

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, 2014

(Fiscal Quarter Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

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

1. For the quarterly period ended June 30, 2014
2. Commission identification number 17514
3. BIR Tax Identification No. 000-599-760
4. Exact name of registrant as specified in its charter : **RIZAL COMMERCIAL
BANKING CORP.**
5. Philippines
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only) Industry Classification Code
7. 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City 1200
Address of principal office Postal Code
8. 632/ 894-9000
Registrant's telephone number, including area code
9. Not applicable
Former name, former address & former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | <u>Title of Each Class
Outstanding</u> | <u>Number of Shares of Common Stock
Outstanding and Amount of Debt</u> |
|--|--|
| Common Stock, P10 par value | 1,275,658,638 (as of 06/30/14) |
11. Are any or all of these securities listed on the Philippine Stock Exchange
Yes (x) No ()
12. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) : (Note : Sec. 26 of the CCP deals with reporting of election of directors or officers to the SEC; Sec. 141 with the submission of financial statements to the SEC.)
Yes (x) No ()
- (b) has been subject to such filing requirements for the past 90 days
Yes (x) No ()

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements ^{1/}

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

	(Reviewed) June 30 2014	(Audited) December 31, 2013
ASSETS		
Cash and Other Cash Items	P 9,592	P 9,826
Due From Bangko Sentral ng Pilipinas	54,412	52,491
Due From Other Banks	11,464	7,537
Investment Securities		
Financial Assets at Fair Value Through Profit or Loss	3,360	3,288
Available for Sale Securities, net	21,018	89,412
Held-to-Maturity Investments	71,694	0
Loans and Receivables, net	235,900	237,960
Investments in Associates, net	296	333
Bank Premises, Furniture, Fixtures & Equipment, net	8,596	8,814
Investment Properties, net	4,824	4,579
Other Resources, net	6,289	7,629
TOTAL RESOURCES	P 427,445	P 421,869
LIABILITIES AND CAPITAL FUNDS		
Deposit Liabilities		
Demand Deposits	P 28,406	P 28,448
Savings Deposits	159,283	157,065
Time Deposits	113,406	112,340
Total Deposit Liabilities	P 301,095	P 297,853
Bills Payable	35,609	39,895
Bonds Payable	22,926	23,317
Accrued Taxes, Interest and Other Expenses Payable	4,203	4,537
Other Liabilities	11,390	11,459
Subordinated Debt	6,940	0
TOTAL LIABILITIES	P 382,163	P 377,061
Capital Funds		
Attributable to Parent Company Shareholders:		
Preferred Stock	3	3
Common Stock	12,757	12,757
Hybrid Perpetual Securities	4,883	4,883
Capital Paid in Excess of Par	16,148	16,148
Treasury Shares, at Cost		
Other Comprehensive Income		
Revaluation Reserves on Available-for-sale Securities	(5,021)	(5,005)
Accumulated Translation Adjustment	76	76
Retirement Plan	(259)	(225)
Reserve for Trust Business	351	348
Other Reserves	(282)	(282)
Share in Additional Paid-in Capital of an Associate		
Retained Earnings	16,604	16,082
Non-controlling Interest	22	23
TOTAL CAPITAL FUNDS	45,282	44,808
TOTAL LIABILITIES & CAPITAL	P 427,445	P 421,869

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

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions except for earnings per share)

