

SEC Number	<u>17514</u>
PSE Code	<u> </u>
File Number	<u> </u>

**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)

March 31, 2018

(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 **March 31, 2018**
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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, P10 par value	1,399,918,362 (as of 31 March 2018)

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 ()

TABLE OF CONTENTS

	Page Number
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements	1
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	28
PART II – OTHER INFORMATION	
SIGNATURES	35
Aging of Accounts Receivables	36

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>Notes</u>	<u>3/31/2018</u> <u>(Unaudited)</u>	<u>12/31/2017</u> <u>(Audited)</u>
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	P	13,797	P 14,693
DUE FROM BANGKO SENTRAL NG PILIPINAS		57,109	58,801
DUE FROM OTHER BANKS		22,159	19,818
LOANS UNDER REVERSE REPURCHASE AGREEMENT		8,479	9,831
TRADING AND INVESTMENT SECURITIES	3	88,679	72,932
LOANS AND RECEIVABLES - Net	4	371,981	354,243
INVESTMENTS IN ASSOCIATES - Net		419	417
BANK PREMISES, FURNITURE, FIXTURES & EQUIPMENT- Net		8,667	8,946
INVESTMENT PROPERTIES - Net		3,584	3,399
DEFERRED TAX ASSETS		1,950	1,896
OTHER RESOURCES - Net	5	8,888	9,012
TOTAL RESOURCES		<u>P 585,712</u>	<u>P 553,988</u>
<u>LIABILITIES AND CAPITAL FUNDS</u>			
DEPOSIT LIABILITIES	6	394,614	388,412
BILLS PAYABLE	7	50,464	43,967
BONDS PAYABLE	8	44,930	28,060
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		4,531	4,185
OTHER LIABILITIES	9	13,245	12,369
SUBORDINATED DEBT	10	9,973	9,968
Total Liabilities		<u>517,757</u>	<u>486,961</u>
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		22,635	22,635
Other Comprehensive Income:			
Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income		1,910	1,968
Cumulative Translation Adjustment		86	85
Retirement plan		(8)	(79)
Other Reserves			
Reserve for Trust Business		436	436
Retained Earnings Appropriated for General Provision		2,237	-
Other Reserves		(97)	(97)
Retained Earnings		<u>26,726</u>	<u>28,049</u>
		67,927	66,999
Non-controlling Interest		<u>28</u>	<u>28</u>
Total Capital Funds		<u>67,955</u>	<u>67,027</u>
TOTAL LIABILITIES AND CAPITAL FUNDS		<u>P 585,712</u>	<u>P 553,988</u>

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)

		1/1/2018 to 3/31/2018	1/1/2017 to 3/31/2017
	Note	(Unaudited)	(Unaudited)
INTEREST INCOME ON			
Loans and receivables		P 6,271	P 5,054
Investment securities		599	583
Others		36	144
		<u>6,906</u>	<u>5,781</u>
INTEREST EXPENSE ON			
Deposit liabilities		1,264	933
Bills payable and other borrowings		825	701
		<u>2,089</u>	<u>1,634</u>
NET INTEREST INCOME		4,817	4,147
IMPAIRMENT LOSSES - Net		457	333
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		<u>4,360</u>	<u>3,814</u>
OTHER OPERATING INCOME (CHARGES)			
Trading and securities gain - net		(10)	38
Service fees and commissions		794	870
Foreign exchange gains (losses) - net		344	147
Trust fees		68	69
Miscellaneous	12	528	501
		<u>1,724</u>	<u>1,625</u>
OTHER OPERATING EXPENSES			
Employee benefits		1,575	1,470
Occupancy and equipment-related		791	756
Depreciation and amortization		454	460
Taxes and licenses		558	432
Miscellaneous	12	1,312	1,082
		<u>4,690</u>	<u>4,200</u>
PROFIT BEFORE TAX		1,394	1,239
TAX EXPENSE (INCOME)		261	236
NET PROFIT		1,133	1,003
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST		1	1
NET PROFIT ATTRIBUTABLE TO PARENT			
COMPANY SHAREHOLDERS		<u>P 1,132</u>	<u>P 1,002</u>
Earnings Per Share (Annualized)			
Basic		<u>P 3.28</u>	<u>P 2.90</u>
Diluted		<u>P 3.28</u>	<u>P 2.90</u>

See Notes to Interim Financial Statements

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

	1/1/2018 to 3/31/2018 <u>(Unaudited)</u>	1/1/2017 to 3/31/2017 <u>(Unaudited)</u>
NET PROFIT FOR THE PERIOD	P 1,133	P 1,003
OTHER COMPREHENSIVE INCOME (LOSSES) DURING THE PERIOD:		
Fair value gains (losses) on Financial assets at Other Comprehensive Income	(514)	(41)
Retirement plan	71	331
Translation adjustments on foreign operations	<u>1</u>	<u>1</u>
Other Comprehensive Income for the period	(<u>442</u>)	<u>291</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	P 691	P 1,294
COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>-</u>	<u>1</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	<u>P 691</u>	<u>P 1,293</u>

See Notes to Interim Financial Statements.

