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**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, 2016

(Fiscal Quarter Ending)

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

		(Unaudited)		(Audited)
		Sept. 30		December 31
		2016		2015
ASSETS				
Cash and Other Cash Items	P	12,778	P	14,070
Due From Bangko Sentral ng Pilipinas		65,580		50,617
Due From Other Banks		32,670		19,701
Investment Securities				
Financial Assets at Fair Value Through Profit or Loss		17,285		5,112
Financial Assets at Fair Value Through Other Comprehensive Income		4,321		4,208
Investment Securities At Amortized Cost		47,375		101,881
Loans and Receivables, net		300,354		299,119
Investments in Associates, net		353		363
Bank Premises, Furniture, Fixtures & Equipment, net		8,904		7,602
Investment Properties, net		3,200		3,370
Other Resources, net		11,526		10,018
TOTAL RESOURCES	P	<u>504,347</u>	P	<u>516,061</u>
LIABILITIES AND CAPITAL FUNDS				
Deposit Liabilities				
Demand Deposits	P	40,858		44,311
Savings Deposits		157,961		178,197
Time Deposits		134,142		119,854
Total Deposit Liabilities		332,961		342,362
Bills Payable		42,178		49,404
Bonds Payable		40,571		39,364
Accrued Taxes, Interest and Other Expenses Payable		4,503		4,453
Other Liabilities		13,450		12,413
Subordinated Debt		9,948		9,936
TOTAL LIABILITIES		<u>443,610</u>		<u>457,932</u>
Capital Funds				
Attributable to Parent Company Shareholders:				
Preferred Stock		3		3
Common Stock		13,999		13,999
Capital Paid in Excess of Par		22,636		22,635
Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income		784		688
Remeasurement of Net Defined Benefits		(1,270)		(1,268)
Cumulative Translation Adjustment		84		62
Reserve for Trust Business		391		388
Other Reserves		(97)		(97)
Surplus		24,180		21,695
		60,710		58,105
Non-controlling Interest		26		24
TOTAL CAPITAL FUNDS		<u>60,737</u>		<u>58,129</u>
TOTAL LIABILITIES & CAPITAL FUNDS	P	<u>504,347</u>	P	<u>516,061</u>

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions except for earnings per share)

	(Unaudited) Jan. 1 to September 30 2016	(Unaudited) Jan. 1 to September 30 2015	(Unaudited) July 1 to September 30 2016	(Unaudited) July 1 to September 30 2015
INTEREST INCOME ON				
Loans and receivables	P 14,402	P 12,877	4,841	P 4,405
Investment securities	2,546	2,721	702	1,039
Others	301	139	146	53
	<u>17,249</u>	<u>15,737</u>	<u>5,689</u>	<u>5,496</u>
INTEREST EXPENSE ON				
Deposit liabilities	2,318	2,261	865	766
Bills payable and other borrowings	3,075	2,013	1,030	719
	<u>5,392</u>	<u>4,274</u>	<u>1,895</u>	<u>1,485</u>
NET INTEREST INCOME	<u>11,857</u>	<u>11,463</u>	<u>3,794</u>	<u>4,011</u>
IMPAIRMENT LOSSES	<u>1,283</u>	<u>1,637</u>	<u>239</u>	<u>196</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	<u>10,574</u>	<u>9,825</u>	<u>3,555</u>	<u>3,815</u>
OTHER OPERATING INCOME				
Service fees & commissions	2,344	2,549	733	976
Trading and securities gain (losses)-net	1,498	1,371	286	(347)
Trust fees	224	215	83	73
Foreign exchange gains -net	245	193	63	136
Miscellaneous	1,390	1,137	454	324
	<u>5,701</u>	<u>5,464</u>	<u>1,619</u>	<u>1,162</u>
OTHER OPERATING EXPENSES				
Employee benefits	4,011	3,522	1,341	1,156
Occupancy & equipment-related	2,143	1,936	713	643
Taxes & Licenses	1,370	1,114	442	354
Depreciation and amortization	1,278	1,164	416	392
Miscellaneous	4,262	3,370	1,869	1,125
	<u>13,063</u>	<u>11,105</u>	<u>4,782</u>	<u>3,671</u>
INCOME BEFORE TAX	<u>3,212</u>	<u>4,184</u>	<u>392</u>	<u>1,307</u>
TAX EXPENSE (BENEFIT)	<u>(290)</u>	<u>550</u>	<u>(501)</u>	<u>198</u>
NET INCOME	<u>3,502</u>	<u>3,634</u>	<u>893</u>	<u>1,109</u>
NET INCOME ATTRIBUTABLE TO NON- CONTROLLING INTEREST	<u>1</u>	<u>(1)</u>	<u>0</u>	<u>0</u>
NET INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	<u>P 3,501</u>	<u>P 3,635</u>	<u>893</u>	<u>1,109</u>
Earnings per Share (Annualized)				
Basic	<u>P 3.34</u>	<u>P 3.68</u>		
Diluted	<u>P 3.34</u>	<u>P 3.68</u>		

