# COVER SHEET

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S.E.C. Registration Number

R I Z A L   C O M M E R C I A L   B A N K I N G

C O R P O R A T I O N   A N D   S U B S I D I A R I E S

(Company's Full Name)

Y U C H E N G C O   T O W E R ,   R C B C   P L A Z A,

6 8 1 9   A Y A L A   A V E N U E ,   M A K A T I   C I T Y

| | |
|---|---|
| CARMELA V. SILVERIO | 8 9 4 9 0 0 0 |
| Contact Person | Company Telephone Number |

| | | | | | |
|---|---|---|---|---|---|
| 0 6 | 3 0 | 1 7 Q | | | |
| *Month* | *Day* | FORM TYPE | | *Month* | *Day* |
| Fiscal Year | | | | Annual Meeting | |

Secondary License Type, If Applicable

| | |
|---|---|
| S E C | |
| Dept. Requiring this Doc. | Amended Articles Number/Section |

Total Amount of Borrowings

| | | |
|---|---|---|
| | | |
| Total No. of Stockholders | Domestic | Foreign |

To be accomplished by SEC Personnel concerned

| | |
|---|---|
| File Number | LCU |
| Document I.D. | Cashier |

S T A M P S

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)

**June 30, 2017**

(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 fiscal year ended **June 30, 2017**
2. SEC Identification Number 17514 4. BIR Tax Identification No. 000-599-760-000
3. Exact name of registrant as specified in its charter: **RIZAL COMMERCIAL BANKING CORPORATION**
5. Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City 0727
   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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common Stock, P10 par value | 1,399,915,876 (as of 30 June 2017) |

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 17 of the SRC thereunder or Section 11 of the 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);

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**

### RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
### STATEMENTS OF FINANCIAL POSITION
***(Amounts in Millions of Philippine Pesos)***

| | Note | 6/30/2017 (Unaudited) | 12/31/2016 (Audited) |
|---|---|---|---|
| **RESOURCES** | | | |
| **CASH AND OTHER CASH ITEMS** | | **P 12,437** | P 15,176 |
| **DUE FROM BANGKO SENTRAL NG PILIPINAS** | | **65,028** | 66,520 |
| **DUE FROM OTHER BANKS** | | **32,536** | 25,293 |
| **LOANS UNDER REVERSE REPURCHASE AGREEMENT** | | **4,494** | 7,889 |
| **TRADING AND INVESTMENT SECURITIES** | 3 | **72,084** | 75,622 |
| **LOANS AND RECEIVABLES -** Net | 4 | **326,446** | 306,167 |
| **INVESTMENTS IN ASSOCIATES** - Net | | **426** | 383 |
| **BANK PREMISES, FURNITURE, FIXTURES & EQUIPMENT-** Net | | **8,859** | 8,876 |
| **INVESTMENT PROPERTIES** - Net | | **3,550** | 3,229 |
| **DEFERRED TAX ASSETS** | | **2,154** | 2,177 |
| **OTHER RESOURCES -** Net | 5 | **9,055** | 9,862 |
| **TOTAL RESOURCES** | | **P 537,069** | P 521,194 |
| **LIABILITIES AND CAPITAL FUNDS** | | | |
| **DEPOSIT LIABILITIES** | 6 | **382,388** | 353,077 |
| **BILLS PAYABLE** | 7 | **34,281** | 37,643 |
| **BONDS PAYABLE** | 8 | **28,353** | 41,595 |
| **ACCRUED TAXES, INTEREST AND OTHER EXPENSES** | | **4,240** | 4,823 |
| **OTHER LIABILITIES** | 9 | **13,845** | 11,970 |
| **SUBORDINATED DEBT** | 10 | **9,960** | 9,952 |
| **Total Liabilities** | | **473,066** | 459,060 |
| **CAPITAL FUNDS** | | | |
| **Attributable to Parent Company Shareholders:** | | | |
| Preferred Stock | 11 | **3** | 3 |
| Common Stock | 11 | **13,999** | 13,999 |
| Capital Paid in Excess of Par | | **22,636** | 22,636 |
| Other Comprehensive Income: | | | |
| Net Unrealized Gains on Financial Assets At Fair Value Through Other Comprehensive Income | | **2,055** | 2,128 |
| Cumulative Translation Adjustment | | **87** | 86 |
| Retirement plan | | **( 1,229 )** | ( 1,593 ) |
| Reserve for Trust Business | | **417** | 415 |
| Other Reserves | | **( 97 )** | ( 97 ) |
| Retained Earnings | | **26,105** | 24,531 |
| | | **63,975** | 62,108 |
| **Non-controlling Interest** | | **28** | 26 |
| **Total Capital Funds** | | **64,003** | 62,134 |
| **TOTAL LIABILITIES AND CAPITAL FUNDS** | | **P 537,069** | P 521,194 |

***See Notes to Interim Financial Statements.***

**RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES**

**STATEMENTS OF INCOME**

***(Amounts in Millions of Philippine Pesos, Except Per Share Data)***

| | Note | **1/1/2017 to 6/30/2017 (Unaudited)** | 1/1/2016 to 6/30/2016 (Unaudited) | **4/1/2017 to 6/30/2017 (Unaudited)** | 4/1/2016 to 6/30/2016 (Unaudited) |
|---|---|---|---|---|---|
| **INTEREST INCOME ON** | | | | | |
| Loans and receivables | | **P 10,304** | P 9,561 | **P 5,251** | P 4,753 |
| Investment securities | | **1,481** | 1,844 | **794** | 798 |
| Others | | **334** | 155 | **190** | 105 |
| | | **12,120** | 11,560 | **6,235** | 5,656 |
| **INTEREST EXPENSE ON** | | | | | |
| Deposit liabilities | | **1,898** | 1,453 | **965** | 732 |
| Bills payable and other borrowings | | **1,597** | 2,044 | **793** | 1,072 |
| | | **3,495** | 3,497 | **1,758** | 1,805 |
| **NET INTEREST INCOME** | | **8,625** | 8,063 | **4,477** | 3,851 |
| **IMPAIRMENT LOSSES - Net** | | **986** | 1,044 | **653** | 580 |
| **NET INTEREST INCOME AFTER IMPAIRMENT LOSSES** | | **7,639** | 7,019 | **3,825** | 3,271 |
| **OTHER OPERATING INCOME (CHARGES)** | | | | | |
| Service fees and commissions | | **1,480** | 1,611 | **642** | 849 |
| Trading and securities gain - net | | **796** | 1,152 | **763** | 434 |
| Foreign exchange gains (losses) - net | | **323** | 242 | **171** | 7 |
| Trust fees | | **141** | 142 | **72** | 72 |
| Miscellaneous | 12 | **1,039** | 936 | **507** | 612 |
| | | **3,780** | 4,082 | **2,155** | 1,974 |
| **OTHER OPERATING EXPENSES** | | | | | |
| Employee benefits | | **2,950** | 2,670 | **1,479** | 1,337 |
| Occupancy and equipment-related | | **1,514** | 1,429 | **759** | 716 |
| Depreciation and amortization | | **948** | 862 | **488** | 451 |
| Taxes and licenses | | **890** | 928 | **458** | 522 |
| Miscellaneous | 12 | **2,359** | 2,392 | **1,276** | 1,287 |
| | | **8,660** | 8,281 | **4,459** | 4,313 |
| **PROFIT BEFORE TAX** | | **2,759** | 2,820 | **1,521** | 932 |
| **TAX EXPENSE** | | **412** | 211 | **177** | 126 |
| **NET PROFIT** | | **2,346** | 2,608 | **1,344** | 807 |
| **NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST** | | **1** | 1 | **1** | 0 |
| **NET PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS** | | **P 2,345** | P 2,608 | **P 1,343** | P 806 |
| **Earnings Per Share (Annualized)** | | | | | |
| Basic | | **P 3.38** | P 3.75 | | |
| Diluted | | **P 3.38** | P 3.75 | | |