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

	1/1/2018 to 3/31/2018	1/1/2017 to 3/31/2017
Note	(Unaudited)	(Unaudited)
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
PREFERRED STOCK		
11		
Balance, beginning	3	3
Conversion of preferred stock to common stock	-	-
Balance, end	3	3
COMMON STOCK		
11		
Balance, beginning	13,999	13,999
Conversion of preferred stock to common stock	-	-
Balance, end	13,999	13,999
CAPITAL PAID IN EXCESS OF PAR		
Balance, beginning	22,635	22,635
Conversion of preferred stock to common stock	-	-
Balance, end	22,635	22,635
NET UNREALIZED GAINS/(LOSSES) ON FINANCIAL ASSETS AT		
OTHER COMPREHENSIVE INCOME		
Balance, beginning as previously reported	1,968	2,128
Effect of Adoption of PFRS9	456	-
Balance, beginning as restated	2,424	2,128
Fair value gains (losses) during the period	(514)	(41)
Balance, end	1,910	2,087
CUMULATIVE TRANSLATION ADJUSTMENTS		
Balance, beginning	85	86
Translation adjustment during the period	1	1
Balance, end	86	87
OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN		
Balance, beginning	(79)	(1,593)
Remeasurement of the defined benefits during the period	71	331
Balance, end	(8)	(1,262)
RESERVE FOR TRUST BUSINESS		
Balance, beginning	436	415
Transfer from retained earnings - free	-	-
Balance, end	436	415
OTHER RESERVES		
	(97)	(97)
RETAINED EARNINGS APPROPRIATED FOR GENERAL PROVISION		
Beginning balance, as previously reported	-	-
Effect of Adoption of PFRS9	2,138	-
Beginning balance, as restated	2,138	-
Transfer from retained earnings - free	99	-
Balance, end	2,237	-
RETAINED EARNINGS		
Beginning balance, as previously reported	28,050	24,531
Effect of Adoption of PFRS9	(2,352)	-
Beginning balance, as restated	25,698	24,531
Net profit	1,132	1,002
Cash dividends on common shares	-	-
Cash dividends on preferred shares	-	-
Transfer of fair value reserves on FVOCI	(5)	3
Transfer to retained earnings appropriated for general provision	(99)	-
Transfer to reserves for trust business	-	-
Balance, end	26,726	25,536
ATTRIBUTABLE TO		
PARENT COMPANY SHAREHOLDERS		
	P 67,927	P 63,403
ATTRIBUTABLE TO		
PARENT COMPANY SHAREHOLDERS		
	P 67,927	P 63,403
MINORITY INTEREST		
Beginning balance, as previously reported	29	26
Effect of Adoption of PFRS9	(2)	-
Beginning balance, as restated	27	26
Fair value gains on FVOCI	-	1
Net Profit for the year	1	1
Balance, end	28	28
TOTAL CAPITAL FUNDS		
	P 67,955	P 63,431

See Notes To Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(Amounts in Millions of Philippine Pesos)

		1/1/2018 to 3/31/2018	1/1/2017 to 3/31/2017
	Notes	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before tax		P 1,394	P 1,238
Adjustments for:			
Interest income		(6,906)	(5,885)
Interest expense		2,089	1,737
Impairment losses		457	333
Depreciation and amortization		454	460
Dividend income		(180)	(154)
Share in net earnings of associates		(1)	(28)
Operating loss before working capital changes		(2,693)	(2,299)
Decrease (Increase) in financial assets at fair value through profit and loss	3	1,161	12,419
Decrease (Increase) in loans and receivables	4	(15,683)	(8,580)
Decrease (Increase) in investment property		(186)	210
Decrease (Increase) in other resources	5	(2,000)	(260)
Increase (Decrease) in deposit liabilities	6	6,202	11,308
Increase (Decrease) in accrued taxes, interest and other expenses		94	(68)
Increase in other liabilities	9	950	1,706
Cash from (used in) operations		(12,155)	14,436
Interest received		6,631	5,938
Interest paid		(1,866)	(1,982)
Cash paid for taxes		(244)	(106)
Net Cash From (Used in) Operating Activities		(7,634)	18,286
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in Financial Assets at FVOCI	3	(3,441)	18
Decrease (increase) in Investment securities at amortized cost	3	(13,526)	(15,785)
Acquisitions of bank premises, furniture, fixtures and equipment (net)		(109)	(633)
Cash dividends received		5	154
Acquisitions of intangibles		(51)	(46)
Net Cash From (Used in) Investing Activities		(17,122)	(16,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bills payable	7	6,497	4,475
Dividends paid		-	-
Redemption of bonds payable		16,870	(13,421)
Net Cash From Used in Financing Activities		23,367	(8,946)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,389)	(6,952)
CASH AND CASH EQUIVALENTS, BEGINNING			
Cash and other cash items		14,693	15,176
Due from Bangko Sentral ng Pilipinas		58,801	66,520
Due from other banks		19,818	25,293
Interbank Loans and Loans and Receivables under reverse repurchase agreement		9,869	7,889
		103,181	114,878
CASH AND CASH EQUIVALENTS, END			
Cash and other cash items		13,797	12,500
Due from Bangko Sentral ng Pilipinas		57,109	66,476
Due from other banks		22,159	27,086
Interbank Loans and Loans and Receivables under reverse repurchase agreement		8,727	1,864
		P 101,792	P 107,926

