of end of month balances. Unaudited net income for the 9-month period ended September 30, 2014 in the amount of P3.011 billion and P3.608 billion represented the consolidated and parent, respectively.

^{3/} BIS Capital Adequacy Ratio as of December 31, 2013 was computed based on Basel 2 while BIS Capital Adequacy Ratio as of September 30, 2014 is based on Basel 3.

^{4/} Non-performing loans (NPLs) were net of total specific allowance for probable losses per BSP Circular No. 772 of 2012.

^{5/} NPAs were net of total specific allowance for probable losses.

^{6/} Total weighted average number of issued and outstanding common shares (diluted) as of September 30, 2014 – 1,275,757,005 shares; as of December 31, 2013 – 1,240,239,894 shares.

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Income	P678,597	P1,212,543
Return on Average Assets (ROA)	1.27%*	1.88%
Return on Average Equity (ROE)	12.57%*	16.06%
BIS Capital Adequacy Ratio (CAR)	13.28%	16.63%
Non-Performing Loans (NPL) Ratio	2.40%	2.17%
Non-Performing Assets (NPA) Ratio	7.11%	7.06%

MERCHANTS BANK		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Loss	(P51,384)	(P56,319)
Return on Average Assets (ROA)	(8.37%)*	(6.51%)
Return on Average Equity (ROE)	(14.89%)*	(10.65%)
BIS Capital Adequacy Ratio (CAR)	60.93%	69.79%
Non-Performing Loans (NPL) Ratio	1.07%	(0.15%)
Non-Performing Assets (NPA) Ratio	1.67%	1.49%

RCBC CAPITAL CORPORATION and Subsidiaries		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Income	P269,066	P438,637
Return on Average Assets (ROA)	7.56%*	8.29%
Return on Average Equity (ROE)	8.89%*	11.02%
BIS Capital Adequacy Ratio (CAR)	68.17%	49.00%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.24%	0.21%

RCBC FOREX BROKERS CORPORATION		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Income	P52,310	P76,829
Return on Average Assets (ROA)	14.55%*	16.98%
Return on Average Equity (ROE)	30.34%*	34.14%
Capital to Total Assets	37.65%	42.47%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Loss	(P3,544)	(P5,384)
Return on Average Assets (ROA)	(3.51%)*	(3.97%)
Return on Average Equity (ROE)	(3.62%)*	(4.09%)
Capital to Total Assets	95.74%	100.87%
Non-Performing Loans (NPL) Ratio	(7.24%)	-
Non-Performing Assets (NPA) Ratio	(0.02%)	-

RCBC NORTH AMERICA, INC.		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Loss	(P12,814)	(P22,198)
Return on Average Assets (ROA)	(27.06%)*	(18.94%)
Return on Average Equity (ROE)	(107.90%)*	(64.33%)
Capital to Total Assets	4.69%	39.36%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC TELEMONEY EUROPE S.P.A		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Income (Loss)	P14,944	(P15,317)
Return on Average Assets (ROA)	5.59%*	(4.99%)
Return on Average Equity (ROE)	204.17%*	(135.93%)
Capital to Total Assets	(1.47)%	13.04%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Income	P2,206	P2,873
Return on Average Assets (ROA)	1.20%*	1.10%
Return on Average Equity (ROE)	(2.62%)*	(2.52%)
Capital to Total Assets	(45.11%)	(47.64%)
Non-Performing Loans (NPL) Ratio	42.82%	40.03%
Non-Performing Assets (NPA) Ratio	63.51%	59.72%

NIYOG PROPERTY HOLDINGS, INC.		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Income	P30,684	P20,391
Return on Average Assets (ROA)	5.05%*	5.88%
Return on Average Equity (ROE)	5.12%*	6.00%
Capital to Total Assets	98.95%	98.97%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC LEASING AND FINANCE CORP. and Subsidiary		
In Php 000s	Unaudited	Audited
	September 30, 2014	2013
Net Income (Loss)	P18,081	P17,147
Return on Average Assets (ROA)	0.63%*	0.45%
Return on Average Equity (ROE)	4.56%*	3.24%
Capital to Total Assets	14.36%	13.31%
Non-Performing Loans (NPL) Ratio	18.77%	22.92%
Non-Performing Assets (NPA) Ratio	15.58%	17.79%

*Annualized

30 September 2014 vs. 31 December 2013

Consolidated total resources for the period ended September 30, 2014 reached P433.032 billion, P11.163 billion higher than yearend's P421.869 billion.

Due from BSP reached P47.501 billion, which accounted for 10.97% of the total resources. Due from other banks increased by 205.79% or P15.510 billion from P7.537 billion to P23.047 billion, which was attributable to the Bank's excess liquidity.