***See Notes to Interim Financial Statements***

**RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF CASH FLOWS**
***(Amounts in Millions of Philippine Pesos)***

| | Note | 1/1/2017 to 6/30/2017 (Unaudited) | 1/1/2016 to 6/30/2016 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profits before tax | | P 2,759 | P 2,820 |
| Adjustments for: | | | |
| Interest income | | ( 12,120 ) | ( 11,560 ) |
| Interest expense | | 3,495 | 3,497 |
| Impairment losses | | 986 | 1,044 |
| Depreciation and amortization | | 948 | 862 |
| Dividend income | | ( 216 ) | ( 254 ) |
| Share in net earnings of associates | | ( 46 ) | ( 68 ) |
| Operating income before working capital changes | | ( 4,194 ) | ( 3,659 ) |
| Decrease (Increase) in financial assets at fair value through profit and loss | 3 | 11,920 | ( 9,653 ) |
| Increase in loans and receivables | 4 | ( 21,081 ) | ( 5,888 ) |
| Decrease (Increase) in investment property | | ( 321 ) | 107 |
| Decrease (Increase) in other resources | 5 | 814 | ( 468 ) |
| Increase (Decrease) in deposit liabilities | 6 | 29,311 | ( 22,538 ) |
| Increase (Decrease) in accrued taxes, interest and other expenses | | ( 388 ) | 144 |
| Increase in other liabilities | 9 | 2,246 | 2,190 |
| Cash generated from (used in) operations | | 18,307 | ( 39,764 ) |
| Interest received | | 11,936 | 11,987 |
| Interest paid | | ( 3,731 ) | ( 3,493 ) |
| Cash paid for taxes | | ( 343 ) | ( 241 ) |
| Net Cash From (Used in) Operating Activities | | 26,169 | ( 31,511 ) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease (increase) in Financial Assets at FVOCI | 3 | 39 | ( 5 ) |
| Decrease (increase) in Investment securities at amortized cost | 3 | ( 8,497 ) | 47,682 |
| Acquisitions of bank premises, furniture, fixtures and equipment (net) | | ( 778 ) | ( 2,036 ) |
| Cash dividends received | | 216 | 487 |
| Increase in investments in subsidiaries and associates | | - | ( 469 ) |
| Acquisitions of intangibles | | ( 154 ) | ( 123 ) |
| Net Cash From (Used in) Investing Activities | | ( 9,174 ) | 45,537 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceed from (payments of) bills payable | 7 | ( 3,362 ) | 2,707 |
| Dividends paid | | ( 773 ) | ( 1,008 ) |
| Redemption of bonds payable | | ( 13,242 ) | - |
| Net proceeds from issuance of common stock | | ( 0 ) | 0 |
| Net Cash From (Used in) Financing Activities | | ( 17,378 ) | 1,699 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | ( 383 ) | 15,725 |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | | | |
| Cash and other cash items | | 15,176 | 14,070 |
| Due from Bangko Sentral ng Pilipinas | | 66,520 | 50,617 |
| Due from other banks | | 25,293 | 19,685 |
| Loans and Receivables under reverse repurchase agreement | | 7,889 | - |
| | | 114,878 | 84,373 |
| **CASH AND CASH EQUIVALENTS, END** | | | |
| Cash and other cash items | | 12,437 | 13,813 |
| Due from Bangko Sentral ng Pilipinas | | 65,028 | 65,110 |
| Due from other banks | | 32,536 | 21,175 |
| Loans and Receivables under reverse repurchase agreement | | 4,494 | - |
| | | P 114,494 | P 100,098 |

***See Notes to Interim Financial Statements.***

**RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF CHANGES IN CAPITAL FUNDS**
***(Amounts in Millions of Philippine Pesos)***

| | Note | 1/1/2017 to 6/30/2017 (Unaudited) | 1/1/2016 to 6/30/2016 (Unaudited) |
|---|---|---|---|
| **ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS** | | | |
| **PREFERRED STOCK** | 11 | | |
| Balance, beginning | | 3 | 3 |
| Conversion of preferred stock to common stock | | (0) | (0) |
| Balance,end | | 3 | 3 |
| **COMMON STOCK** | 11 | | |
| Balance, beginning | | 13,999 | 13,999 |
| Conversion of preferred stock to common stock | | 0 | - |
| Balance, end | | 13,999 | 13,999 |
| **CAPITAL PAID IN EXCESS OF PAR** | | | |
| Balance, beginning | | 22,636 | 22,635 |
| Conversion of preferred stock to common stock | | 0 | - |
| Balance,end | | 22,636 | 22,636 |
| **NET UNREALIZED GAINS/(LOSSES) ON FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME** | | | |
| Balance, beginning | | 2,128 | 688 |
| Fair value gains (losses) during the period | | (73) | 165 |
| Balance, end | | 2,055 | 853 |
| **CUMULATIVE TRANSLATION ADJUSTMENTS** | | | |
| Balance, beginning | | 86 | 62 |
| Translation adjustment during the period | | 1 | 20 |
| Balance, end | | 87 | 81 |
| **OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN** | | | |
| Balance, beginning | | (1,593) | (1,268) |
| Remeasurement of the defined benefits during the priod | | 364 | (1) |
| Balance, end | | (1,229) | (1,270) |
| **RESERVE FOR TRUST BUSINESS** | | | |
| Balance, beginning | | 415 | 388 |
| Transfer from retained earnings - free | | 2 | 4 |
| Balance, end | | 417 | 391 |
| **OTHER RESERVES** | | (97) | (97) |
| **RETAINED EARNINGS** | | | |
| Beginning balance, as previously reported | | 24,531 | 21,694 |
| Net profit | | 2,345 | 2,608 |
| Cash dividends on common shares | | (773) | (1,008) |
| Cash dividends on preferred shares | | (0) | (0) |
| Transfer of fair value reserves on FVOCI | | 3 | - |
| Transfer to reserves for trust business | | (2) | (4) |
| Balance, end | | 26,105 | 23,287 |
| **ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS** | | P 63,976 | P 59,884 |
| **MINORITY INTEREST** | | | |
| Balance, beginning | | 26 | 24 |
| Fair value gains on available-for-sale securities | | 1 | 1 |
| Net Profit for the year | | 1 | 1 |
| Balance, end | | 28 | 26 |
| **TOTAL CAPITAL FUNDS** | | P 64,003 | P 59,910 |