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

	(Unaudited) Jan. 1 to Sept. 30 2016 (09.30.16 vs. 12.31.15)	(Unaudited) Jan. 1 to Sept. 30 2015 (09.30.15 vs. 12.31.14)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 3,212	P 4,184
Adjustments for:		
Interest income	(17,249)	(15,737)
Interest expense	5,392	4,274
Impairment losses	1,283	1,637
Depreciation and amortization	1,485	1,359
Dividend income	(318)	(118)
Equity in net earnings of associates	(98)	(51)
Operating loss before working capital changes	(6,293)	(4,453)
Increase in financial assets at fair value through profit and loss	(12,172)	(549)
Increase in loans and receivables	(3,075)	(21,682)
Decrease in investment property	170	686
Increase in other resources	(1,170)	(1,032)
Increase (Decrease) in deposit liabilities	(9,401)	16,344
Increase (Decrease) in accrued taxes, interest and other expenses	260	(359)
Increase (Decrease) in other liabilities	2,243	(728)
Cash used in operations	(29,439)	(11,773)
Interest received	17,805	15,803
Interest paid	(5,511)	(4,576)
Cash paid for taxes	199	(590)
Net Cash Used in Operating Activities	(16,946)	(1,135)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in Financial Assets at FVOCI	(17)	289
Decrease (increase) in investment securities at amortized cost	54,506	(12,787)
Acquisitions of bank premises, furniture, fixtures and equipment (net)	(2,579)	(1,515)
Cash dividends received	661	195
Increase in investments in associates	(531)	(131)
Acquisitions of software	(204)	(244)
Net Cash From (Used in) Investing Activities	51,836	(14,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) bills payable	(7,226)	11,525
Redemption of Hybrid Capital Securities		(5,173)
Dividends paid	(1,008)	(1,059)
Net proceeds from (Redemption of) bonds payable	-	692
Net proceeds from issuance of common shares	0	7,730
Net Cash From (Used in) Financing Activities	(8,234)	13,715
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,656	(1,614)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	14,070	13,085
Due from Bangko Sentral ng Pilipinas	50,617	46,099
Due from other banks	19,685	16,600
	84,373	75,784
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	12,778	10,939
Due from Bangko Sentral ng Pilipinas	65,580	49,782
Due from other banks	32,670	13,450
	P 111,029	P 74,171

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

	(Unaudited) Jan. 1 to Sept. 30 2016	(Unaudited) Jan. 1 to Sept. 30 2015
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
PREFERRED STOCK		
Balance, beginning	P 3	3
Issuance (Conversion) of preferred stock	-	-
Balance, end	<u>3</u>	<u>3</u>
COMMON STOCK		
Balance, beginning	13,999	12,757
Conversion of preferred stock to common stock	-	-
Issuance of common stock	0	1,242
Balance, end	<u>13,999</u>	<u>13,999</u>
HYBRID PERPETUAL SECURITIES		
Balance, beginning	-	4,883
Redemption	-	(4,883)
Balance, end	<u>-</u>	<u>-</u>
CAPITAL PAID IN EXCESS OF PAR		
Balance, beginning	22,635	16,148
Conversion of preferred stock to common stock	-	-
Excess of consideration given over cost of common shares issued	0	6,487
Balance, end	<u>22,636</u>	<u>22,635</u>
REVALUATION RESERVE ON FINANCIAL ASSETS AT FVOCI		
Balance, beginning as previously reported	688	835
Fair value gains (losses) during the period	96	(163)
Balance, end	<u>784</u>	<u>672</u>
ACCUMULATED TRANSLATION ADJUSTMENTS		
Balance, beginning	62	71
Translation adjustment during the period	22	10
Balance, end	<u>84</u>	<u>81</u>
OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN		
Balance, beginning	(1,268)	(224)
Remeasurement of the defined benefits during the period	(1)	(1)
Balance, end	<u>(1,270)</u>	<u>(225)</u>
RESERVE FOR TRUST BUSINESS		
Balance, beginning	388	366
Transfer from surplus free	4	5
Balance, end	<u>391</u>	<u>371</u>
OTHER RESERVES		
	<u>(97)</u>	<u>(97)</u>
SURPLUS FREE		
Balance, beginning	21,694	18,367
Net income	3,501	3,635
Cash dividends on common shares	(1,008)	(840)
Cash dividends on preferred shares	(0)	(0)
Dividends on Hybrid Capital Securities	-	(219)
Redemption of Hybrid Capital Securities	-	(723)
Transfer of fair value reserves on FVOCI	-	(53)
Retirement of Preferred Shares held by a subsidiary	(3)	-
Transfer to reserves for trust business	(4)	(5)
Balance, end	<u>24,180</u>	<u>20,162</u>
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
	<u>60,710</u>	<u>57,603</u>
NON-CONTROLLING INTEREST		
Balance, beginning	24	22
Fair value gains (losses) on available-for-sale securities, net of tax	1	1
Net Income (loss) for the year	1	(1)
Balance, end	<u>27</u>	<u>23</u>
TOTAL CAPITAL FUNDS		
	<u>P 60,737</u>	<u>57,625</u>

**RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

	Jan. 1 to Sept. 30 2016 <small>(Unaudited)</small>	Jan. 1 to Sept. 30 2015 <small>(Unaudited)</small>
NET PROFIT FOR THE PERIOD	P 3,502	P 3,634
OTHER COMPREHENSIVE INCOME (LOSSES)		
Fair value gains (losses) on Financial assets at FVOCI	96	(163)
Retirement plan	(1)	(1)
Translation adjustment during the year	22	10
Other Comprehensive Income (Loss) for the period	116	(154)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,618	3,480
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	1	1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	P 3,617	P 3,479

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 Philippine Financial Reporting Standards (PFRS).

As permitted by PFRS 9 and BSP Circular 708, the Group sold certain loans and receivables, peso and dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of ₱73.464 billion. The disposals resulted in a gain of ₱1.352 billion, which is included under Trading and securities gains-net in the statement of profit or loss. In addition, the Group concluded that the sales did not result to changes in its business models for managing financial assets to collect contractual cash flows.

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. There were no issuances, repurchases, and repayments of debts and equity securities in the interim financial statements as compared with the most recent annual financial statements.