	(Reviewed)		(Reviewed)	
	Jan. 1 to Jun. 30	Jan. 1 to Jun. 30	Apr. 1 to Jun. 30	Apr. 1 to Jun. 30
	2014	2013	2014	2013
INTEREST INCOME ON				
Loans and receivables	P 7,867	P 7,050	3,897	3,566
Investment securities	2,110	1,957	1,044	881
Others	139	93	52	34
	<u>10,116</u>	<u>9,100</u>	<u>4,994</u>	<u>4,482</u>
INTEREST EXPENSE ON				
Deposit liabilities	1,253	1,474	643	647
Bills payable and other borrowings	1,285	1,454	617	707
	<u>2,538</u>	<u>2,928</u>	<u>1,260</u>	<u>1,354</u>
NET INTEREST INCOME	7,578	6,172	3,734	3,128
IMPAIRMENT LOSSES	1,127	1,118	525	320
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	6,451	5,054	3,208	2,808
OTHER OPERATING INCOME				
Trading and securities gain-net	608	2,674	175	538
Service fees & commissions	1,102	1,051	562	475
Foreign exchange gains (losses)-net	206	51	82	74
Trust fees	143	155	74	78
Miscellaneous	821	1,736	403	925
	<u>2,880</u>	<u>5,667</u>	<u>1,295</u>	<u>2,090</u>
OTHER OPERATING EXPENSES				
Employee benefits	1,994	1,877	990	918
Occupancy & equipment-related	1,253	1,154	623	566
Taxes & Licenses	726	865	360	359
Depreciation and amortization	768	663	430	336
Miscellaneous	2,143	2,432	1,169	1,169
	<u>6,884</u>	<u>6,991</u>	<u>3,572</u>	<u>3,348</u>
INCOME BEFORE TAX	2,447	3,730	932	1,550
TAX EXPENSE	426	555	239	147
NET INCOME	2,021	3,175	693	1,403
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(1)	5	(1)	5
NET INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	P 2,022	P 3,170	693	1,398
Earnings per Share (Annualized)				
Basic	<u><u>P 2.85</u></u>	<u><u>P 5.12</u></u>		
Diluted	<u><u>P 2.85</u></u>	<u><u>P 5.12</u></u>		

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	Reviewed Jan. 1 to Jun. 30 2014 (06.30.14 vs. 12.31.13)	Reviewed Jan. 1 to Jun. 30 2013 (06.30.13 vs. 12.31.12)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 2,447	P 3,730
Adjustments for:		
Interest income	(10,116)	(9,100)
Interest expense	2,538	2,928
Impairment losses	1,127	1,118
Depreciation and amortization	768	663
Dividend income	(161)	(12)
Share in net earnings of associates	7	(192)
Operating income before working capital changes	(665)	5,333
Decrease (Increase) in financial assets at fair value through profit and loss	(72)	5,427
Decrease (Increase) in loans and receivables	7,266	(9,474)
Decrease (Increase) in investment property	(305)	1,809
Decrease (Increase) in other resources	1,255	(1,673)
Increase (Decrease) in deposit liabilities	3,242	321
Increase (Decrease) in accrued taxes, interest and other expenses	(1,813)	26
Increase (Decrease) in other liabilities	(460)	(417)
Cash generated from (used in) operations	8,448	1,352
Interest received	3,834	9,335
Interest paid	(1,109)	(3,137)
Cash paid for taxes	(376)	(645)
Net Cash From (Used in) Operating Activities	8,072	707
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in available-for-sale securities	68,378	(16,391)
Decrease (increase) in Held to Maturity Investments	(71,694)	-
Acquisitions of bank premises, furniture, fixtures and equipment (net)	(334)	(1,033)
Cash dividends received	161	293
Decrease (increase) in investments in subsidiaries and associates	(4)	-
Acquisitions of software	(123)	(167)
Net Cash From (Used in) Investing Activities	(3,616)	(17,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	6,940	-
Proceed from (payments of) bills payable	(4,286)	14,350
Dividends paid	(1,496)	(1,479)
Net proceeds from issuance of common shares	-	8,104
Net Cash From (Used in) Financing Activities	1,158	20,975
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,614	4,384
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	9,826	9,380
Due from Bangko Sentral ng Pilipinas	52,491	36,620
Due from other banks	7,537	5,879
	69,854	51,879
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	9,592	7,612
Due from Bangko Sentral ng Pilipinas	54,412	35,293
Due from other banks	11,464	6,363
	P 75,468	P 49,268