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2018 AND DECEMBER 31, 2017
(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 *Adoption of New and Amended PFRS*

Effective January 1, 2018, the Group adopted PFRS 9 (2014), *Financial Instruments*. This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 (2009, 2010, and 2013 versions) – hereinafter referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities, which were early adopted by the Group on January 1, 2014, PFRS 9 (2014) includes the following major provisions:

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value measurement for eligible debt securities; and,
- an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

The Group applied PFRS 9 (2014) retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. As also allowed under the related transitional disclosure requirements of PFRS 7 for early adoption of PFRS 9, the Group opted not to restate the comparative periods. The following table shows the effects of the adoption of PFRS 9 (2014) on the carrying amounts and presentation of certain affected financial statement accounts as of January 1, 2018:

		As Previously Reported	Effect of Adoption of PFRS 9 (2014)		As Restated
<i>Changes in resources:</i>					
Trading and Investment Securities					
Financial assets at FVPL	P	7,591	(P 1,001)	P	6,590
Financial assets at FVOCI		5,363	1,260		6,623
Investment securities at amortized cost		59,978	(282)		59,696
Loans and Receivables		354,243	<u>370</u>		354,613
Net increase in resources			<u>P 347</u>		
<i>Changes in liabilities:</i>					
Other liabilities	P	12,369	<u>P 107</u>	P	12,476
<i>Changes in equity:</i>					
Surplus		28,050	(2,352)		25,698
Retained earnings appropriated for general provision	-		2,138		2,138
Revaluation reserves on FVOCI		1,968	456		2,424
Non-controlling interests		29	<u>(2)</u>		27
Net increase in equity			<u>240</u>		
Net increase in liabilities and equity			<u>P 347</u>		

2.3 *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.

2.4 *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)*

The Group classifies financial assets as FVPL when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

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 (FVOCI)*

Debt Instruments at FVOCI

The Group classifies debt instruments under FVOCI when both of the following conditions are met:

- the asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

FVOCI debt securities are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in Other Comprehensive Income (OCI). Interest Income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified to profit or loss.

Equity Instruments at FVOCI

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*

PFRS 9 requires the Bank to record an allowance for Expected Credit Losses (ECL) for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the ECLs over the life of the asset.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its loans into the following stages:

- Stage 1 : When loans are first recognized, the Group recognizes an allowance based on the twelve-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 : When a loan is considered as credit impaired, the Group records an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

Probability of Default – is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

Loss Given Default – is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including the realization of any collateral.

Exposure At Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

(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.

2.5 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.

2.6 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).

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Financial assets at FVPL	P 6,431	P 7,591
Financial assets at FVOCI - net	8,746	5,363
Investment securities at amortized cost - net	73,502	59,978
	P 88,679	P 72,932

3.1 *Financial Assets at FVPL*

This account is composed of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Government securities	P 3,387	P 4,386
Corporate debt securities	515	462
Derivative financial assets	1,755	1,624
Equity securities	774	1,119
	P 6,431	P 7,591

3.2 *Financial Assets at FVOCI*

This account is composed of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Government bonds	P 1,807	P -
Other debt securities	1,122	-
Quoted equity securities	3,766	3,653
Unquoted equity securities	2,057	1,710
	8,752	5,363
Allowance for impairment	(6)	-
	P 8,746	P 5,363

3.3 *Investments at Amortized Cost*

This account is composed of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Government securities	P 52,059	P 39,134
Corporate debt securities	21,553	20,934
	73,612	60,068
Allowance for impairment	(110)	(90)
	P 73,502	P 59,978