Dividends Paid for Ordinary or Other Shares. In its meeting held on July 25, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0676 per share, or a total of approximately P19 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on September 16, 2016 and paid on October 11, 2016.

In its meeting held on April 25, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.066 per share or a total of approximately P19 thousand payable to holders of Preferred Class shares which was approved by the Bangko Sentral on June 16, 2016 and paid on June 21, 2016. The Board of Directors also approved the declaration and payment of cash dividends amounting to P0.72 per share or a total of approximately P1.007 billion payable to holders of Common Class and a total of approximately P212 thousand payable to holders of Preferred Class shares, both were approved by the Bangko Sentral ng Pilipinas on June 16, 2016 and paid on July 18, 2016.

In its meeting held on January 25, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.06495 per share, or a total of approximately P20 thousand. The dividends were paid to shareholders of Preferred Class shares on March 23, 2016.

In its meeting held on November 4, 2015, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.05928 per share, or a total of approximately P18 thousand. The dividends were paid to shareholders on December 22, 2015.

In its meeting held on July 27, 2015, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0583 per share, or a total of approximately P18 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on September 11, 2015 and paid on September 24, 2015.

In its meeting held on April 27, 2015, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.05667 per share, or a total of approximately P18 thousand payable to holders

of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on September 11, 2015 and paid on September 22, 2015.

The details of the 2016 cash dividend approvals and distributions from last quarter of 2014 up to September 30, 2016 are as follows (amounts in Thousand Php except per share figures):

Date Declared	Dividend		Date Approved by the BSP	Date Paid / Payable	Nature of Securities
	Per Share	Total Amount			
27-Oct-14	P 0.0564	P 19	19-Dec-14	28-Jan-15	Convertible Preferred Stock
27-Oct-14	P -	P 18,608	20-Mar-15	27-Apr-15	Hybrid Tier 1
26-Jan-15	P 0.0563	P 18	20-Mar-15	27-Mar-15	Convertible Preferred Stock
30-Mar-15	P 0.6000	P 39,945	13-May-15	8-Jun-15	Common Stock
30-Mar-15	P 0.6000	P 186	13-May-15	8-Jun-15	Preferred Stock
27-Apr-15	P 0.05667	P 19	11-Sep-15	22-Sep-15	Convertible Preferred Stock
27-Jul-15	P 0.0583	P 18	11-Sep-15	24-Sep-15	Convertible Preferred Stock
4-Nov-15	P 0.05928	P 18	N/A	22-Dec-15	Convertible Preferred Stock
25-Jan-16	P 0.6495	P 20	N/A	23-Mar-16	Convertible Preferred Stock
25-Apr-16	P 0.0660	P 19	16-Jun-16	21-Jun-16	Convertible Preferred Stock
25-Apr-16	P 0.7200	P 1,007,937	16-Jun-16	18-Jul-16	Common Stock
25-Apr-16	P 0.7200	P 212	16-Jun-16	18-Jul-16	Preferred Stock
25-Jul-16	P 0.0676	P 19	16-Sep-16	11-Oct-16	Convertible Preferred stock

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, 2016 (in millions).

RESULTS OF OPERATIONS					
	Retail Banking Group	Corporate Banking Group	Treasury / Trust	Others	Total
Net interest income	6,634	5,662	771	(5,064)	8,003
Non-interest income	1,929	1,020	1,854	512	5,314
Total revenue	8,563	6,682	2,625	(4,553)	13,317
Non-interest expense	4,875	1,370	448	3,463	10,155
Income (loss) before Income tax	3,688	5,312	2,178	(8,015)	3,162
Income tax benefit	-	-	-	(339)	(339)
Net income (loss)	3,688	5,312	2,178	(7,677)	3,501

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. RCBC TeleMoney Europe S.p.a ceased its operations in March 2016. It is a wholly-owned subsidiary of the bank and was established in 1995 in Rome, Italy to engage in the remittance business.

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

Material Contingencies and Any Other Events or Transactions. During the interim period, there were no changes in material contingencies and any other events or transactions.

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

Financial Performance

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES								
	Consolidated				Parent			
	Unaudited		Audited		Unaudited		Audited	
	30-Sep-16		31-Dec-15		30-Sep-16		31-Dec-15	
Return on Average Assets (ROA)* ^{1/}	0.93%		1.09%		0.86%		1.11%	
Return on Average Equity (ROE) * ^{2/}	7.82%		9.33%		6.65%		8.84%	
BIS Capital Adequacy Ratio	16.98%		15.72%		17.31%		15.63%	
Non-Performing Loans (NPL) Ratio ^{3/}	0.97%		0.79%		0.26%		0.26%	
Non-Performing Assets (NPA) Ratio ^{4/}	1.64%		1.45%		0.39%		0.37%	
Net Interest Margin (NIM)*	4.12%		4.15%		3.53%		3.62%	
Cost-to-Income Ratio ^{5/}	74.40%		67.74%		77.23%		65.75%	
Loans-to-Deposit Ratio	86.96%		86.74%		84.23%		87.12%	
Current Ratio	0.53		0.43		0.58		0.43	
Liquid Assets -to-Total Assets Ratio	0.28		0.17		0.34		0.18	
Debt-to-Equity Ratio	7.30		7.88		6.74		7.32	
Asset-to- Equity Ratio	8.30		8.88		7.74		8.32	
Asset -to- Liability Ratio	1.14		1.13		1.15		1.14	
Interest Rate Coverage Ratio	1.60		1.81		1.52		1.89	
Earnings per share (EPS)* ^{6/}								
Basic and Diluted	PHP	3.34	PHP	3.76	PHP	2.48	PHP	3.13

*September 30,2016 ratios/amounts were 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, 2016 in the amount of P3.501 billion and P2.599 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, 2016 in the amount of P3.501 billion and P2.599 billion represented the consolidated and parent, respectively.