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

	Reviewed Jan. 1 to Jun. 30 2014	Reviewed Jan. 1 to Jun. 30 2013
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
PREFERRED STOCK		
Balance, beginning	P 3	P 3
Issuance (Conversion) of preferred stock	-	-
Balance, end	<u>3</u>	<u>3</u>
COMMON STOCK		
Balance, beginning	12,757	11,409
Conversion of preferred stock to common stock	-	-
Issuance of common stock	-	1,348
Balance, end	<u>12,757</u>	<u>12,757</u>
HYBRID PERPETUAL SECURITIES		
	<u>4,883</u>	<u>4,883</u>
CAPITAL PAID IN EXCESS OF PAR		
Balance, beginning	16,148	9,397
Conversion of preferred stock to common stock	-	-
Excess of consideration given over cost of common shares issued	-	-
Issuance of common stock	-	6,756
Balance, end	<u>16,148</u>	<u>16,153</u>
REVALUATION RESERVE ON AVAILABLE-FOR-SALE SECURITIES		
Balance, beginning	(5,154)	3,217
Fair value gains (losses) on available-for-sale securities, net of tax	(50)	(6,920)
Balance, end	<u>(5,204)</u>	<u>(3,703)</u>
RESERVE FOR TRUST BUSINESS		
Balance, beginning	348	329
Transfer from surplus free	3	4
Balance, end	<u>351</u>	<u>333</u>
OTHER RESERVES		
	<u>(282)</u>	<u>(330)</u>
SURPLUS FREE		
Beginning balance, as previously reported	16,082	14,035
Prior period adjustments	-	-
Beginning balance, as restated	<u>16,082</u>	<u>14,035</u>
Net income	2,021	3,170
Cash dividends on common shares	(1,496)	(1,479)
Cash dividends on preferred shares	-	-
Stock dividend	-	-
Dividends on Hybrid Capital Securities	-	-
Net effect of change in percentage ownership over a subsidiary	-	-
Transfer to reserves for trust business	(3)	(4)
Balance, end	<u>16,604</u>	<u>15,722</u>
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	<u>45,260</u>	<u>45,818</u>
NON-CONTROLLING INTEREST		
Balance, beginning	23	30
Prior period adjustments	-	-
Fair value gains (losses) on available-for-sale securities, net of tax	-	-
Decrease in share of losses due to dilution	-	-
Acquisition of a new subsidiary	-	-
Net effect of change in percentage ownership over a subsidiary	-	-
Net Income (loss) for the year	(1)	5
Balance, end	<u>22</u>	<u>35</u>
TOTAL CAPITAL FUNDS	<u>P 45,282</u>	<u>P 45,853</u>

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

	GROUP	
	2014	2013
NET PROFIT FOR THE YEAR	<u>P 2,021</u>	<u>P 3,175</u>
OTHER COMPREHENSIVE INCOME (LOSSES)		
Fair value gains (losses) on available-for-sale securities	(16)	(6,922)
Retirement Plan	(34)	-
Translation adjustment during the year	<u>-</u>	<u>2</u>
Other Comprehensive Income (Loss) for the period, net of tax	<u>(50)</u>	<u>(6,920)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	P 1,971	(P 3,745)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>-</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	<u>P 1,971</u>	(<u>P 3,750</u>)

Additional Disclosures to Item I – Financial Statements

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

Early Adoption of PFRS 9

On July 28, 2014, RCBC's Board of Directors approved the early adoption of PFRS 9 *Financial Instruments* (2009, 2010 and 2013 versions) subject to favorable outcome of ongoing in-depth analysis. The subsidiaries will align their policies with RCBC and will also early adopt PFRS 9. The Bank chose January 1, 2014 as the appropriate date of initial application.

The Group's interim financial statements do not yet reflect the impact of adoption of the new standard as the Group is still in the process of reviewing and assessing all existing financial assets and liabilities. The Bank has engaged the services of an external advisor to assist in the process. Additionally, a Steering Committee and Project Implementation Team were formed by the Parent Bank, which include representatives from subsidiaries as members, to conduct the analysis, evaluation, documentation and other requirements for the implementation of PFRS 9.