4. LOANS AND RECEIVABLES

This account consists of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Receivable from customers:		
Loans and discounts	P 334,799	P 319,099
Credit card receivables	17,022	16,405
Customers' liabilities on acceptances, import bills and trust receipts	13,644	12,404
Bills purchased	2,343	2,612
Lease contract receivable	3,266	2,893
Receivables financed	535	249
	371,609	353,662
Unearned discount	(661)	(817)
	370,948	352,845
Other receivables:		
Accrued interest receivable	3,326	3,094
Sales contract receivable	1,665	1,679
Accounts receivable	1,507	2,641
Unquoted debt securities classified as loans	1,948	1,939
Dividends receivable	176	-
Interbank loans receivables	247	38
	8,869	9,391
	379,817	362,236
Allowance for impairment	(7,836)	(7,993)
	P 371,981	P 354,243

5. OTHER RESOURCES

This account consists of the following:

	March 31, 2018	December 31, 2017
	(Unaudited)	(Audited)
Asset held-for-sale and disposal group	P 1,547	P 1,594
Creditable withholding taxes	2,294	2,110
Branch licenses	1,000	1,000
Software – net	961	977
Prepaid expenses	832	538
Refundable and other deposits	364	334
Goodwill	426	426
Returned checks and other cash items	78	87
Unused stationery and supplies	371	288
Foreign currency notes	173	98
Margin deposits	24	23
Sundry debits	36	29
Miscellaneous	<u>961</u>	<u>1,699</u>
	9,067	9,203
Allowance for impairment	<u>(179)</u>	<u>(191)</u>
	P 8,888	P 9,012

6. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

	March 31, 2018	December 31, 2017
	(Unaudited)	(Audited)
Demand	P 52,495	P 51,996
Savings	167,484	165,187
Time	165,115	161,727
Long-term Negotiable Certificate of Deposits (LTNCD)	<u>9,520</u>	<u>9,502</u>
	P 394,614	P 388,412

The details of the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of March 31, 2018 and December 31, 2017 are as follows:

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Coupon Interest</u>	<u>Outstanding Balance</u>	
			<u>Mar 31, 2018</u>	<u>Dec 31, 2017</u>
			<u>(Unaudited)</u>	<u>(Audited)</u>
August 11, 2017	February 11, 2023	4.13%	P 2,502	P 2,502
December 19, 2014	June 19, 2020	4.13%	2,100	2,100
November 14, 2013	May 14, 2019	3.25%	2,860	2,860
November 14, 2013	May 14, 2019	0.00%	<u>2,058</u>	<u>2,040</u>
			P 9,520	P 9,502

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:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Foreign banks	P 35,967	P 33,102
Local banks	14,497	10,862
Others	2	3
	P 50,464	P 43,967

8. **BONDS PAYABLE**

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

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Coupon Interest</u>	<u>Face Value</u>	<u>Outstanding Balance</u>	
				<u>Mar 31, 2018</u> <u>(Unaudited)</u>	<u>Dec 31, 2017</u> <u>(Audited)</u>
March 15, 2018	March 16, 2023	4.13%	\$ 300	P 15,612	P -
November 2, 2015	February 2, 2021	3.45%	320	16,661	15,977
January 21, 2015	January 22, 2020	4.25%	243	12,657	12,083
			\$ 863	P 44,930	P 28,060

9. **OTHER LIABILITIES**

Other liabilities consist of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Accounts payable	P 5,777	P 6,451
Manager's checks	1,037	1,575
Post-employment defined benefit obligation	111	111
Bills purchased – contra	934	1,079
Outstanding acceptances payable	1,831	405
Deposits on lease contracts	561	342
Derivative financial liabilities	672	483
Other credits	370	370
Withholding taxes payable	232	243
Payment orders payable	228	193
Guaranty deposits	55	62
Sundry credits	173	121
Due to BSP	84	39
Miscellaneous	1,181	895
	P 13,245	P 12,369

10. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7 billion 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 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7 billion Tier 2 Notes.