^{3/} Non-performing loans (NPLs) were net of total specific allowance for probable losses per BSP Circular No. 772 of 2012.

^{4/} NPAs were net of total specific allowance for probable losses.

^{5/} Cost to income ratio for 2016 includes impact of P1.0B supervisory action imposed by BSP.

^{6/} Total weighted average number of issued and outstanding common shares (diluted) as of September 30, 2016 – 1,399,980,113 shares; as of December 31, 2015 – 1,362,537,128 shares.

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK In Php 000s	Unaudited		Audited
		September 30, 2016	December 31, 2015
Net Income	PHP	759,608	Php 1,250,962
Return on Average Assets (ROA)*		1.09%	1.48%
Return on Average Equity (ROE)*		10.03%	14.10%
BIS Capital Adequacy Ratio (CAR)		13.44%	13.99%
Non-Performing Loans (NPL) Ratio		2.56%	1.94%
Non-Performing Assets (NPA) Ratio		6.29%	5.23%
Earnings per Share (EPS)*	PHP	32.78	Php 40.52

RIZAL MICROBANK In Php 000s	Unaudited		Audited
		September 30, 2016	December 31, 2015
Net Loss	PHP	(7,248)	Php (64,848)
Return on Average Assets (ROA)*		-0.95%	-7.47%
Return on Average Equity (ROE)*		-1.57%	-14.11%
BIS Capital Adequacy Ratio (CAR)		68.07%	82.22%
Non-Performing Loans (NPL) Ratio		2.00%	0.00%
Non-Performing Assets (NPA) Ratio		2.49%	0.89%
Loss per Share (EPS)*	PHP	(1.10)	Php (5.76)

RCBC CAPITAL CORPORATION and Subsidiaries In Php 000s	Unaudited		Audited
		September 30, 2016	December 31, 2015
Net Income	PHP	358,093	Php 133,505
Return on Average Assets (ROA)*		11.70%	3.02%
Return on Average Equity (ROE)*		13.16%	3.59%
BIS Capital Adequacy Ratio (CAR)		28.04%	26.27%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.05%	0.01%
Earnings per Share (EPS)*	PHP	4.04	Php 1.13

RCBC FOREX BROKERS CORPORATION In Php 000s	Unaudited		Audited
		September 30, 2016	December 31, 2015
Net Income	PHP	34,713	Php 70,914
Return on Average Assets (ROA)*		18.55%	15.36%
Return on Average Equity (ROE)*		22.90%	32.73%
Capital to Total Assets Ratio		76.65%	63.92%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings per Share (EPS)*	PHP	92.48	Php 141.83

*September 30, 2016 ratios/amounts were annualized

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary In Php 000s	Unaudited		Audited
	September 30, 2016		December 31, 2015
Net Income	PHP	232	Php 3,749
Return on Average Assets (ROA)*		0.22%	2.92%
Return on Average Equity (ROE)*		0.23%	3.02%
Capital to Total Assets Ratio		98.58%	95.02%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings per Share (EPS)*	PHP	0.12	Php 1.50

RCBC NORTH AMERICA, INC. In Php 000s	Unaudited		Audited
	September 30, 2016		December 31, 2015
Net Loss	PHP	(1,517)	Php (3,825)
Return on Average Assets (ROA)*		-110.04%	-76.41%
Return on Average Equity (ROE)*		-119.44%	-178.16%
Capital to Total Assets Ratio		97.33%	215.19%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Loss per Share (EPS)*	PHP	(46.21)	Php (87.47)

RCBC TELEMONEY EUROPE S.P.A In Php 000s	Unaudited		Audited
	September 30, 2016		December 31, 2015
Net Income (Loss)	PHP	(43,451)	Php 5,276
Return on Average Assets (ROA)*		-56.60%	1.94%
Return on Average Equity (ROE)*		146.89%	45.69%
Capital to Total Assets Ratio		-160.67%	-5.67%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings (Loss) per Share (EPS)*	PHP	(578.81)	Php 52.76

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) In Php 000s	Unaudited		Audited
	September 30, 2016		December 31, 2015
Net (Loss)	PHP	(865)	Php (5,745)
Return on Average Assets (ROA)*		-0.53%	-2.53%
Return on Average Equity (ROE)*		0.97%	5.03%
Capital to Total Assets Ratio		-58.13%	-50.14%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Loss per Share (EPS)*	PHP	(0.01)	Php (0.03)

*September 30, 2016 ratios/amounts were annualized

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Unaudited		Audited
		September 30, 2016	December 31, 2015
Net Income	PHP	9,684	Php 88,670
Return on Average Assets (ROA)*		1.72%	10.68%
Return on Average Equity (ROE)*		1.79%	11.43%
Capital to Total Assets Ratio		96.02%	86.06%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings per Share (EPS)*	PHP	9.27	Php 63.75

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Unaudited		Audited
		September 30, 2016	December 31, 2015
Net Income	PHP	53,756	Php 33,983
Return on Average Assets (ROA)*		1.10%	0.81%
Return on Average Equity (ROE)*		12.27%	5.86%
Capital to Total Assets Ratio		8.12%	20.54%
Non-Performing Loans (NPL) Ratio		12.60%	15.70%
Non-Performing Assets (NPA) Ratio		8.77%	13.94%
Earnings per Share (EPS)*	PHP	0.16	Php 0.07

**September 30, 2016 ratios/amounts were annualized*

30 September 2016 vs 31 December 2015

Consolidated Total Resources of the Bank for the period ended September 30, 2016 was recorded at P504.347 billion, 2.27% down or P11.714 billion lower than P516.061 billion as of end-December 31, 2015.