In compliance with SEC Memorandum Circular No. 3 Series of 2012, the Group has conducted a study on the impact of the early adoption of PFRS 9 using the Group's audited financial data as of December 31, 2013. Based on the study, the Group has initially assessed that the early adoption will have a favorable impact on the Group's financials. The tables below show the impact of the early adoption of PFRS 9 on the classification and measurement of financial assets and on total equity at the date of initial application (January 1, 2014). The early adoption will not have an impact on the current classification and measurement of the Group's financial liabilities.

Total Resources

(Amounts in PhP Millions)

Original Measurement Category under PAS 39	Original Carrying Amount under PAS 39	Impact of Early Adoption of PFRS 9	New Carrying Amount under PFRS 9	New Measurement Category under PFRS 9
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	3,288	10,008	13,296	Financial Assets at FVTPL
Available-for-sale (AFS)	89,412	(85,772)	3,640	Financial Assets at FVOCI
Held-to-maturity	-	83,437	83,437	Financial Assets at Amortized Cost
Loans and Receivables	237,960	(2,665)	235,295	Financial Assets at Amortized Cost
Other Accounts (Includes financial and non-financial assets)	91,209	-	91,209	No change in measurement
Total Resources	421,869	5,008	426,877	

Total Capital Funds
(Amounts in PhP Millions)

Account	Original Carrying Amount under PAS 39	Impact of Early Adoption of PFRS 9	New Carrying Amount under PFRS 9
Revaluation Reserves on AFS	(5,005)	4,354	(651)
Retained Earnings	16,082	654	16,736
Other Capital Accounts	33,731	-	33,731
Total Equity	44,808	5,008	49,816

The actual amount of restatement of beginning equity to be reflected in the year-end financial statements may vary from the above amounts as a result of the ongoing review and assessment of the Bank, together with an external advisor, on the early adoption of PFRS 9.

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. The Bank issued P7 Billion Basel 3-compliant Tier 2 Unsecured Subordinated Notes bearing a coupon of 5.375% on June 27, 2014. The Tier 2 Notes have a tenor of 10 years and 3 months with an early redemption option after 5 years and 3 months.

Dividends Paid for Ordinary or Other Shares. In the July 28, 2014 meeting, the Board approved the declaration and payment of cash dividends to holders of Preferred Class shares amounting to P0.05640 per share or P19 thousand with pending approval from the BSP.

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

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

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

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

2014. The Board also approved the declaration and payment of cash dividends amounting to P212.806 million to be paid to holders of Hybrid Tier 1 securities on October 27, 2014, subject to the final approval by the Bangko Sentral ng Pilipinas.

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

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

Date Declared	Dividend		Date Approved BSP	Date Paid/Payable	Nature of Securities
	Per Share	Total Amount			
November 26, 2012	P 0.0593	P 20	December 18, 2012	January 2, 2013	Preferred stock
November 26, 2012	*	P 203,524	March 4, 2013	April 27, 2013	Hybrid Tier 1
November 26, 2012	*	P 212,559	September 6, 2013	October 25, 2013	Hybrid Tier 1
January 28, 2013	P 0.0578	P 20	March 4, 2013	March 26, 2013	Preferred stock
March 25, 2013	P1.00	P 1,275,659	April 29, 2013	May 27, 2013	Common stock
March 25, 2013	P1.00	P 342	April 29, 2013	May 27, 2013	Preferred stock
April 29, 2013	P 0.05774	P 20	June 10, 2013	June 27, 2013	Preferred stock
July 29, 2013	P 0.05745	P 20	September 6, 2013	September 26, 2013	Preferred stock
October 29, 2013	P 0.05686	P 19	January 13, 2014	January 15, 2014	Preferred stock
October 29, 2013	*	P 224,014	February 25, 2014	April 25, 2014	Hybrid Tier 1
October 29, 2013	*	P 212,806	pending	October 27, 2014	Hybrid Tier 1
January 27, 2014	0.05615	P 19	February 25, 2014	March 27, 2014	Preferred Stock
March 31, 2014	P1.00	P 1,275,659	May 23, 2014	June 16, 2014	Common stock
March 31, 2014	P1.00	P 342	May 23, 2014	June 16, 2014	Preferred Stock
April 28, 2014	P0.05700	P 19	July 25, 2014	July 30, 2014	Preferred Stock
July 28, 2014	P0.05640	P 19	pending	pending	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, 2014 (in millions).