***See Notes To Interim Financial Statements.***

**RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF COMPREHENSIVE INCOME**
***(Amounts in Millions of Philippine Pesos)***

| | 1/1/2017 to 6/30/2017 Note | 1/1/2016 to 6/30/2016 (Unaudited) | 4/1/2017 to 6/30/2017 (Unaudited) | 4/1/2016 to 6/30/2016 (Unaudited) |
|---|---|---|---|---|
| **NET PROFIT FOR THE PERIOD** | **P 2,346** | P 2,608 | **P 1,343** | P 806 |
| **OTHER COMPREHENSIVE INCOME (LOSSES) DURING THE PERIOD:** | | | | |
| Fair value gains (losses) on Financial assets at Other Comprehensive Income | **( 73 )** | 165 | **( 31 )** | 191 |
| Retirement plan | **364** | ( 1 ) | **-** | ( 6 ) |
| Translation adjustments on foreign operations | **1** | 20 | **31** | 184 |
| **Other Comprehensive Income for the period** | **292** | 183 | **( 0 )** | **369** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **P 2,638** | P 2,792 | **P 1,343** | **P 1,175** |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST** | **1** | 1 | | |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS** | **P 2,637** | P 2,790 | | |

***See Notes to Interim Financial Statements.***

# RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
# NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
# JUNE 30, 2017 AND DECEMBER 31, 2016
***(Amounts in Millions of Philippine Pesos)***

## 1. CORPORATE MATTERS

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. It also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

As a banking institution, the Group's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). As such, the Group is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Group's activities are subject to the provisions of Republic Act (RA) No. 8791, the *General Banking Law of 2000*, and other related banking laws.

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

### *2.1 Basis of Preparation of Financial Statements*

*(a) Statement of Compliance with Philippine Financial Reporting Standards*

The interim financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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.

*(b) Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in two statements: a "statement of profit or loss" and a "statement of comprehensive income."

*(c) Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency. All amounts are in millions, except per share data or when otherwise indicated.

### 2.2 Basis of Consolidation and Accounting for Investments in Subsidiaries and Associates in the Separate Financial Statements

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

### 2.3 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

*(a) Classification, Measurement and Reclassification of Financial Assets*

Under PFRS 9, *Financial Instruments*, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding pages.

*(i) Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

*(ii) Financial Assets at Fair Value Through Profit or Loss (FVPL)*

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVPL at initial recognition, are measured at FVPL. Equity investments are classified as financial assets at FVPL, unless the Group designates an equity investment that is not held for trading as at *Financial Assets at Fair Value Through Other Comprehensive Income* (FVOCI) at initial recognition. The Group's financial assets at FVPL include government securities, corporate bonds, equity securities, which are held for trading purposes or designated as at FVPL.

Financial assets at FVPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVPL category and realized gains or losses arising from disposals of these instruments are included in Trading and Securities Gains under Other Operating Income account in the statement of profit or loss.

*(iii) Financial Assets at Fair Value Through Other Comprehensive Income*

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Surplus account.

*(b) Impairment of Financial Assets*

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

*(i)* significant financial difficulty of the issuer or obligor;

*(ii)* a breach of contract, such as a default or delinquency in interest or principal payments;

*(iii)* the Group granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

*(iv)* it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

*(v)* the disappearance of an active market for that financial asset because of financial difficulties; or,

*(vi)* observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

*(c)* *Derecognition of Financial Assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## *2.4 Financial Liabilities*

Financial liabilities which include deposit liabilities, bills payable, bonds payable, subordinated debt, accrued interest and other expenses, and other liabilities (except tax-related payables, post-employment defined benefit obligation and deferred income) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

## *2.5 Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

## *2.6 Revenue and Expense Recognition*

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably.

### *2.7 Impairment of Non-financial Assets*

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each CGU and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except for intangible assets with indefinite useful life and goodwill, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

### *2.8 Income Taxes*

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, tax authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of profit or loss.

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax assets are reassessed at the end of each reporting period. Previously unrecognized deferred tax assets are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

### *2.9 Related Party Relationships and Transactions*

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the funded retirement plan of each of the entities under the Group.

### *2.10 Events After the End of the Reporting Period*

Any event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

## 3. TRADING AND INVESTMENT SECURITIES

This account is composed of the following:

| | **6/30/2017 (Unaudited)** | 12/31/2016 (Audited) |
|---|---|---|
| Financial assets at FVPL | **P 6,159** | P 18,079 |
| Financial assets at FVOCI | **5,564** | 5,679 |
| Investment securities at amortized cost | **60,361** | 51,864 |
| | **P 72,084** | P 75,622 |

### *3.1 Financial Assets at FVPL*

This account is composed of the following:

| | **6/30/2017 (Unaudited)** | 12/31/2016 (Audited) |
|---|---|---|
| Government securities | **P 2,506** | P 14,822 |
| Corporate debt securities | **1,578** | 514 |
| Derivative financial assets | **1,309** | 1,179 |
| Equity securities | **766** | 1,564 |
| | **P 6,159** | P 18,079 |

### *3.2 Financial Assets at FVOCI*

This account is composed of the following:

| | **6/30/2017 (Unaudited)** | 12/31/2016 (Audited) |
|---|---|---|
| Quoted equity securities | **P 3,815** | P 3,920 |
| Unquoted equity securities | **1,749** | 1,759 |
| | **P 5,564** | P 5,679 |

### *3.3 Investments at Amortized Cost*

This account is composed of the following:

| | | 6/30/2017 (Unaudited) | | 12/31/2016 (Audited) |
|---|---|---|---|---|
| Government securities | **P** | **33,494** | P | 25,990 |
| Corporate debt securities | | **26,867** | | 25,874 |
| | **P** | **60,361** | P | 51,864 |

As permitted by PFRS 9 and BSP Circular 708, the Group sold in 2017 certain dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of P10,876. The disposals resulted in a gain of P438, 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.

## 4. LOANS AND RECEIVABLES

This account consists of the following:

| | | 6/30/2017 (Unaudited) | | 12/31/2016 (Audited) |
|---|---|---|---|---|
| Receivable from customers: | | | | |
| Loans and discounts | **P** | **295,471** | P | 281,025 |
| Credit card receivables | | **13,947** | | 12,760 |
| Customers' liabilities on acceptances, import bills and trust receipts | | **10,037** | | 7,675 |
| Bills purchased | | **2,511** | | 2,128 |
| Lease contract receivable | | **2,541** | | 2,085 |
| Receivables financed | | **308** | | 229 |
| | | **324,815** | | 305,902 |
| Unearned discount | | **( 731)** | | ( 243) |
| | | **324,084** | | 305,659 |
| Other receivables: | | | | |
| Accrued interest receivable | | **2,876** | | 2,784 |
| Sales contract receivable | | **1,849** | | 1,770 |
| Accounts receivable | | **2,673** | | 1,594 |
| Unquoted debt securities classified as loans | | **2,239** | | 1,256 |
| Interbank loans receivables | | **506** | | 515 |
| | | **10,143** | | 7,919 |
| | | **334,227** | | 313,578 |
| Allowance for impairment | | **( 7,781)** | | ( 7,411) |
| | **P** | **326,446** | P | 306,167 |

## 5. OTHER RESOURCES

This account consists of the following:

| | 6/30/2017 (Unaudited) | 12/31/2016 (Audited) |
|---|---|---|
| Asset held-for-sale and disposal group | **P 2,249** | P 3,888 |
| Creditable withholding taxes | **1,789** | 1,569 |
| Branch licenses | **1,002** | 1,005 |
| Software – net | **906** | 960 |
| Prepaid expenses | **812** | 457 |
| Goodwill | **426** | 426 |
| Returned checks and other cash items | **370** | 220 |
| Refundable deposits | **315** | 304 |
| Unused stationery and supplies | **235** | 202 |
| Foreign currency notes | **77** | 52 |
| Inter-office float items | **26** | 112 |
| Margin deposits | **17** | 20 |
| Sundry debits | **11** | 6 |
| Miscellaneous | **1,012** | 929 |
| | **9,247** | 10,150 |
| Allowance for impairment | **( 192)** | ( 288) |
| | **P 9,055** | P 9,862 |