Due from Bangko Sentral recorded at P65.580 billion, 29.56% higher from P50.617 billion and accounted for 13.00% of the Total Resources. Due from other banks, likewise, increased by 65.83% or P12.969 billion from P19.701 billion now at P32.670 billion.

Loans and Receivables, Net was recorded at P300.354 billion and accounted for 59.55% of the Banks's Total Resources.

Total Investment Securities accounted for 13.68% of Total Resources and totaled P68.981 billion; there was a 37.97% decrease or P42.220 billion from P111.201 billion mainly due to the sale of certain securities. Financial Assets at Fair Value Through Profit or Loss increased by 238.12% or P12.173 billion from P5.112 to P17.285 billion due to purchase of securities. Investment Securities at amortized cost, which accounted for 9.39% of Total Resources, stood at P47.375 billion.

As permitted by PFRS 9 and BSP Circular 708, the Group sold certain loans and receivables, peso and dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of P73.464 billion. The disposals resulted in a gain of P1.352 billion, which is included under Trading and securities gains-net in the statement of profit or loss. In addition, the Group concluded that the sales did not result to changes in its business models for managing financial assets to collect contractual cash flows.

Bank Premises, Furniture, Fixtures and Equipment, net grew by 17.12% or P1.302 billion from P7.602 billion to P8.904 billion attributable to the opening of new bank branches and subsidiary's acquisition of equipment for lease. Other resources, net also grew by 15.05% or P1.508 from P10.018 billion to P11.526 billion mainly due to increase in assets held for sale, and deferred tax assets, creditable withholding taxes and refundable deposits.

Total Deposit Liabilities, which accounted for 66.02% of Total Resources, settled at P332.961 billion. Savings Deposits stood at P157.961 billion and accounted for 31.32% of total resources. Demand Deposits accounted for 8.10% of total resources and stood at P40.858 billion while higher-costing time deposits reached P134.142 billion, 11.92% or P14.288 billion higher from P119.854 billion as of end-2015 and accounted for 26.60% of total resources. CASA-to-deposit ratio stood at 59.71% as of end-September 2016.

Bonds Payable, which accounted for 8.04% of Total Resources, stood at P40.571 billion. Bills Payable decreased by 14.63% or P7.226 billion from P49.404 billion to P42.178 billion and accounted for 8.36% of total resources. Other Liabilities, on the other hand, went up by 8.36% or P1.037 billion from P12.413 billion to P13.450 billion.

Total Liabilities was recorded at P443.610 billion and accounted for 87.96% of Total Resources.

Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income grew by 13.95% or up by P96 million due to revaluation of investment securities.

Cumulative Translation Adjustment increased by 36.11% or P22 million from P62 million to P84 million mainly due to the changes in the peso exchange rates used in the conversion of foreign subsidiaries.

Retained Earnings of P24.180 billion represented 39.83% of Total Capital Funds, grew by 11.45% or P2.485 billion due to net income for the period of P3.501 billion, net of P1.0 billion cash dividend paid. The Bank's Capital, excluding Non-controlling Interest grew to P60.710 billion and accounted for 12.04% 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 operational performance and ability to service obligations.

30 September 2016 vs. 30 September 2015

RCBC posted a Net Income of P3.501 billion for the nine months ended September 30, 2016, P134 million or 3.69% lower than the P3.634 billion income for the same period last year.

Net Interest Income, representing 67.53% of Total Operating Income, was recorded at P11.857 billion. Total Interest Income amounting to P17.249 billion increased by 9.61% or P1.512 billion from last year's P15.737 billion, attributable to:

- Interest Income from Loans and Receivables grew by 11.84% or P1.525 billion from P12.877 billion to P14.402 billion and accounted for 82.02% of the Total Operating Income;
- Interest Income from Investment Securities, which accounted for 14.50% of Total Operating Income, amounted to P2.546 billion; and,
- Interest Income- Others, improved by 116.43% or up by P162 million from P139 million to P301 million mainly coming from interest on overnight deposits and SDA with the BSP.

Total Interest Expense, accounted for 30.71% of Total Operating Income, was made up of Interest on Deposit Liabilities and Interest on Bills Payable and Other Borrowings which are 13.20% and 17.51% of the Total Operating Income, respectively. Total Interest Expense increased by 26.15% or P1.118 billion from P4.274 billion to P5.392 billion, with Interest Expense in Bills Payable and Other Borrowings up by 52.74% or P1.062 billion from P2.013 billion to P3.075 billion mainly due to increase in the volume of bills payable and additional issuance of \$320M at 3.45% senior notes in November 2015.

Provisioning for Impairment Losses this period, which accounted for 7.30% of the Total Operating Income was P1.283 billion, 21.66% or P355 million lower from P1.637 billion for the same period last year.

- Other Income settled at P5.701 billion and accounted for 32.47% of Total Operating Income. Items under Operating Income posted the following results:
- Service fees and commissions stood at P2.344 billion and accounted for 13.35% of total operating income.
- Trading and securities gain-net reached P1.498 billion and represented 8.53% of Total Operating Income
- Trust fees stood at P224 million.
- Foreign exchange gains improved by 26.77% or P52 million from P193 million to P245 million.
- Miscellaneous income is higher by 22.31% or P254 million from P1.137 billion in the same period last year to P1.390 billion mainly from increases in rental and dividend income.