11. EQUITY

The movements in the outstanding capital stock are as follows:

	Number of Shares*	
	March 31, 2018	December 31, 2017
	(Unaudited)	(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	276,845	293,987
Conversion of shares during the year	(8,790)	(17,142)
Balance at end of year	<u>268,055</u>	<u>276,845</u>
Common stock – P10 par value Authorized – 1,400,000,000 shares		
Balance at beginning of year	1,399,916,364	1,399,912,464
Conversion of shares during the year	<u>1,998</u>	<u>3,900</u>
Balance at end of year	<u>1,399,918,362</u>	<u>1,399,916,364</u>

**Amounts in absolute number of shares*

12. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

12.1 Miscellaneous Income

	January 1 to March 31, 2018	January 1 to March 31, 2017
	(Unaudited)	(Unaudited)
Rentals	P 192	P 170
Dividend income	176	139
Recoveries from written-off assets	41	48
Gains on assets sold	22	10
Others	<u>97</u>	<u>134</u>
	<u>P 528</u>	<u>P 501</u>

12.2 Miscellaneous Expenses

	January 1 to March 31, 2018 (Unaudited)	January 1 to March 31, 2017 (Unaudited)
Insurance	P 263	P 180
Credit card related expenses	251	200
Communication and information	116	101
Management and other professional fees	88	88
Advertising and publicity	78	75
Service processing fees	78	41
Employee activities	71	66
Litigation/asset acquired expenses	59	44
Banking fees	54	49
Transportation and travel	52	34
Stationery and office supplies	34	34
Others	168	170
	<u>P 1,312</u>	<u>P 1,082</u>

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, 2018 and December 31, 2017:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trust department accounts	P 89,135	P 91,585
Derivative liabilities	50,273	41,822
Derivative assets	51,361	46,230
Outstanding guarantees issued	43,831	41,858
Unused commercial letters of credit	19,411	17,055
Spot exchange sold	7,621	6,307
Spot exchange bought	7,503	6,204
Inward bills for collection	3,085	1,407
Late deposits/payments received	429	566
Outward bills for collection	77	133
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 Parent Company’s estimated exposure is approximately P209 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 P486, taking into consideration the P49 installment payment it had received from the funds previously in escrow. The Parent Company has recognized full impairment loss on the receivable since then, with the gross amount of receivable classified as UDSCIL under Loans and Receivable account. The Parent Company’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 October 14, 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 the case initiated solely by the NSC Liquidator.

In defiance, however, of the aforesaid final and executory ruling, the City of Iligan (a) issued a Notice of Delinquency against NSC, seeking to collect the tax arrears covering the period 1999 to 2016, (b) levied the NSC properties, and (c) set the same for public auction on October 19, 2016, which proceeded even as the local government unit (LGU) received the October 18, 2016 Writ of Execution issued by the Regional Trial Court of Makati City, Branch 57, 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 (a) the City of Iligan, the Sangguniang Panlungsod and City Treasurer be directed to show cause why they should not be held in contempt, and, (b) the Auction Sale of the NSC properties held on October 19, 2016 be nullified.

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. To date, the matter remains pending.

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 Parent Company, Bankard, Inc. (Bankard), Grupo Mercarse Corp., CNP Worldwide, Inc. ("CNP") and several individuals before the Los Angeles Superior Court for various causes of action including fraud, breach of contract and accounting, claiming that VII and its alleged parent company, VMS, failed to receive the total amount of US\$1.5 million, which the defendants allegedly misappropriated. VMS is an Internet merchant providing on-line adult entertainment and on-line gambling, in addition to the sale of pharmaceuticals over the Internet.

After nearly five 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 Parent Company/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 Parent Company /Bankard timely filed their motions for JNOV and new trial, and on April 27, 2016, the Parent Company /Bankard likewise timely filed their Reply to the Oppositions filed by VII/VMS.

On May 12, 2016, Judge Raphael heard, and partially granted, the Parent Company/Bankard's Motion for JNOV by deleting the US\$7.5 million punitive damages awarded to VMS in the absence of proof that (a) a corporate officer of the Parent Company/Bankard knew of, authorized, or ratified fraudulent acts, and (b) Janet Conway was a managing agent of the Parent Company/Bankard within the meaning of the California Civil Code Section 3294(b). However, Judge Raphael ruled that Conway was an agent of the Parent Company/Bankard for some purposes, and sustained the award of US\$1.5 million. Judge Raphael likewise denied the Parent Company/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 million.

On July 11, 2016, the Parent Company/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 Parent Company/Bankard timely posted the amount of US\$3.1 million, 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 Parent Company/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 Parent Company/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.

Subsequently, on March 7, 2017, Judge Raphael granted VMS's motion for cost of proof sanction and directed the Parent Company/Bankard to pay VMS the additional amount of US\$0.08 million to cover the cost of (a) the services of expert witnesses and (b) their presentation during the trial, given his ruling that the Parent Company/Bankard unjustifiably denied VMS's request for admission that they failed to comply with MasterCard and VISA association rules. The Parent Company/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.