	Retail Banking Group	Corporate Banking Group	Treasury / Trust	Others	Total
Results of Operations					
Net interest income	2,239	3,079	91	(382)	5,027
Non-interest income	1,176	757	182	302	2,417
Total revenue	3,414	3,835	273	(80)	7,444
Non-interest expense	3,029	506	206	1,404	5,145
Income (loss) before Income tax	386	3,330	67	(1,484)	2,299
Income tax provision				277	277
Net income (loss)	386	3,330	67	(1,761)	2,022

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements. The Board of Directors, in its regular meeting held on 28 July 2014, approved a Stock Rights Offer by the Bank. The Stock Rights Offer will be conducted by way of offering common shares from the unissued portion of its authorized capital stock, to all eligible shareholders of the Bank subject to receipt of regulatory approvals, exemptions, confirmations, and consents, as applicable. Subject to market conditions and other factors, the Bank expects to raise proceeds of up to P4.5 billion from the Rights Offer. The proposed Rights Offer will allow the Bank to strengthen its capital ratios under the Basel III standards and to support its asset growth.

Changes in Composition of the Issuer During the Interim Period. During the interim period, there were no changes in the composition of the issuer including business

combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations.

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

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

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

Financial Performance

	Consolidated		Parent	
	Reviewed	Audited	Reviewed	Audited
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Return on Average Assets (ROA) ^{1/}	0.97%*	1.39%	1.42%*	1.49%
	0.48%		0.71%	
Return on Average Equity (ROE) ^{2/}	8.93%*	12.18%	12.87%*	12.96%
	4.43%		6.38%	
BIS Capital Adequacy Ratio ^{3/}	13.76%	16.52%	13.33%	15.10%
Non-Performing Loans (NPL) Ratio ^{4/}	1.18%	1.07%	0.50%	0.51%
Non-Performing Assets (NPA) Ratio ^{5/}	2.17%	2.10%	0.88%	1.02%
Net Interest Margin (NIM)	4.31%*	4.22%	3.71%*	3.75%
Cost-to-Income Ratio	65.83%	61.14%	57.89%	57.22%
Loans-to-Deposit Ratio	77.53%	72.21%	76.43%	68.55%
Current Ratio	0.42	0.42	0.50	0.50
Liquid Assets -to-Total Assets Ratio	0.24	0.43	0.24	0.46
Debt-to-Equity Ratio	8.44	8.42	7.77	8.07
Asset-to- Equity Ratio	9.44	9.42	8.77	9.07
Asset -to- Liability Ratio	1.12	1.12	1.13	1.12
Interest Rate Coverage Ratio	1.96	2.20	2.29	2.27
Earnings per share (EPS) ^{6/}				
Basic	2.85*	3.95	3.57*	3.52
Diluted	2.85*	3.95	3.57*	3.52

* Annualized

^{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. Reviewed net income for the 6-month period ended June 30, 2014 in the amount of P2.022 billion and P2.477 billion represented the consolidated and parent, respectively.

^{2/} Average equity for the consolidated and parent ratios were, likewise, computed based on the 7-month average of end of month balances. Reviewed net income for the 6-month period ended June 30, 2014 in the amount of P2.022 billion and P2.477 billion represented the consolidated and parent, respectively.