## 6. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

| | 6/30/2017 (Unaudited) | 12/31/2016 (Audited) |
|---|---|---|
| Demand | **P 48,917** | P 42,053 |
| Savings | **171,038** | 162,926 |
| Time | **162,433** | 148,098 |
| | **P 382,388** | P 353,077 |

Included in the time deposits are the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of June 30, 2017 and December 31, 2016 as follows:

| | | | Outstanding Balance | |
|---|---|---|---|---|
| Issuance Date | Maturity Date | Coupon Interest | 6/30/2017 (Unaudited) | 12/31/2016 (Audited) |
| December 19, 2014 | June 19, 2020 | 4.13% | **P 2,100** | P 2,100 |
| November 14, 2013 | May 14, 2019 | 3.25% | **2,860** | 2,860 |
| November 14, 2013 | May 14, 2019 | 0.00% | **2,005** | 1,970 |
| May 7, 2012 | November 7, 2017 | 5.25% | **1,150** | 1,150 |
| December 29, 2011 | June 29, 2017 | 5.25% | **-** | 2,033 |
| December 29, 2011 | June 29, 2017 | 0.00% | **-** | 1,768 |
| | | | **P 8,115** | P 11,881 |

The Parent Company's LTNCDs were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes.

## 7. BILLS PAYABLE

This account consists of borrowings from:

| | 6/30/2017 (Unaudited) | 12/31/2016 (Audited) |
|---|---|---|
| Foreign banks | P **25,131** | P 26,985 |
| Local banks | **9,147** | 10,548 |
| Others | **3** | 110 |
| | P **34,281** | P 37,643 |

## 8. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

| Issuance Date | Maturity Date | Coupon Interest | Face Value | Outstanding Balance 6/30/2017 (Unaudited) | Outstanding Balance 12/31/2016 (Audited) |
|---|---|---|---|---|---|
| November 2, 2015 | February 2, 2021 | 3.45% | $ 320 | P **16,150** | P 15,869 |
| January 21, 2015 | January 22, 2020 | 4.25% | 243 | **12,203** | 12,053 |
| January 30, 2012 | January 31, 2017 | 5.25% | 275 | **-** | 13,673 |
| | | | $ 838 | P **28,353** | P 41,595 |

## 9. OTHER LIABILITIES

Other liabilities consist of the following:

| | 6/30/2017 (Unaudited) | 12/31/2016 (Audited) |
|---|---|---|
| Accounts payable | P **5,600** | P 5,210 |
| Manager's checks | **1,401** | 1,108 |
| Post-employment defined benefit obligation | **1,387** | 1,735 |
| Outstanding acceptances payable | **1,318** | 822 |
| Bills purchased – contra | **1,176** | 721 |
| Derivative financial liabilities | **539** | 385 |
| Deposits on lease contracts | **527** | 167 |
| Other credits | **364** | 342 |
| Withholding taxes payable | **202** | 205 |
| Payment orders payable | **163** | 167 |
| Sundry credits | **133** | 82 |
| Due to BSP | **70** | 33 |
| Guaranty deposits | **63** | 58 |
| Miscellaneous | **902** | 935 |
| | P **13,845** | P 11,970 |

## 10. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7,000 Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3,000 of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7,000 Tier 2 Notes.

## 11. EQUITY

The movements in the outstanding capital stock are as follows:

| | Number of Shares* | |
|---|---|---|
| | **6/30/2017 (Unaudited)** | 12/31/2016 (Audited) |
| Preferred stock – voting, non-cumulative non-redeemable, participating convertible into common stock – P10 par value | | |
| Authorized – 200,000,000 shares | | |
| Balance at beginning of year | **293,987** | 310,145 |
| Conversion of shares during the year | **( 14,994)** | ( 16,158) |
| Balance at end of year | **278,993** | 293,987 |
| Common stock – P10 par value | | |
| Authorized – 1,400,000,000 shares | | |
| Balance at beginning of year | **1,399,912,464** | 1,399,908,746 |
| Conversion of shares during the year | **3,412** | 3,718 |
| Balance at end of year | **1,399,915,876** | 1,399,912,464 |

**Amounts in absolute number of shares*

## 12. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

### *12.1 Miscellaneous Income*

| | **6/30/2017 (Unaudited)** | 12/31/2016 (Unaudited) |
|---|---|---|
| Rentals | **P 341** | P 280 |
| Dividend income | **216** | 254 |
| Recoveries from written-off assets | **92** | 79 |
| Gains on assets sold | **47** | 30 |
| Others | **343** | 293 |
| | **P 1,039** | P 936 |

***12.2 Miscellaneous Expenses***

| | | **6/30/2017 (Unaudited)** | | 12/31/2016 (Unaudited) |
|---|---|---|---|---|
| Insurance | **P** | **482** | P | 444 |
| Credit card related expenses | | **426** | | 337 |
| Communication and information | | **218** | | 229 |
| Management and other professional fees | | **174** | | 294 |
| Advertising and publicity | | **159** | | 131 |
| Transportation and travel | | **109** | | 121 |
| Litigation/asset acquired expenses | | **107** | | 191 |
| Banking fees | | **98** | | 97 |
| Service processing fees | | **69** | | 71 |
| Stationery and office supplies | | **68** | | 64 |
| Others | | **449** | | 413 |
| | **P** | **2,359** | P | 2,392 |

## 13. COMMITMENTS AND CONTINGENCIES

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

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

***13.1 Contingent Accounts, Guarantees and Other Commitments***

The following is a summary of contingencies and commitments arising from off-statement of financial position items at their equivalent peso contractual amounts as of March 31, 2017 and December 31, 2016:

| | | **6/30/2017 (Unaudited)** | | 12/31/2016 (Audited) |
|---|---|---|---|---|
| Trust department accounts | **P** | **90,678** | P | 84,804 |
| Derivative liabilities | | **50,441** | | 27,256 |
| Derivative assets | | **46,223** | | 32,172 |
| Outstanding guarantees issued | | **36,033** | | 31,828 |
| Unused commercial letters of credit | | **8,726** | | 10,783 |
| Spot exchange sold | | **8,884** | | 5,455 |
| Spot exchange bought | | **8,817** | | 5,452 |
| Inward bills for collection | | **3,131** | | 2,169 |
| Late deposits/payments received | | **636** | | 540 |
| Outward bills for collection | | **86** | | 84 |
| Others | | **17** | | 17 |

### *13.2 Sale of National Steel Corporation (NSC) Plant Asset*

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI) (collectively, "Global Steel"), which purchased the Iligan Plant assets of the NSC ("NSC Plant Assets") from the Liquidator in 2004, initiated arbitration proceedings with the Singapore International Arbitration Centre ("SIAC") seeking damages on account of the failure of the Liquidator and the Secured Creditors, including the Bank and RCBC Capital Corporation ("RCAP"), to deliver the NSC Plant Assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the said assets to secure 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 Global Steel in the total amount of (a) US$80 , as and by way of lost opportunity to make profits and (b) P1,403, representing the value of the undelivered Billet Shop Land measuring 3.4071 hectares (the "Lost Land Claim").