Representing 74.40% of Total Operating Income, Other Operating Expenses increased by 17.63% or P1.958 billion from P11.105 billion to P13.063 billion due to the following:

- Employee benefits went up by 13.89% or P489 million from P3.522 billion to P4.011 billion mainly due to the additional headcount as a result of branch expansion.
- Occupancy & equipment related expenses increased by 10.70% or P207 million from P1.936 billion to P2.143 billion and consumed 12.20% of total operating income. The increase is attributable to opening of new branches and expansion in ATM network.
- Taxes and licenses grew by 22.96% or P256 million from P1.114 billion to P1.370 billion.
- Depreciation and amortization stood at P1.278 billion.
- Miscellaneous expenses settled at P4.262 billion and used up 24.27% of total operating income, which includes the P1.0 billion supervisory action imposed by the BSP in August in relation to the Bangladesh cyber heist.

Tax expense was at negative P290 million as a result of the recognition of Deferred Tax Assets.

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

Commitments and Contingent Liabilities

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 results of 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 the 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) P1,403,000,000.00, representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, which granted the same on July 31, 2014. The Singapore High Court likewise subsequently heard and granted on November 17, 2014 the secured creditors' application, among others, for the issuance of consequential orders relating to the discharge of the injunctions issued in 2008, such that applying the principle of legal set-off, the secured creditors directed the release of GSPI and GIHI's installment payment by the Facility Agent. Accordingly, the Bank and RCBC Capital received their respective share in the funds previously held in escrow. Moreover, the secured creditors may now compel GSPI and GIHI to comply with their obligations under the Omnibus Agreement (OMNA)/Asset Purchase Agreement (APA) and take legal action upon GSPI and GIHI's failure to do so.

The Singapore Court of Appeals heard GSPI and GIHI's appeal on January 26, 2015. On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court insofar as it set aside (a) the monetary award of US\$80 million and P1,403 million representing lost opportunity to make profit and the value of the Lost Land Claim in favor of GSPI and GIHI, and (b) the deferment of GSPI and GIHI's obligation to pay the purchase price of the Plant Assets. The Singapore Court of Appeals ruled that (a) the issue of lost opportunity to make profit was not properly brought before the SIAC Arbitral Tribunal, and the award in issue is unsupported by evidence; (b) the SIAC Arbitral Tribunal erred in putting a value on the Lost Land, since the secured creditors did not, at any point, concede that they will be unable to deliver the same to GSPI and GIHI by October 15, 2012; and (c) the dispute relating to GSPI and GIHI's payment obligation is an obligation under the OMNA, which is beyond the ambit of arbitration, so that the SIAC Arbitral Tribunal could not properly order the Bank, RCBC Capital and the other secured creditors to defer holding GSPI and GIHI in default. However, the Singapore Court of Appeals held that the NSC Liquidator and Secured Creditors are still required to deliver to GSPI and GIHI clean title to the NSC Plant Assets.

On 12 August 2015, the Singapore Court of Appeals heard the oral arguments of the parties on the following issues: (a) the remand of the case back to the Arbitral Tribunal or a new Arbitral Tribunal, as prayed for by GSPI and GIHI, so it can present evidence on their lost opportunity to make profit, and (b) the costs to be awarded to the NSC Liquidator and the Secured Creditors, which have been the subject of the submissions of the parties. On November 27, 2015, the Singapore Court of Appeals held that, applying the provisions of the International Arbitration Act (IAA) of Singapore, which governed the proceedings between the parties, the issue of GSPI and GIHI's lost opportunity to make profit cannot be remanded to the Arbitral

Tribunal, or to a new Arbitral Tribunal for that matter, to be litigated anew after the earlier award relating thereto has been set aside by the courts. The doctrines of *res judicata* and *abuse of process* also operate to preclude the reopening of this issue. However, as to the issue of the Lost Land Claims, the Singapore Court of Appeals opined that since this issue was not actually fully litigated before the Arbitral Tribunal, the award to GSPI and GIHI of the amount of P1,403 million is premature. Thus, this issue, covering the Billet Shop Land of 3.4071 hectares (as set out in Schedule VI of the APA), may be the subject of a fresh arbitration proceedings before a new arbitral tribunal. The Singapore Court of Appeals likewise awarded litigation costs to the liquidator but none to the secured creditors.

The Bank's exposure is approximately Php263,235,917.31 in terms of estimated property taxes and transfer costs due on the Iligan Plant assets, while it has a receivable from Global Steel of P485.5 million, taking into consideration the P49.3 million installment payment it had received from the funds previously in escrow. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as UDSCS with zero net book value. The Bank's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries), now that all pre-closing taxes on the NSC assets sold to GSPI and GIHI, covering the period 1999 to 14 October 2004, are deemed paid, following the denial with finality of the City of Iligan's Petition for Review by the Supreme Court and the issuance of an Entry of Judgment on 16 March 2016.

In defiance, however, of the aforesaid final and executory ruling, the City of Iligan (a) issued a Notice of Delinquency against NSC, seeking to collect the tax arrears covering the period 1999 to 2016, (b) levied the NSC properties to answer for its alleged tax liabilities, and (c) set the public auction thereof on 19 October 2016. The City of Iligan proceeded with such public auction, notwithstanding its timely receipt of the 18 October 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57, directing the said LGU to (a) comply with the valid and binding Tax Amnesty Agreement dated 13 October 2004, and (b) afford NSC relief from the payment of interests and penalties pursuant thereto. On 3 November 2016, members of the Iligan City police entered the NSC Plant compound and allegedly declared that the same is now owned by the said LGU. On 4 November 2016, the NSC, through the Liquidator, filed an Omnibus Motion praying that (a) the City of Iligan, the Sangguniang Panlungsod and City Treasurer be directed to show cause why they should not be held in contempt, and (b) the Auction Sale of the NSC properties held on 19 October 2016 be nullified.