Loans and receivables-net which accounted for 57.05% of total resources reached P247.041 billion.

Portion of the Bank's Held-to-Maturity portfolio which came from the reclassification of the Available for sale (AFS) portfolio at the start of 2014 was sold in July 2014. Consequently, the total HTM portfolio has been reclassified to Available for sale securities which amounted to P83.216 billion, representing 19.22% of the total resources as of September 30, 2014. Total investment securities accounted for 16.65% of total resources and totaled P86.520 billion.

Investment Properties, net decreased by 13.87% or P635 million from P4.579 billion to P3.944 billion. Deferred Tax Assets declined by 30.09% or P25 million from P83 million to P58 million. Other resources, net also declined by 13.82% or P1.043 billion from P7.546 billion to P6.503 billion due to decrease in foreign currency checks and other cash items, prepayments, and inter-office accounts.

Total deposit liabilities, which accounted for 69.71% of total resources, reached P301.852 billion. Savings deposits stood at P162.533 billion and accounted for 37.53% of total resources. Demand deposits accounted for 6.67% of total resources and stood at P28.868 billion while the higher-costing time deposits reached P110.451 billion and accounted for 25.51% of total resources. Total CASA deposits reached P191.401 billion, which represents 44.21% of the total resources.

Bills payable decreased by 14.28% or P5.696 billion from P39.895 billion to P34.199 billion due to lower foreign currency denominated borrowings for this period. Bonds payable stood at P23.568 billion and represented 5.44% of total resources.

Accrued taxes, interest, and other expenses payable declined by 16.67% or P757 million from P4.537 billion to P3.780 billion.

Total liabilities reached P383.928 billion and accounted for 88.66% of total resources.

Revaluation reserves on AFS securities increased by 56.26% or P2.816 billion due to the appreciation in the prices of securities as a result of improvement in the financial markets. Retained earnings of P17.589 billion, represented 35.82% of total capital funds. The Bank's capital, excluding non-controlling interest, grew by 9.59% from P44.785 billion to P49.081 billion and accounted for 11.33% of total resources.

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

30 September 2014 vs. 30 September 2013

RCBC posted a net income of P3.011 billion for the period ended September 30, 2014, P1.697 billion or 36.04% lower than the P4.708 billion reported for the same period last year. Net income of P3.011 billion accounted for 19.25% of total operating income during the period.

Net interest income, representing 71.84% of total operating income, was higher by 17.15% or P1.645 billion from P9.592 billion to P11.236 billion. Interest income of P15.082 billion, representing 96.43% of total operating income, mainly consisted of interest income from loans and receivables and investment securities that accounted for 75.59% and 19.68% of total operating income, respectively. Other interest income increased by 18.22% or P28 million from P154 million to P182 million mainly due to higher average volume of Special Deposit Account for the period.

Total interest expense, making up 24.59% of total operating income, consisted of interest on deposit liabilities and interest on bills payable and other borrowings which accounted for 12.16% and 12.43% of total operating income, respectively. Interest expenses from deposit liabilities declined by 9.11% or P191 million from P2.093 billion to P1.902 billion due to lower average cost.

Accounting for 28.16% of total operating income, other operating income reached P4.404 billion, lower year-on-year by 46.61% or P3.846 billion:

- Trading and securities gain-net decreased by 62.29% or P1.793 billion from P2.879 billion to P1.086 billion
- Service fees and commissions reached P1.683 billion and accounted for 10.76% of total operating income
- Foreign exchange gains (losses)-net increased by 207.74% to P189 million
- Trust fees decreased by 6.63% or P15 million from P230 million to P215 million
- Miscellaneous income declined by 62.82% or P2.081 billion from P3.312 billion to P1.232 billion mainly due to last year's one-off gain recorded on the sale of the Bank's non-performing assets and equity investments

Other operating expenses at P10.371 billion, representing 66.31% of total operating income, were 1% or P71 million lower year-on-year due to the following:

- Taxes and licenses went down by 21.00% or P282 million from P1.343 billion to P1.061 billion mainly driven by lower gross income
- Occupancy and equipment-related costs increased slightly by 4.84% or P85 million from P1.757 billion to P1.843 billion due to branch expansion and escalation on rental fees

- Manpower costs increased by 7.12% or P201 million from P2.828 billion to P3.029 billion due to additional workforce as a result of branch expansion
- Depreciation and amortization increased by 15.91% or P154 million from P967 million to P1.121 billion primarily as a result of the setting up of additional banking channels, additional investment in software, and depreciation of RSB Corporate Center
- Miscellaneous expenses decreased by 6.46% or P229 million from P3.546 billion to P3.316 billion

Tax expense declined by 44.33% or P504 million mainly as a result of lower income.