On appeal, and on July 31, 2014, the Singapore High Court set aside the Partial Award, and subsequently granted the Secured Creditors' application for the lifting of the injunctions issued in 2008 and directed the release of Global Steel's installment payment to the Secured Creditors. Accordingly, the Bank and RCAP received their respective share in the funds previously held in escrow. Moreover, the Secured Creditors may now compel Global Steel to comply with their obligations under the Omnibus Agreement (OMNA)/Asset Purchase Agreement (APA) and take legal action upon Global Steel's failure to do so.

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 and P1,403 representing lost opportunity to make profit and the value of the Lost Land Claim in favor of Global Steel, respectively, and (b) the deferment of Global Steel's obligation to pay the purchase price of the NSC Plant Assets. The Singapore Court of Appeals ruled that (a) aside from the lack of jurisdiction to rule on the issue of lost opportunity to make profit and absence of evidentiary support for the award, and (b) the premature ruling on the issue of the Lost Land Claim, the dispute relating to Global Steel'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, RCAP and the other Secured Creditors to defer holding Global Steel in default. However, the Singapore Court of Appeals held that the NSC Liquidator and Secured Creditors are still required to deliver to Global Steel clean title to the NSC Plant Assets.

On November 27, 2015, the Singapore Court of Appeals further held that the issue of Global Steel'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 setting aside of the Partial Award. The doctrines of res judicata and abuse of process also operated to preclude the reopening of this issue. However, the Singapore Court of Appeals held that the Lost Land Claim 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 P202 in terms of estimated property taxes and transfer costs due on the NSC Plant Assets, while it has a receivable from Global Steel in the amount of P485.5, taking into consideration the P49.3 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 UDSCL 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 Global Steel, 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 March 16, 2016.

In defiance, however, of the aforesaid final and executory ruling, the City of Iligan auctioned the NSC Plant Assets and other NSC assets, to collect the taxes covering the period 1999 to 2016, on

October 19, 2016, even after the LGU received the October 18, 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57 ("Makati Trial Court"), directing it to (a) comply with the valid and binding Tax Amnesty Agreement dated October 13, 2004, and (b) afford NSC relief from the payment of interests and penalties. On November 3, 2016, the Iligan City police took possession of the NSC Plant compound. On November 4, 2016, the NSC, through the Liquidator, filed an Omnibus Motion praying that the City of Iligan, the Sangguniang Panlunsod and City Treasurer be directed to show cause why they should not be held in contempt, and for the nullification of the Auction Sale of the NSC properties held on October 19, 2016.

In an Order dated April 4, 2017, the Makati Trial Court (a) nullified the public auction of the NSC Plant Assets, among others, (b) enjoined any and all real property tax collection actions against the NSC until the Decision dated October 7, 2011, which held that the NSC pre-closing taxes have been paid, is fully executed and NSC's remaining tax liabilities are correctly computed. The Makati Trial Court likewise (a) directed the Iligan City Treasurer to show cause why she should not be held in contempt of court for holding the auction sale of the NSC Plant Assets without clearing NSC of the pre-closing taxes, and (b) directed the Iligan City Treasurer, among others, to inform the Makati Trial Court of the names of the responsible persons who ordered, aided and abetted her assailed conduct. The LGU and the Iligan City Treasurer, among others, moved the reconsideration of the April 4, 2017 Order.

### *13.3 Verotel Merchant Services B.V. Case*

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, 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.

After nearly five (5) years, and after being transferred to a fourth judge, the case went to trial from January 13, 2016 to January 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 Michael J. Raphael's disposition. On January 27, 2016, the jury rendered a verdict solely in favor of VMS. On March 10, 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. On April 11, 2016, the Bank/Bankard timely filed their motions for JNOV and new trial, and 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 punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Bank/Bankard knew of, authorized, or ratified fraudulent acts, and (b) Janet 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, and sustained the award of US$1.5. Judge Raphael likewise denied the Bank/Bankard's Motion for New Trial, and likewise partially granted, plaintiffs' motion for interest and awarded VMS prejudgment interest in the amount of US$0.5.

On July 11, 2016, the Bank/Bankard timely filed their Notice of Appeal on the partial denial of their Motion for JNOV with the California Court of Appeals, and received a copy of the Notice of Appeal solely filed by VMS on July 8, 2016. On July 21, 2016, the Bank/Bankard timely posted the amount of US$3.1, as and by way of security to stay the enforcement of the Amended Judgment rendered by Judge Rafael. On September 8, 2016, VMS filed its unsealed Certificate of Interested Persons, after the California Court of Appeals sustained the Bank/Bankard's position that the identities subject of the disclosure was, in fact, a central issue in this case and the appeal, as it relates to whether VMS has standing in this case and is entitled to any damages. In an Order dated, and filed, on November 16, 2016, the California Court of Appeals adopted the briefing sequence proposed by the Bank/Bankard, thus, allowing the full ventilation of the case on appeal. In a notice dated January 25, 2017, the California Court of Appeals informed the parties of the filing of the reporter's transcripts.

In the meantime, on March 7, 2017, Judge Raphael granted VMS's motion for cost of proof sanction and directed the Bank/Bankard to pay VMS the additional amount of US$0.08, to cover the cost of (a) the services of expert witnesses and (b) their presentation during the trial, given his ruling that the Bank/Bankard unjustifiably denied VMS's request for admission that they failed to comply with MasterCard and VISA association rules. The Bank/Bankard timely filed their Notice of Appeal on the aforementioned Order of Judge Raphael but no longer posted any additional filing fees, following VMS's agreement not seek to enforce of the said award during the pendency of the appeal. Following the approved briefing sequence, and upon filing the corresponding motions for extension of time, the Bank/Bankard are due to file their Opening Brief on their Appeal with the California Court of Appeals on August 2, 2017.

### *13.4 RCBC Securities Case*

In December 2011, RCBC Securities, Inc. ("RSEC") initiated the filing of a criminal case for falsification against its former agent, Mary Grace V. Valbuena ("Valbuena"), who carried out certain questionable transactions with her own personal clients. Since then, RSEC has filed additional criminal and civil cases, including charges of violations of Batas Pambasa Blg. 22 ("BP 22"), against the aforesaid former agent. On November 17, 2016, the Metropolitan Trial Court of Makati City, Branch 66, convicted Valbuena of the crime of BP 22 and directed her to (a) pay a fine of P0.2, with subsidiary imprisonment in case of insolvency, (b) pay RSEC the amount of Php7.2, with interest at the rate of six percent (6%) per annum, counted from the filing of the complaint on February 9, 2012, until the said amount is fully paid, and (c) pay the costs of suit. Valbuena filed her Notice of Appeal before the Regional Trial Court of Makati City where the same is still pending.

In May 2012, the Capital Markets Integrity Corporation ("CMIC") conducted an investigation on the complaint filed by Francisco Ken Cortes against RSEC. In September 2014, Carlos S. Palanca IV ("Palanca") and Cognatio Holdings, Inc. ("Cognatio") likewise filed a complaint against RSEC with the CMIC, even as Cognatio's earlier complaint dated December 20, 2013 against RSEC, its former Vice President for Operations/Chief Finance Officer, its former Compliance Officer and Valbuena, is pending with the Enforcement and Investor Protection Department of the Securities and Exchange Commission ("EIPD-SEC") ("SEC Cognatio Case"). In its Letter-Decision dated December 4, 2014, the CMIC dismissed the complaint on the ground of prescription and res judicata. Consequently, Palanca/Cognatio respectively appealed the case to the SEC En Banc, which granted the appeals of Palanca/Cognation and reversed the CMIC's decision. In turn, RSEC appealed the SEC En Banc's reversal of the CMIC decision to the Court of Appeals, which remains pending.