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

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

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

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

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK and Subsidiaries		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income	P466,702	P1,212,543
Return on Average Assets (ROA)	1.33%*	1.88%
Return on Average Equity (ROE)	13.17%*	16.06%
BIS Capital Adequacy Ratio (CAR)	12.48%	16.63%
Non-Performing Loans (NPL) Ratio	2.65%	2.17%
Non-Performing Assets (NPA) Ratio	6.97%	7.06%

MERCHANTS BANK		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Loss	(P33,865)	(P56,319)
Return on Average Assets (ROA)	(8.42%)*	(6.51%)
Return on Average Equity (ROE)	(14.55%)*	(10.65%)
BIS Capital Adequacy Ratio (CAR)	62.05%	69.79%
Non-Performing Loans (NPL) Ratio	1.66%	(0.15%)
Non-Performing Assets (NPA) Ratio	1.84%	1.49%

RCBC CAPITAL CORPORATION and Subsidiaries		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income	P250,258	P438,637
Return on Average Assets (ROA)	10.49%*	8.29%
Return on Average Equity (ROE)	12.29%*	11.02%
BIS Capital Adequacy Ratio (CAR)	52.40%	49.00%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.23%	0.21%

RCBC FOREX BROKERS CORPORATION		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income	P39,740	P76,829
Return on Average Assets (ROA)	17.56%*	16.98%
Return on Average Equity (ROE)	33.55%*	34.14%
Capital to Total Assets	45.89%	42.47%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Loss	(P2,525)	(P5,384)
Return on Average Assets (ROA)	(3.78%)*	(3.97%)
Return on Average Equity (ROE)	(3.88%)*	(4.09%)
Capital to Total Assets	97.34%	100.87%
Non-Performing Loans (NPL) Ratio	(5.81%)	-
Non-Performing Assets (NPA) Ratio	(0.02%)	-

RCBC NORTH AMERICA, INC.		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income (Loss)	(P11,243)	(P22,198)
Return on Average Assets (ROA)	(29.32%)*	(18.94%)
Return on Average Equity (ROE)	(158.31%)*	(64.33%)
Capital to Total Assets	5.57%	39.36%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC TELEMONEY EUROPE S.P.A		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income (Loss)	P10,790	(P15,317)
Return on Average Assets (ROA)	5.99%*	(4.99%)
Return on Average Equity (ROE)	147.88%*	(135.93%)
Capital to Total Assets	(2.90)%	13.04%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Rural Bank, Inc.)		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income/(Loss)	P2,491	P2,873
Return on Average Assets (ROA)	2.05%*	1.10%
Return on Average Equity (ROE)	(4.46%)*	(2.52%)
Capital to Total Assets	(45.11%)	(47.64%)
Non-Performing Loans (NPL) Ratio	43.49%	40.03%
Non-Performing Assets (NPA) Ratio	64.07%	59.72%

NIYOG PROPERTY HOLDINGS, INC.		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income	P20,166	P20,391
Return on Average Assets (ROA)	5.00%*	5.88%
Return on Average Equity (ROE)	5.08%*	6.00%
Capital to Total Assets	96.42%	98.97%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-

RCBC LEASING AND FINANCE CORP. and Subsidiary		
In Php 000s	Unaudited	Audited
	June 30, 2014	2013
Net Income (Loss)	P9,342	P17,147
Return on Average Assets (ROA)	0.50%*	0.45%
Return on Average Equity (ROE)	3.63%*	3.24%
Capital to Total Assets	14.55%	13.31%
Non-Performing Loans (NPL) Ratio	21.65%	22.92%
Non-Performing Assets (NPA) Ratio	16.88%	17.79%

* Annualized

30 June 2014 vs. 31 December 2013

Consolidated total resources for the period ended June 30, 2014 reached P427.445 billion, P5.576 billion higher than yearend's P421.869 billion.

Due from BSP reached P54.412 billion, which accounted for 12.73% of the total resources. Due from other banks increased by 52.10% or P3.927 billion from P7.537 billion to P11.464 billion due to the Bank's excess liquidity during the period.

Loans and receivables-net which accounted for 55.19% of total resources reached P235.900 billion.

Available for sale securities declined by 76.49% or P68.394 billion from P89.412 billion to P21.018 billion mainly due to reclassification to Held-to-Maturity Investments which stood at P71.694 billion as of quarter-end June 2014. Total investment securities accounted for 22.48% of total resources and totaled P96.072 billion.