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

Commitments and Contingent Liabilities

For the year, the Bank has budgeted P1.278 billion for capital expenditures.

In the normal course of operations of the Bank, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, tax assessments, etc., which are not reflected in the accompanying financial statements. Management does not anticipate losses from these transactions that will adversely affect operations.

In the opinion of Management, the suits and claims arising from the normal course of operations of the Bank that remain unsettled, if decided adversely, will not involve sums that would have a material effect on Bank's financial position or operating results.

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased the Iligan Plant assets of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Bank and RCBC Capital, to deliver the Plant assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US\$80,000,000.00, as and by way of lost opportunity to make profits and (b) P1,043,000,000.00, representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI filed an appeal on 1 September 2014. In a letter dated 23 September 2014, the Singapore High Court's Legal Registry advised the parties that GSPI and GIHI's appeal has been given due course, and that the Singapore Court of Appeals will hear the same beginning 26 January 2015. As such, GSPI and GIHI should file their Appellants' Case brief within two (2) months from their receipt of the said letter notice. In the meantime, the secured creditors' application for the issuance of consequential orders relating to the discharge of the injunction, costs and other matters, the purpose of which is to allow the secured creditors to obtain complete relief from the SIAC Partial Award, is set to be heard by the Singapore High Court on 17 November 2014.

The Bank's exposure is approximately P506 Million, while it has a receivable from Global Steel of P534.8 Million. On account of the full provisioning already made by the Bank, the aforesaid share is currently classified in the books of the Bank as an UDSCL with zero net book value. The Bank's exposure, however, may be varied should the amount of awarded damages be reduced and should the Iligan City agree to enter into another tax agreement.

In October 2011, the Bank filed a case before the Court of Tax Appeals questioning the 20 per cent. final withholding tax applied to Poverty Eradication and Alleviation Certificates

(PEACe Bonds) by the Bureau of Internal Revenue. The Bank subsequently withdrew this petition and joined various other banks in a petition before the Supreme Court on the same matter. Notwithstanding the issuance of a temporary restraining order by the Supreme Court, the Bureau of Treasury withheld a sum of P198.8 million in October 2011 from the Bank on its PEACe Bonds holdings. The case is still pending before the Supreme Court.

In December 2011, RCBC Securities initiated the filing of a criminal case for falsification against a former agent who carried out certain questionable transactions with her own personal clients. Since then, RCBC Securities has filed additional criminal and civil cases, including charges of BP 22, against the aforesaid former agent. These cases are now pending with the Regional Trial Court and Metropolitan Trial Court of Makati City. There is also an investigation before the Capital Markets Integrity Corporation of the Philippine Stock Exchange initiated in May 2012 requesting for an investigation on the operations of RSEC in relation to the accounts handled by the former agent and requesting the CMIC to take appropriate action. There is also a complaint filed in December 2013 before the Securities and Exchange Commission for alleged violations by RSEC of the Securities Regulation Code for improperly accounting for shares handled by the former agent. The complaints sought for penalties against RSEC, including the suspension or revocation of RSEC's license. The two complaints are pending.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely would have a 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, 2014 and December 31, 2013:

(in Millions-Php)	Consolidated		Parent	
	Unaudited September 30, 2014	Audited December 31, 2013	Unaudited September 30, 2014	Audited December 31, 2013
Derivative liabilities	28,572	44,283	28,572	44,283
Derivative assets	25,850	33,091	25,850	33,091
Trust department accounts	83,126	78,964	67,562	68,211
Outstanding guarantees issued	26,614	25,976	26,614	25,976
Spot foreign exchange bought	14,179	7,744	14,179	7,744
Spot foreign exchange sold	14,798	7,737	14,186	7,737
Unused commercial letters of credit	8,521	11,778	8,469	11,684
Inward bills for collection	1,266	874	1,266	874
Late deposits/payments received	703	881	613	735
Outward bills for collection	117	131	152	129

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.

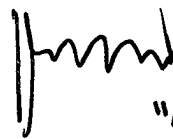
SIGNATURES

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, 2014**

FOR:



11/13/2014



LORENZO V. TAN
President & CEO



FLORENTINO M. MADONZA
SVP/Head- Controllership Group



MA. CHRISTINA P. ALVAREZ
FVP/ OIC Head- Corporate Planning Group

Date **November 14, 2014**

RIZAL COMMERCIAL BANKING CORPORATION

Aging of Accounts Receivable

As of September 30, 2014

(Amounts in Million Pesos)

	Total	1-90 days	91-180 days	181 days-1 year	more than 1 Year	Past Due accounts & Items in Litigation
Accounts Receivables	1,780	590	28	21	1,141	
Less: Allow For Doubtful Acct.	633					
Net Accounts Receivables	<u>1,147</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.*