As for the SEC Cognatio Case, on April 21, 2017, the EIPD-SEC issued an Order of even date directing RSEC, its former Compliance Officer, and Valbuena to show cause why they should not be held liable for violation of the Securities Regulations Code ("SRC") and its Implementing Rules and Regulations ("SRC-IRR"). RSEC filed its reply to the said Order. The case remains pending with the EIPD-SEC.

On February 22, 2013, Stephen Y. Ku ("Ku") filed a complaint against RSEC with the Regional Trial Court of Makati, Branch 149 (the "Makati Trial Court"), praying, among others, for the return of his shares of stock and cash payments which he claims to have turned over to Valbuena. On May 20, 2013, RSEC sought the dismissal of the complaint on the ground of non-payment of the correct filing fees and failure to state a case of action, which was, however, denied by the Makati Trial Court. Aggrieved, RSEC filed a Petition for Certiorari with the Court of Appeals on November 22, 2013, which was given due course. In the Decision dated October 9, 2014, the Court of Appeals sustained RSEC's position and ordered the dismissal of the complaint pending before the Makati Trial Court on the ground of lack of jurisdiction. In a Petition for Review dated September 15, 2015, Ku sought the reversal of the ruling of the Court of Appeals, and as an alternative, prayed to be allowed to re-file his Complaint sans docket fees. The case remains pending with the Supreme Court.

### *13.5 Poverty Eradication and Alleviation Certificates Bonds*

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 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 January 13, 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 October 18, 2011. On March 16, 2015, the Bank and 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 RCAP/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 October 5, 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 P4,966 which it withheld upon maturity of the PEACe Bonds, in violation of the order issued by the Supreme Court, the Bureau of Treasury is liable to pay legal interest of six percent (6%) per annum on the aforesaid amount of Php4,966, counted from October 19, 2011, until full paid.

The OSG sought leave of court to seek the partial reconsideration of the foregoing ruling of the Supreme Court. In the Notice of Resolution dated November 22, 2016, the Supreme Court denied for lack of merit the Motion for Leave to File Motion for Partial Reconsideration and to Admit Motion for Partial Reconsideration filed by the OSG on the ground that a second motion for reconsideration is a prohibited pleading. The Notice of Resolution further stated that no further pleadings or motions will be entertained. On April 11, 2017, the Bank received a copy of the Entry of Judgment stating, among others, that the Decision date January 13, 2015 and the Resolution dated August 16, 2016, which partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Bank and RCAP, became final and executory on October 20, 2016.

### *13.6 Applicability of RR 4-2011*

On March 15, 2011, the Bureau of Internal Revenue ("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, the Bank and other member-banks of the Bankers Association of the Philippines ("BAP") ("Petitioners"), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order ("TRO") and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati ("Makati Trial Court"), wherein the Petitioners assailed the validity of RR 4-2011 on the ground, among others, that (a) RR 4-2011 violates the Petitioners' 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, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, Makati Trial Court 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 Bank and other BAP member banks, including the issuing Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, Makati Trial Court issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Bank and other BAP member banks are concerned. The Pre-trial Conference of the case began on 2 August 2016 is still ongoing, and has been reset to August 3, 2017.

### *13.7 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh*

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 P1,000 in relation to the completed special examination. There may be other cases arising from these events. The Bank has fully recognized in the 2016 Consolidated Statement of Income the P1,000 supervisory action as part of Miscellaneous Expenses. The first tranche of payment was made on August 12, 2016 followed by the second and final tranche on May 4, 2017 which was made ahead of the August 2017 deadline set by the BSP. The Bank's payment of the penalty did not 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.

**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).

See accompanying Notes to Interim Financial Statements for the detailed discussion of compliance with Generally Accepted Accounting Principles.

**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 Cyclicality 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 January 31, 2017, senior unsecured fixed-rate notes amounting to $275 million with coupon and yield rate of 5.25% already matured. Also, on June 29, 2017, a fixed-rate LTNCD amounting to P2.033 billion with a coupon and yield rate at 5.25% and a zero-coupon LTNCD amounting to P1.816 billion with a yield of 5.50% already matured.

**Dividends Paid for Ordinary or Other Shares.** In its meeting held on April 24, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0807 per share or a total of approximately P23 thousand payable to holders of Preferred Class shares which was approved by the Bangko Sentral on April 26, 2017 and paid on June 23, 2017. The Board of Directors also approved the declaration and payment of cash dividends amounting to P0.5520 per share or a total of approximately P772 million payable to holders of Common Class and a total of approximately P154 thousand payable to holders of Preferred Class shares, both were approved by the Bangko Sentral ng Pilipinas on April 26, 2017 and paid on May 25, 2017.

In its meeting held on January 30, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.07491 per share, or a total of approximately P21 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on March 22, 2017 and paid on March 24, 2017.

In its meeting held on November 2, 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.07244 per share, or a total of approximately P21 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on January 13, 2017 and paid on January 17, 2017.

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.

The details of the 2017 cash dividend approvals and distributions from 2016 up to June 30, 2017 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 | | | | |
| 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 | Convertible Preferred stock |
| 25-Jul-16 | P | 0.0676 | P | 19 | 16-Sep-16 | 11-Oct-16 | Convertible Preferred stock |
| 2-Nov-16 | P | 0.0724 | P | 21 | 13-Jan-17 | 17-Jan-17 | Convertible Preferred stock |
| 30-Jan-17 | P | 0.0749 | P | 21 | 22-Mar-17 | 24-Mar-17 | Convertible Preferred stock |
| 24-Apr-17 | P | 0.0807 | P | 23 | 26-Apr-17 | 23-Jun-17 | Convertible Preferred stock |
| 24-Apr-17 | P | 0.5520 | P | 772,754 | 26-Apr-17 | 25-May-17 | Common Stock |
| 24-Apr-17 | P | 0.5520 | P | 154 | 26-Apr-17 | 25-May-17 | Convertible Preferred Stock |
| 24-Apr-17 | P | 0.0807 | P | 23 | 26-Apr-17 | 23-Jun-17 | 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 June 30, 2017 (in millions).

| RESULTS OF OPERATIONS | Retail Banking Group | Corporate Banking Group | Treasury / Trust | Others | Total |
|---|---|---|---|---|---|
| Net interest income | 4,985 | 4,095 | 778 | (3,968) | 5,890 |
| Non-interest income | 1,456 | 754 | 900 | 536 | 3,647 |
| Total revenue | 6,442 | 4,848 | 1,678 | (3,432) | 9,537 |
| Non-interest expense | 3,544 | 988 | 275 | 2,020 | 6,828 |
| Income (loss) before Income tax | 2,898 | 3,860 | 1,403 | (5,453) | 2,709 |
| Income tax expense | - | - | - | 363 | 363 |
| Net income (loss) | 2,898 | 3,860 | 1,403 | (5,816) | 2,346 |

**Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements.** On August 11, 2017, the Bank issued P2.5 Billion Peso LTNCDs with a tenor of five years and six months, coupon rate of 3.750% per annum.