The Parent Company/Bankard filed their Revised Opening Brief on their Appeal with the California Court of Appeals on October 2, 2017, raising the following arguments: (a) there is no substantial evidence to establish that the Parent Company/Bankard caused VMS' loss, which arose as a result of the processing of VMS' transactions under and using the merchant ID of another merchant, in a side deal without Bankard's knowledge and consent; (b) there is, therefore, no contract/no processing relationship between VMS and Bankard; (c) there is no substantial evidence to establish that the Parent Company/Bankard caused VMS' loss under agency law, given that (i) Conway could not be Bankard's agent as a matter of law, because she was defrauding Bankard, (ii) plaintiffs did not establish that Conway was an agent of Bankard, (iii) plaintiff did not establish that Conway was a purported agent of Bankard, and, (iv) plaintiffs did not establish that Conway's wrongful conduct was within the scope of her agency; and, (d) the Trial Court abused its discretion in awarding cost of proof sanctions. On March 28, 2018, the Parent Company/Bankard was advised of the filing of VMS's Combined Respondents' Brief and Cross-Appellants' Opening Brief.

13.4 RCBC Securities Case

In December 2011, RCBC Securities ("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. Valbuena proposed to pay RSEC P30, payable in five years, in settlement of all the claims against her, which RSEC refused. Valbuena's appeal is now submitted for resolution, without prejudice to any settlement between the parties.

In May 2012, the Capital Markets Integrity Corporation ("CMIC") conducted an investigation on the complaint filed by Francisco Ken Cortes against RSEC. On July 3, 2015, the CMIC issued a Resolution of even date dismissing the complaint filed by Mr. Cortes. In October 2015, the CMIC affirmed the dismissal of Mr. Cortes' complaint with the denial of his Motion for Reconsideration dated 21 July 2015. Mr. Cortes did not file any appeal before the SEC en banc, so that the dismissal of his complaint is now final and executory.

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 30, 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 decision letter 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/Cognatio 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. On October 27, 2017, the Court of Appeals granted RSEC's Petition for Review and reinstated the CMIC decision, ruling that Palanca/Cognatio committed willful and deliberate forum shopping. Palanca/Cognatio's Motion for Reconsideration, which RSEC has opposed via its Comment/ Opposition dated February 22, 2018, is currently pending resolution. The SEC Cognatio 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 originally recognized as part of Accounts receivables under Loans and Receivables account in the statements of financial position until it was settled in 2017.

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 Parent Company 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 P4,966, counted from October 19, 2011 until fully paid.

On April 11, 2017, the Parent Company received a copy of the Entry of Judgment stating, among others, that the Decision dated January 13, 2015 and the Resolution dated August 16, 2016, which partially granted the Motion for Clarification and/or Partial Reconsideration filed by the Parent Company became final and executory on October 20, 2016. The Bureau of Treasury has so far settled P197 of the Parent Company's claim. The balance of P2 is currently the subject of discussion between the Parent Company, the PDIC and the Bureau of Treasury. The PDIC is evaluating, among others, the deed of assignment executed in favor of the Parent Company by a rural bank, which has since then been placed under liquidation, of its PEACe bonds holdings in partial settlement of its past loan obligation.

13.6 Applicability of RR 4-2011

On March 15, 2011, the BIR issued 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.

On April 6, 2015, the Parent Company and other member-banks of the Bankers Association of the Philippines ("BAP") (the "Petitioners"), filed the above-captioned case with Application for 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) it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation; (e) it was promulgated without prior consultation, thus, violating the procedural due process rights of the petitioners; and (f) it violated the equal protection clause guaranteed in the Constitution for requiring Banks and other financial institutions to adopt a method of allocation when other institutions and taxpayers were not being required to do so by the Department of Finance ("DOF") and BIR. On April 8, 2015, the RTC-Makati issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 27, 2015, RTC-Makati issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 04-2011 against the Parent Company and other BAP member banks, including the issuance of Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the RTC-Makati 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 Parent Company and other BAP member banks are concerned. The Pre-trial Conference of the case began on August 2, 2016 and continued to August 3, 2017. During the August 3, 2017 hearing, in lieu of trial for the resolution of the case, the Makati Trial Court directed the parties to file their respective Memorandum on September 15, 2017. As of October 5, 2017, the parties to the case have submitted their respective Memorandum

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 accounts in the Bank, which were eventually transferred to various accounts outside of the Bank. In August 2016, the Monetary Board approved the imposition of supervisory action on the Bank to pay the amount of P1,000 in relation to the completed special examination. There may be other cases arising from these events. The has fully recognised the BSP's P1,000 fine as part of miscellaneous expenses in its 2016 Consolidated Statements of Profit or Loss, and it has paid this penalty in full 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.