Investment Properties, net increased by 5.35% or P245 million from P4.579 billion to P4.824 billion. Investment in Associates, net decreased by 11.11% or P37 million from P333 million to P296 million. Other resources, net declined by 17.56% or P1.340 billion from P7.629 billion to P6.289 billion due to decrease in foreign currency checks and other cash items, prepayments, and inter-office accounts.

Total deposit liabilities, which accounted for 70.44% of total resources, reached P301.095 billion. Savings deposits stood at P159.283 billion and accounted for 37.26% of total resources. Demand deposits accounted for 6.65% of total resources and stood at P28.406 billion while the higher-costing time deposits reached P113.406 billion and accounted for 26.53% of total resources.

Bills payable decreased by 10.74% or P4.286 billion from P39.895 billion to P35.609 billion due to lower foreign currency denominated borrowings for this period. Bonds payable stood at P22.926 billion and represented 5.36% of total resources.

Accrued taxes, interest, and other expenses payable declined by 7.36% or P334 million from P4.537 billion to P4.203 billion.

Total liabilities reached P382.163 billion and accounted for 89.41% of total resources.

Retained earnings of P16.604 billion, represented 36.67% of total capital funds. The Bank's capital, excluding non-controlling interest, grew to P45.260 billion and accounted for 10.59% of total resources.

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

30 June 2014 vs. 30 June 2013

RCBC posted a net income of P2.022 billion for the first half of 2014, P1.148 billion or 36.21% lower than the P3.170 billion reported for the same period last year. Net income of P2.022 billion accounted for 19.33% of total operating income during the period.

Net interest income, representing 72.46% of total operating income, was higher by 22.78% or P1.406 billion from P6.172 billion to P7.578 billion. Interest income of P10.116 billion, representing 96.73% of total operating income, mainly consisted of interest income from loans and receivables and investment securities that accounted for 75.22% and 20.18% of total operating income, respectively. Other interest income increased by 49.46% or P46 million from P93 million to P139 million mainly due to higher average volume of Special Deposit Account for the period.

Total interest expense, making up 24.27% of total operating income, consisted of interest on deposit liabilities and interest on bills payable and other borrowings which accounted for 11.98% and 12.29% of total operating income, respectively. Total interest expense declined by 13.32% or P390 million from P2.928 billion to P2.538 billion, with interest expense on deposit liabilities decreasing by 14.99% or P221 million from P1.474 billion to P1.253 billion mainly due to the year-on-year decline in the average cost of deposits. Interest expense on bills payable and other borrowings likewise went down by 11.62% or P169 million from P1.454 billion to P1.285 billion.

Accounting for 27.54% of total operating income, other operating income reached P2.880 billion, 49.18% or P2.787 billion lower due to the following:

- Trading and securities gain-net decreased by 77.26% or P2.066 billion from P2.674 billion to P608 million
- Service fees and commissions reached P1.102 billion and accounted for 10.54% of total operating income
- Foreign exchange gains-net increased by 303.92% to P206 million
- Trust fees decreased by 7.74% or P12 million from P155 million to P143 million
- Miscellaneous income declined by 52.71% or P915 million from P1.736 billion to P821 million mainly due to last year's one-off gain recorded on the sale of the Bank's non-performing assets

Other operating expenses at P6.884 billion, representing 65.83% of total operating income, were 1.53% or P107 million lower year on year due to the following:

- Miscellaneous expenses decreased by 11.88% or P289 million from P2.432 billion to P2.143 billion
- Taxes and licenses went down by 16.07% or P139 million from P865 million to P726 million mainly driven by lower gross income
- Occupancy and equipment-related costs increased by 8.58% or P99 million from P1.154 billion to P1.253 billion due to branch expansion and escalation on rental fees
- Manpower costs increased by 6.23% or P117 million from P1.877 billion to P1.994 billion due to additional workforce as a result of branch expansion
- Depreciation and amortization increased by 15.84% or P105 million from P663 million to P768 million primarily as a result of the setting up of additional banking channels and additional investment in software

Tax expense declined by 23.24% or P129 million mainly as a result of lower income.