**Changes in Composition of the Issuer During the Interim Period.** There were no material changes in Composition of the Issuer during the Interim Period.

**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-Jun-17 | 31-Dec-16 | 30-Jun-17 | 31-Dec-16 |
| Return on Average Assets (ROA)* 1/ | 0.91% | 0.77% | 1.13% | 0.93% |
| Return on Average Equity (ROE) * 2/ | 7.50% | 6.42% | 7.51% | 6.43% |
| BIS Capital Adequacy Ratio | 15.20% | 16.16% | 15.14% | 16.23% |
| Non-Performing Loans (NPL) Ratio 3/ | 1.35% | 0.98% | 0.43% | 0.17% |
| Non-Performing Assets (NPA) Ratio 4/ | 1.43% | 1.63% [A] | 0.49% | 0.33% |
| Net Interest Margin (NIM)* | 4.26% | 4.06% | 3.78% | 3.47% |
| Cost-to-Income Ratio | 69.81% | 76.05% | 66.48% | 74.30% |
| Loans-to-Deposit Ratio | 84.89% | 89.07% | 85.13% | 89.71% |
| Current Ratio | 0.48 | 0.56 | 0.51 | 0.52 |
| Liquid Assets -to-Total Assets Ratio | 0.23 | 0.26 | 0.23 | 0.26 |
| Debt-to-Equity Ratio | 7.39 | 7.39 | 5.70 | 5.73 |
| Asset-to- Equity Ratio | 8.39 | 8.39 | 6.70 | 6.73 |
| Asset -to- Liability Ratio | 1.14 | 1.14 | 1.18 | 1.17 |
| Interest Rate Coverage Ratio | 1.79 | 1.50 | 2.04 | 1.59 |
| Earnings per share (EPS)* 5/ | | | | |
| Basic and Diluted | PHP 3.38 | PHP 2.76 | PHP 3.38 | PHP 2.76 |

**June 30,2017 ratios/amounts were annualized*　　*A - Restated from 1.52% to 1.63%*

1/ Average assets for the consolidated and parent ratios were computed based on the 7-month average of end of month balances of total assets. Unaudited net income for the 6-month period ended June 30, 2017 in the amount of P2.345 billion represented the consolidated and parent.

2/ Average equity for the consolidated and parent ratios were, likewise, computed based on the 7-month average of end of month balances. Unaudited net income for the 6-month period ended June 30, 2017 in the amount of P2.345 billion represented the consolidated and parent.

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/ Total weighted average number of issued and outstanding common shares (diluted) as of June 30, 2017 – 1,399,979,294 shares; as of December 31, 2016 – 1,399,979,278 shares.

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

| RCBC SAVINGS BANK | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Income | PHP | 632,902 | Php 1,005,140 |
| Return on Average Assets (ROA)* | | 1.18% | 1.05% |
| Return on Average Equity (ROE)* | | 11.51% | 9.89% |
| BIS Capital Adequacy Ratio (CAR) | | 13.44% | 13.44% |
| Non-Performing Loans (NPL) Ratio | | 3.75% | 2.88% |
| Non-Performing Assets (NPA) Ratio | | 4.35% | 5.95% |
| Earnings per Share (EPS)* | PHP | 41.34 | Php 32.56 |

| RIZAL MICROBANK | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Loss | PHP | (1,724) | Php (3,384) |
| Return on Average Assets (ROA)* | | -0.26% | -0.33% |
| Return on Average Equity (ROE)* | | -0.56% | -0.55% |
| BIS Capital Adequacy Ratio (CAR) | | 52.14% | 65.28% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.09% |
| Non-Performing Assets (NPA) Ratio | | 0.83% | 1.24% |
| Loss per Share (EPS)* | PHP | (0.40) | Php (0.30) |

| RCBC CAPITAL CORPORATION and Subsidiaries | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Income | PHP | 521,772 | Php 294,079 |
| Return on Average Assets (ROA)* | | 23.31% | 7.13% |
| Return on Average Equity (ROE)* | | 27.96% | 8.14% |
| BIS Capital Adequacy Ratio (CAR) | | 37.72% | 27.99% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.00% |
| Non-Performing Assets (NPA) Ratio | | 0.03% | 0.05% |
| Earnings per Share (EPS)* | PHP | 8.91 | Php 2.49 |

| RCBC FOREX BROKERS CORPORATION | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Income | PHP | 1,263 | Php 39,917 |
| Return on Average Assets (ROA)* | | 1.35% | 16.60% |
| Return on Average Equity (ROE)* | | 1.42% | 20.14% |
| Capital to Total Assets Ratio | | 95.04% | 77.08% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.00% |
| Non-Performing Assets (NPA) Ratio | | 0.00% | 0.00% |
| Earnings per Share (EPS)* | PHP | 5.09 | Php 79.83 |

**June 30, 2017 ratios/amounts were annualized*

| RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Loss | PHP | (3,925) | Php (1,931) |
| Return on Average Assets (ROA)* | | -5.54% | -1.38% |
| Return on Average Equity (ROE)* | | -5.68% | -1.40% |
| Capital to Total Assets Ratio | | 96.47% | 100.05% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.00% |
| Non-Performing Assets (NPA) Ratio | | 0.00% | 0.00% |
| Loss per Share (EPS)* | PHP | (3.17) | Php (0.77) |

| RCBC NORTH AMERICA, INC.[1] | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Loss | PHP | - | Php (1,555) |
| Return on Average Assets (ROA)* | | 0.00% | -91.01% |
| Return on Average Equity (ROE)* | | 0.00% | -90.98% |
| Capital to Total Assets Ratio | | 58.70% | 217.45% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.00% |
| Non-Performing Assets (NPA) Ratio | | 0.00% | 0.00% |
| Loss per Share (EPS)* | PHP | - | Php (35.56) |

| RCBC TELEMONEY EUROPE S.P.A [2] | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Loss | PHP | (4,254) | Php (45,056) |
| Return on Average Assets (ROA)* | | -40.32% | -52.36% |
| Return on Average Equity (ROE)* | | 11.48% | -110.16% |
| Capital to Total Assets Ratio | | -649.32% | -47.43% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.00% |
| Non-Performing Assets (NPA) Ratio | | 0.00% | 0.00% |
| Loss per Share (EPS)* | PHP | (85.79) | Php (450.56) |

| RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.) | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Income (Loss) | PHP | (4,470) | Php 2,259 |
| Return on Average Assets (ROA)* | | -4.72% | 1.05% |
| Return on Average Equity (ROE)* | | 7.40% | -1.88% |
| Capital to Total Assets Ratio | | -65.00% | -62.35% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.00% |
| Non-Performing Assets (NPA) Ratio | | 0.00% | 0.00% |
| Earnings (Loss) per Share (EPS)* | PHP | (0.05) | Php 0.01 |

**June 30, 2017 ratios/amounts were annualized*

*[1]The company ceased its operations in March2014. Waiting for final liquidation closure.*
*[2]The company ceased its operations in March 2016. Waiting for final liquidation closure.*

| NIYOG PROPERTY HOLDINGS, INC. | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Income | PHP | 10,851 | Php 10,414 |
| Return on Average Assets (ROA)* | | 3.08% | 1.40% |
| Return on Average Equity (ROE)* | | 3.22% | 1.46% |
| Capital to Total Assets Ratio | | 95.49% | 94.43% |
| Non-Performing Loans (NPL) Ratio | | 0.00% | 0.00% |
| Non-Performing Assets (NPA) Ratio | | 0.00% | 0.00% |
| Earnings per Share (EPS)* | PHP | 15.73 | Php 7.49 |

| RCBC LEASING AND FINANCE CORP. and Subsidiary | Unaudited | | Audited |
|---|---|---|---|
| In Php 000s | June 30, 2017 | | December 31, 2016 |
| Net Income | PHP | 43,368 | Php 70,218 |
| Return on Average Assets (ROA)* | | 1.10% | 1.04% |
| Return on Average Equity (ROE)* | | 13.60% | 11.23% |
| Capital to Total Assets Ratio | | 8.11% | 13.95% |
| Non-Performing Loans (NPL) Ratio | | 10.73% | 12.51% |
| Non-Performing Assets (NPA) Ratio | | 7.64% | 8.41% |
| Earnings per Share (EPS)* | PHP | 0.19 | Php 0.15 |

**June 30, 2017 ratios/amounts were annualized*

**30 June 2017 vs 31 December 2016**

Consolidated Total Resources of the Bank for the first half of 2017 was recorded at P537.069 billion.