In 2011, Verotel Merchant Services B.V. ("VMS"), a Netherlands corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation civilly sued the Bank, Bankard, Inc. ("Bankard"), Grupo Mercarse Corp., CNP Worldwide, Inc. ("CNP") and several individuals before the Los Angeles Superior Court for various causes of action including fraud, breach of contract and accounting, claiming that VII and its alleged parent company, VMS, failed to receive the total amount of US\$1.5 million, which the defendants allegedly misappropriated. VMS is an Internet merchant providing on-line adult entertainment and on-line gambling, in addition to the sale of pharmaceuticals over the Internet.

On December 4, 2014, Judge Bruguera of the Los Angeles Superior Court declared a mistrial and recused herself from hearing the case after one of the plaintiffs' counsel unilaterally set a mandatory settlement conference with another judge of the Los Angeles Superior Court without any directive/clearance from her court. The case was subsequently raffled to Judge Mitchell Beckloff, who heard and denied the Bank and Bankard's Motion to Vacate the orders of Judge Bruguera, who had earlier denied the Bank and Bankard's motions for summary judgment. Judge Beckloff ruled that there are material facts in dispute which will require a full-blown trial. Due to the reassignment of Judge Beckloff to another court county effective September 14, 2015, the case was heard in January 2016 by a new judge, Judge Michael J. Raphael.

Trial before Judge Raphael transpired from January 13 to 26, 2016, where the issues on prescription, VII's lack of capacity to sue and VMS's lack of standing to sue were reserved for Judge Raphael's disposition. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. However, recognizing that his

disposition of the Bank/Bankard's pending motion for nonsuit (which cited, among others, the ruling of the California Supreme Court in the case of *Greb v. Diamond International Corp.* (56 Cal. 4th 243 [2013])), will impact the jury verdict, Judge Raphael, on his own, deferred the entry of such jury verdict until after the March 10, 2016 hearing on the Bank/Bankard's motion for nonsuit.

On 10 March 2016, the Bank/Bankard informed Judge Raphael that they will, instead, be filing a motion for judgment notwithstanding verdict (JNOV) and motion for new trial, as these are more appropriate to address the fact that, not only was the litigated claim time-barred, and VII/VMS do not have the capacity and standing to sue, respectively, the very evidence presented by VII/VMS showed that (a) the monetary claim arose from transactions involving websites not owned by VII/VMS, (b) these have been registered under another merchant, and (c) therefore, the website are not covered by VII's Tripartite Merchant Agreement with Bankard. On 11 April 2016, the Bank/Bankard timely filed their motions for JNOV and new trial where they likewise assailed the many misleading statements made by the counsel for VII/VMS in his closing argument, which incited the passion and prejudice of the jurors. On April 27, 2016, the Bank/Bankard likewise timely filed their Reply to the Oppositions filed by VII/VMS.

On May 12, 2016, Judge Raphael heard, and partially granted, the Bank/Bankard's Motion for JNOV by deleting the US\$7.5 Million punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Bank/Bankard knew of, authorized, or ratified Janet Conway's fraudulent acts, and (b) Conway was a managing agent of the Bank/Bankard within the meaning of the California Civil Code Section 3294(b). However, Judge Raphael ruled that Conway was an agent of the Bank/Bankard for some purposes. Thus, he deemed the statute of limitation equitably tolled during that time Conway represented that she was negotiating to recover the funds from the defendants, as an alternative to filing a lawsuit, and sustained the award of US\$1.5 Million. Judge Raphael likewise deemed the issue of VII's lack of capacity to sue mooted as the jury did not award any damages thereto, and held that VMS has standing to bring its tort claims as it was allegedly established that VMS had a business relationship with the Bank/Bankard. As for the Motion for New Trial, Judge Raphael ruled that (a) he cannot conclude that the conduct of plaintiffs and their counsel during the trial resulted in a miscarriage of justice, and (b) at any rate, the deletion of the punitive damages mooted the issue. Judge Raphael has likewise heard, and partially granted, plaintiffs' motion for interest and awarded VMS prejudgment interest in the amount of US\$490,548.34.

On 11 July 2016, the Bank/Bankard (a) timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and (b) received a copy of the Notice of Appeal solely filed by VMS on 8 July 2016. On 21 July 2016, the Bank/Bankard timely posted the amount of US\$3,136,848.00, as and by way of security to stay the enforcement of the Amended Judgment rendered by Judge Rafael. On 29 July 2016, VMS filed an Application to File Certificate of Interested Parties Under Seal, which the Bank/Bankard opposed, pointing out that the identities subject of the disclosure were publicly disclosed in the trial proceedings and was, in fact, a central issue in this case and appeal as it relates to whether VMS has standing in this case and is entitled to any damages. In an Order dated 30 August 2016, the California Court of Appeals sustained the Bank/Bankard and directed VMS to file its Certificate of Interested Persons, not under seal; which VMS complied with on 8 September 2016. To date, the California Court of Appeals has yet to issue its order on who between the Bank/Bankard and VMS will get to file the opening brief on appeal.

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 ("CMIC") 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. The CMIC, in its letter dated 4 December 2014, dismissed the complaint on the ground of prescription and *res judicata*. The complainants' motion for reconsideration of the CMIC decision remains

pending to date. There is also a complaint filed in December 2013 before the Securities and Exchange Commission (“SEC”) 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 complaint is still pending before the SEC.

In October 2011, the Bank filed a case before the Court of Tax Appeals questioning the 20% final withholding tax on PEACe Bonds by the BIR. The Bank subsequently withdrew its petition and joined various banks in their petition before the Supreme Court on the same matter. Notwithstanding the pendency of the case and the issuance of a Temporary Restraining Order by the Supreme Court, the Bureau of Treasury withheld P199 million in October 2011 from the Bank on the interest on its PEACe bonds holdings. The amount was recognized as part of Loans and Receivables account in the statements of financial position.