On November 18, 2016, the AMLC filed a criminal complaint against current and former employees of the Bank in relation to the BOB Incident with the Department of Justice (DOJ). The AMLC alleged that Raul Victor B. Tan, Ismael S. Reyes, Brigitte R. Capiña, Nestor O. Pineda, Romualdo S. Agarrado and Angela Ruth S. Torres violated Section 4(f) of R.A. No. 9160, as amended ("AMLA"), in connection with the BOB Incident. The AMLC alleged that each of the named persons performed or failed to perform an act, which facilitated the crime of money laundering, particularly the remittance and eventual withdrawal of US\$81 from certain accounts maintained at the Bank.

On March 27, 2017, current Bank employees Ismael S. Reyes, Brigitte R. Capiña and Romualdo S. Agarrado and former Bank employees Raul Victor B. Tan and Nestor O. Pineda filed affidavits contesting, among other things, their culpability and the existence of several required elements to the charges alleged by the AMLC. Between May and July 2017, the AMLC and the aforementioned individuals filed various affidavits and manifestations in connection with the charges. In a Resolution dated February 5, 2018, the newly assigned DOJ investigating prosecutor found probable cause against Raul Victor B. Tan, et al., and recommended the filing of the corresponding Information against them. On March 22, 2018, Raul Victor B. Tan, Ismael S. Reyes, Brigitte R. Capiña, and Romualdo S. Agarrado timely filed their Motion for Reconsideration on the aforementioned Resolution.

On March 8, 2016, William S. Go, an existing client of the Bank in another Business Center, and the Bank, filed criminal charges against (a) Maia Santos-Deguito, the former Branch Manager of the Makati Jupiter Business Center, and (b) Angela Ruth S. Torres, the former Senior Customer Service Officer of the Makati Jupiter Business Center, with the Office of the City Prosecutor of the Makati City ("OCP-Makati"). The criminal complaints alleged that the two former employees: (a) falsified bank documents in order to open fictitious U.S. Dollar and Peso denominated accounts in the name of William S. Go DBA Centurytex Trading, which were used in the transfer/conversion of US\$81 subject of the BOB Incident, and (b) Angela Ruth S. Torres committed perjury when she executed the affidavit identifying William S. Go as the person who allegedly received the P20 withdrawn from his fictitious Peso account on February 5, 2016. The OCP-Makati found probable cause to charge Maia Santos-Deguito with several counts of falsification. On the other hand, while the OCP-Makati dismissed the charges of falsification against Angela Ruth S. Torres, it found probable cause to charge her for perjury. The criminal cases against Maia Santos-Deguito and Angela Ruth Torres are currently pending before the

Makati Metropolitan Trial Court. The Bank has several other ongoing criminal cases or petitions for review currently pending in relation to actions that it has initiated against former Bank employees in relation to the BOB Incident.

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. See accompanying Notes to Interim Financial Statements for the detailed discussion of the accounting policies and methods of computation (Note 2).

Seasonality or Cyclicity of Interim Operations. Seasonal or cyclical events and/or conditions do not materially affect the year-round operations of the Bank.

Changes in Estimates of Amounts Reported. There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

Issuances, Repurchases and Repayments of Debt and Equity Securities. On March 15, 2018, the bank issued a US\$ 300 million Senior Unsecured Fixed Rate Notes with a coupon and yield at 4.13% with maturity date on March 16, 2023.

On March 5, 2018, the bank has undertaken an update of its US\$ 2 billion Medium Term Note Programme with a coupon and yield at 4.125% with maturity date on March 16, 2023.

Dividends Paid for Ordinary or Other Shares. In its meeting held on March 26, 2018, The Board of Directors approved the declaration and payment of cash dividends amounting to P0.6160 per share or a total of approximately P862 million payable to holders of Common Class and a total of approximately P17 thousand payable to holders of Preferred Class shares, both were approved by the Bangko Sentral ng Pilipinas on April 5, 2018 and paid on May 7, 2018.

In its meeting held on January 29, 2018, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0919 per share, or a total of approximately P23 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on March 1, 2018 and paid on March 28, 2018.

In its meeting held on October 30, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0840 per share, or a total of approximately P23 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on December 12, 2017 and paid on December 22, 2017.

In its meeting held on July 31, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0840 per share, or a total of approximately P23 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on September 5, 2017 and paid on September 22, 2017.

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.

The details of the cash dividend approvals and distributions from 2017 up to March 31, 2018 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			
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
31-Jul-17	P 0.0840	P 23	5-Sep-17	22-Sep-17	Convertible Preferred stock
30-Oct-17	P 0.0840	P 23	12-Dec-17	22-Dec-17	Convertible Preferred Stock
29-Jan-18	P 0.0919	P 23	1-Mar-18	28-Mar-18	Convertible Preferred stock
26-Mar-18	P 0.6160	P 862,340	5-Apr-18	7-May-18	Common Stock
26-Mar-18	P 0.6160	P 17	5-Apr-18	7-May-18	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 March 31, 2018 (in millions).