Cash and other Cash Items decreased by 18.05% or P2.739 billion from P15.176 billion to P12.437 billion. Due from Bangko Sentral recorded at P65.028 billion, and accounted for 12.11% of the Total Resources. Due from other Banks increased by 28.63% or P7.243 billion, from P25.293 billion to P32.536 billion mainly due to foreign bank placements arising from the sale of investment securities.

Loans under repurchase agreement decreased by 43.04% or P3.395 billion, from P7.889 billion to P4.494 billion. Loans and Receivables, Net increased by 6.62% or P20.279 billion from P306.167 billion to P326.446 billion and accounted for 60.78% of the Banks's Total Resources. The expansion is mainly due to the growth in all the lending segments of the Bank: corporate, consumer, and SME.

Investment Securities at Amortized Cost increased by 17.82% or P9.240 billion from P51.864 billion to P61.104 billion, mainly due to the purchase of new securities. It accounted for 11.38% of the Total Resources. Total Investment Securities stood at P72.827 billion and accounted for 13.56% of Total Resources.

Investments in Associates, net grew by 11.25% or P43 million from P383 million to P426 million.

Total Deposit Liabilities, which accounted for 71.20% of Total Resources, settled at P382.388 billion, up by 8.30% or P29.311 billion from P353.077 billion as of December 31, 2016. Savings Deposits stood at P171.038 billion and accounted for 31.85% of total resources. Demand Deposits accounted for 9.11% of total resources increased by 16.32% or P6.864 billion from P42.053 billion to P48.917 billion while higher-costing time deposits reached P162.432 billion and accounted for 30.24% of total resources. CASA-to-deposit ratio was recorded at 57.52%. The increase in total deposits was driven by the performance of the branches, corporate accounts, and cash management & services.

Bills Payable decreased by 8.93% or P3.362 billion from P37.643 billion to P34.281 billion. Bonds Payable, likewise, decreased by 31.84% or P13.242 billion from P41.595 billion to P28.353 billion mainly due to maturity of $275 million Senior Notes in January 2017.

Total Liabilities stood at P473.033 billion and accounted for 88.08% of Total Resources.

Total Capital Funds reached P64.003 billion and accounted for 11.92% 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 June 2017 vs. 30 June 2016**

RCBC posted a Net Income of P2.346 billion for the first half of 2017, P262 million or 10.05% lower than the P2.608 billion income for the same period last year.

Net Interest Income, representing 69.53% of Total Operating Income, stood at P8.625 billion, 6.98% or P563 million higher from P8.063 billion in the same period last year. Interest Income from Loans and Receivables grew by 7.78% or P744 million from P9.561 billion to P10.304 billion and accounted for 83.07% of the Total Operating Income. Interest Income from Investment Securities which accounted for 11.94% of Total Operating Income decreased by 19.69% or P363 million from P1.844 billion to P1.481 billion. On the other hand, other interest income increased by 116.03% or P180 million from P155 million to P334 million.

Total Interest Expense, accounted for 28.17% of Total Operating Income, was made up of Interest on Deposit Liabilities and Interest on Bills Payable and Other Borrowings which are 15.30% and 12.87% of the

Total Operating Income, respectively. Total Interest Expense stood at P3.495 billion; interest expense in deposit liabilities grew by 30.58% or P444 million from P1.453 billion to P1.898 billion mainly due to higher average volume of time deposits; interest expense in bills payable and other borrowings, on the other hand, decreased by 21.87% or P447 million from P2.044 billion to P1.597 billion due to the maturity of certain Senior Notes.

Provisioning for Impairment Losses this period, which accounted for 7.95% of the Total Operating Income was at P986 million, 5.51% or P57 million lower from P1.044 billion that was set for the same period last year.

Other Income settled at P3.780 billion, 7.41% or P302 million lower than same period last year, and accounted for 30.47% of Total Operating Income. The decrease in Other Income was mainly due to lower trading gains compared to the same period last year. Items under Operating Income posted the following results:

- Service fees and commissions decreased by 8.11% or P131 million and represented 11.93% of Total Operating Income, this was mainly due to lower loan related fees and lower bancassurance commission.
- Trading and securities gain-net recorded at P796 million, 30.89% or P359 million lower from P1.152 billion in the same period last year.
- Foreign exchange gains went up by 33.76% or P82 million from P242 million last year, now at P323 million.
- Trust fees stood at P141 million.
- Miscellaneous income was higher by 10.98% or P103 million from the same period last year at P936 million now at P1.039 billion driven by the increase in rental income due to improved volume of leasing business

Representing 69.81% of Total Income, Other Operating Expenses was recorded at P8.660 billion. Items under Other Operating Expenses posted the following results:

- Employee benefits went up by 10.48% or P280 million from P2.670 billion to P2.950 billion mainly due to the additional headcount as a result of branch expansion.
- Occupancy & equipment related expenses stood at P1.514 billion and consumed 12.21% of total operating income.
- Taxes and licenses settled at P890 million.
- Depreciation and amortization increased by 9.95% or P86 million from P862 million to P954 million as a result of setting up of additional banking channels, renovation of existing branches, and acquisition of equipment for lease.
- Miscellaneous expenses settled at P2.359 billion and used up 19.01% of total operating income.

Tax expense reached P412 million and increased by 95.09% or P201 million as a result of higher deferred tax expense relating to the origination and reversal of temporary differences.

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

**Commitments and Contingent Liabilities**

See accompanying Notes to FS for the detailed discussion of Commitments and Contingent Liabilities and the summary of contingencies and commitments arising from off-balance sheet items at their equivalent peso contractual amounts (Note 13).

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 **August 14, 2017**

**GIL A. BUENAVENTURA**
President & CEO

**FLORENTINO M. MADONZA**
SVP, Head - Controllership Group

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

**RIZAL COMMERCIAL BANKING CORPORATION**
**Aging of Other Receivables**
**30-Jun-17**
**(Amounts in PHP)**

| | | 1-90 days | 91-180 days | 181-1 year | Over one year | Total | Allow | Net |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| | | | | | | | | |
| | Accounts Receivable | 1,537,622,671.89 | 24,243,690.72 | 340,400,713.37 | 827,878,448.00 | 2,730,145,523.98 | 243,991,809.26 | 2,486,153,714.72 |
| | | | | | | | | |
| | | | | | | | | |