On 13 January 2015, the Supreme Court nullified the 2011 BIR Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return the 20% final withholding tax it withheld on the PEACe Bonds on 18 October 2011. On 16 March 2015, the Bank and RCBC Capital Corporation (“RCAP”) filed a Motion for Clarification and/or Partial Reconsideration, seeking clarification to exclude from the definition “deposit substitutes” the PEACe Bonds since there was only one lender at the primary market, and subsequent sales in the secondary market pertain to a sale or assignment of credit, which is not subject to withholding tax. The Bank and RCAP also sought partial reconsideration to the ruling that should the PEACe Bonds be considered as deposit substitutes, the BIR should collect the unpaid final withholding tax directly from RCBC Capital / Code NGO, or any lender or investor, as withholding agents, since there was no interest earned and collection of the withholding tax, if at all, has already prescribed. The Bank and RCAP also reiterated its arguments that the tax constitutes double taxation, violates the non-impairment clause of the Constitution, and is a breach of the obligations by the Bureau of Treasury when it issued the PEACe Bonds. The Office of the Solicitor General (“OSG”), as counsel for the Republic and other public respondents, also filed a Motion for Reconsideration and Clarification, reiterating the BIR’s right to withhold 20% as Final Withholding Tax and asking for clarification on the effect of the ruling on other government securities.

In a Resolution dated 5 October 2016, the Supreme Court partially granted the Bank and RCAP’s Motion for Clarification and/or Partial Reconsideration, stating that (a) to determine whether the securities newly issued and sold by the Bureau of Treasury should be treated as “deposit substitutes”, the phrase “at any one time” in relation to “20 or more lenders” should be reckoned at the time of their original issuance, (b) this interpretation, at any rate, cannot be applied retroactively since this would prejudice the Bank and RCAP which relied in good faith on the rulings/opinions of the BIR that the transaction in issue is exempted from any final withholding tax, and (c) such being the case, the PEACe Bonds cannot be treated as deposit substitutes. On the other hand, the Supreme Court denied the Motion for Reconsideration and Clarification filed by the OSG. The Supreme Court likewise held that due to the continued refusal of the Bureau of Treasury to release the amount of Php4,966,207,796.41 which it withheld upon maturity of the PEACe Bonds, even as it could have deposited the said amount in escrow as early as 19 October 2011, in compliance with the orders issued by the High Tribunal, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of Php4,966,207,796.41, counted from the aforesaid date of 19 October 2011, until full paid.

On March 15, 2011, the BIR issued Revenue Regulations No. 4-2011 (RR 4-2011) which prescribed that for income tax reporting purposes, banks and other financial institutions must (a) report costs and expenses either under RBU or FCDU/EFCDU or OBU if specifically identified as such; or (b) allocate such cost and expenses, which cannot be specifically identified, based on percentage share of gross income earnings of a unit.

The BIR, however, issued assessment notices to banks and other financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU and within FCDU.

On April 6, 2015, Petitioner-Banks, including RCBC and member-banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Preliminary Injunction (P.I.), with the Regional Trial Court (RTC) of Makati. Further, in Civil Case No. 15-287, the Petitioner-Banks assailed the validity of RR 4-2011 on various grounds including but not limited to (a) that the said RR was issued and implemented in violation of the petitioner-banks' substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; and (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation.

On April 8, 2015, RTC Makati issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, RTC Makati issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the Petitioner-Banks, including the issuance of Preliminary Assessment Notice or Final Assessment Notice, as the case may be, based on the revenue regulations, pending litigation, unless sooner dissolved.

On 10 June 2015, RTC Makati issued a Confirmatory Order which confirms the effects of the TRO and WPI that the writ of preliminary injunction currently in effect includes a prohibition against the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as Petitioners are concerned.

In February 2016, there was an alleged unauthorized transfer of funds from the Bank of Bangladesh to four (4) accounts in RCBC, which were eventually transferred to various accounts outside of RCBC. In August 2016, the Monetary Board approved the imposition of supervisory action on RCBC to pay the amount of P1.0 billion in relation to the completed special examination. There may be other cases arising from these events. The Bank has fully recognized in the Consolidated Statement of Income the P1.0 Billion supervisory action as part of Miscellaneous Expenses. On 12 August 2016, the Bank already paid with the BSP Php500 Million of the penalty with the remaining balance due in August 2017, in accordance with the terms set by the BSP. The Bank does not expect these penalties to affect its ability to perform its existing obligations or unduly hamper its operations.

There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations.

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, 2016 and December 31, 2015:

In Million Php	Consolidated		Parent	
	Unaudited	Audited	Unaudited	Audited
	30-Sep-2016	31-Dec-2015	30-Sep-2016	31-Dec-2015
Derivative liabilities	36,099	32,102	36,099	32,102
Derivative assets	36,453	30,822	36,453	30,822
Trust department accounts	89,295	87,097	65,886	65,974
Outstanding guarantees issued	31,785	29,210	31,785	29,210
Spot foreign exchange bought	4,266	2,343	4,266	2,343
Spot foreign exchange sold	4,470	2,525	4,266	2,346
Unused commercial letters of credit	9,854	12,574	9,819	12,508
Inward bills for collection	2,004	1,861	2,004	1,861
Late deposits/payments received	665	511	567	477
Outward bills for collection	103	85	101	84

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, 2016**


GIL A. BUENAVENTURA
President & CEO


FLORENTINO M. MADONZA
SVP, Head - Controllership Group


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