Non-controlling interest realized net loss of P1 million, 120.00% or P6 million lower than net income of P5 million during the same period last year due to lower consolidated income of the subsidiaries not wholly-owned by the Bank.

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

Commitments and Contingent Liabilities

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

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

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

In October 2008, Global Steel Philippines (SPV-AMC), Inc. (GSPI) and Global Ispat Holdings (SPV-AMC), Inc. (GIHI), which purchased the Iligan Plant assets of the NSC from the Liquidator in 2004, filed a Notice of Arbitration with the Singapore International Arbitration Centre (SIAC) seeking damages arising from the failure of Liquidator and the secured creditors, including the Bank and RCBC Capital, to deliver the Plant assets free and clear from liens and encumbrance; purportedly depriving them of the opportunity to use the assets in securing additional loans to fund the operations of the Plant and upgrade the same. On May 9, 2012, the SIAC Arbitral Tribunal rendered a Partial Award in favor of GSPI and GIHI in the total amount of (a) US\$80,000,000.00, as and by way of lost opportunity to make profits and (b) P1,043,000,000.00, representing the value of the Lost Land Claim. A petition to set aside the Partial Award was filed with the Singapore High Court, and said petition was granted. GSPI and GIHI can still appeal the case to the Singapore Court of Appeals until 29 August 2014. In the meantime, the secured creditors are in the process of determining what consequential orders must be secured from the Singapore High Court, in order for the secured creditors to obtain complete relief.

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

In October 2011, the Bank filed a case before the Court of Tax Appeals questioning the 20 per cent. final withholding tax applied to Poverty Eradication and Alleviation Certificates (PEACe Bonds) by the Bureau of Internal Revenue. The Bank subsequently withdrew this petition and joined various other banks in a petition before the Supreme Court on the same matter. Notwithstanding the issuance of a temporary restraining order by the Supreme Court, the Bureau of Treasury withheld a sum of P198.8 million in October 2011 from the Bank on its PEACe Bonds holdings. The case is still pending before the Supreme Court.

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

penalties against RSEC, including the suspension or revocation of RSEC's license. The two complaints are pending.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely would have a material effect on its financial position or operating results.

The following is a summary of contingencies and commitments arising from off-balance sheet items at their equivalent peso contractual amounts as of June 30, 2014 and December 31, 2013:

(in Millions-Php)	Consolidated		Parent	
	Unaudited	Audited	Unaudited	Audited
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Derivative liabilities	31,743	44,283	31,743	44,283
Derivative assets	26,597	33,091	26,597	33,091
Trust department accounts	83,522	78,964	68,748	68,211
Outstanding guarantees issued	26,219	25,976	26,219	25,976
Spot foreign exchange bought	11,222	7,744	11,222	7,744
Spot foreign exchange sold	11,270	7,737	11,222	7,737
Unused commercial letters of credit	11,205	11,778	11,163	11,684
Inward bills for collection	3,123	874	3,123	874
Late deposits/payments received	872	881	775	735
Outward bills for collection	139	131	136	129

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

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

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

SIGNATURES

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

Issuer **RIZAL COMMERCIAL BANKING CORPORATION**

Date **August 14, 2014**



LORENZO V. TAN
President & CEO



ZENAIDA F. TORRES
FSVP/Head- Controllershship Group



GERALD O. FLORENTINO
FSVP/Head- Corporate Planning

Date **August 14, 2014**

RIZAL COMMERCIAL BANKING CORPORATION

Aging of Accounts Receivable

As of June 30, 2014

(Amounts in Million Pesos)

	Total	1-90 days	91-180 days	181 days-1 year	more than 1 Year	Past Due accounts & Items in Litigation
Accounts Receivables	1,972	738	26	141	1,066	
Less: Allow For Doubtful Acct.	631					
Net Accounts Receivables	<u>1,340</u>					

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