RESULTS OF OPERATIONS*					
	Retail Banking Group	Corporate Banking Group	Treasury / Trust	Others	Total
Net interest income	3,974	2,024	262	(1,444)	4,816
Non-interest income	985	470	412	(143)	1,724
Total revenue	4,959	2,494	674	(1,586)	6,541
Non-interest expense	3,624	1,305	151	67	5,147
Income (loss) before Income tax	1,336	1,189	523	(1,654)	1,394
Income tax expense	-	-	-	261	261
Net income (loss)	1,336	1,189	523	(1,915)	1,133

*Amounts may not add up due to rounding off.

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements.

On April 27, 2018, the bank re-opened its USD 300 million 4.125% Senior Unsecured Fixed Rate Notes due on March 16, 2023 via a second USD 150 million tranche drawdown off its USD 2 billion Medium Term Note Programme with a re-opening yield of 4.4084% and maturity date on March 16, 2023.

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. On January 29, 2018, the bank received the Board of Directors' approval to conduct a Stock Rights Offer to raise up to P15 billion in fresh Common Tier 1 Capital. Timing of transaction is subject to receipt of regulatory approval and market and other conditions.

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		
	31-Mar-18		31-Dec-17		31-Mar-18		31-Dec-17		
Return on Average Assets (ROA)* ^{1/}	0.81%		0.82%		1.01%		1.02%		
Return on Average Equity (ROE) * ^{2/}	6.82%		6.72%		6.83%		6.74%		
BIS Capital Adequacy Ratio	14.61%		15.46%		14.42%		15.33%		
Non-Performing Loans (NPL) Ratio ^{3/}	1.17%		1.25%		0.42%		0.54%		
Non-Performing Assets (NPA) Ratio ^{4/}	1.15%		1.37%		0.39%		0.48%		
Net Interest Margin (NIM)*	4.07%		4.25%		3.70%		3.85%		
Cost-to-Income Ratio	71.70%		70.92%		69.28%		68.01%		
Loans-to-Deposit Ratio ^{5/}	96.16%		93.38%		97.70%		94.26%		
Current Ratio	0.45		0.47		0.50		0.52		
Liquid Assets -to-Total Assets Ratio	0.18		0.20		0.19		0.20		
Debt-to-Equity Ratio	7.62		7.27		5.98		5.60		
Asset-to- Equity Ratio	8.62		8.27		6.98		6.60		
Asset -to- Liability Ratio	1.13		1.14		1.17		1.18		
Interest Rate Coverage Ratio	1.67		1.73		1.89		1.95		
Earnings per share (EPS)* ^{6/}									
Basic and Diluted	PHP	3.28	PHP	3.08	PHP	3.28	PHP	3.08	

**March 31,2018 ratios/amounts were annualized*

^{1/} Average assets for the consolidated and parent ratios were computed based on the 4-month average of end of month balances of total assets. Unaudited net income for the 3-month period ended March 31, 2018 in the amount of P1.133 billion represented the consolidated and parent.

^{2/} Average equity for the consolidated and parent ratios were, likewise, computed based on the 4-month average of end of month balances. Unaudited net income for the 3-month period ended March 31, 2018 in the amount of P1.133 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/} Including Interbank Loans

^{6/} Total weighted average number of issued and outstanding common shares (diluted) as of March 31, 2018 – 1,399,918,362 shares; as of December 31, 2017 – 1,399,916,364 shares.

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Income	PHP	318,842	Php	1,350,231
Return on Average Assets (ROA)*		1.10%		1.22%
Return on Average Equity (ROE)*		10.38%		11.80%
BIS Capital Adequacy Ratio (CAR)		13.70%		14.03%
Non-Performing Loans (NPL) Ratio		2.47%		3.13%
Non-Performing Assets (NPA) Ratio		3.66%		4.09%
Earnings per Share (EPS)*	PHP	41.89	Php	43.74

RIZAL MICROBANK	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Loss	PHP	1,959	Php	(9,537)
Return on Average Assets (ROA)*		0.56%		-0.69%
Return on Average Equity (ROE)*		1.33%		-1.54%
BIS Capital Adequacy Ratio (CAR)		39.67%		43.24%
Non-Performing Loans (NPL) Ratio		-0.34%		0.02%
Non-Performing Assets (NPA) Ratio		-0.26%		0.01%
Loss per Share (EPS)*	PHP	0.91	Php	(1.09)

RCBC CAPITAL CORPORATION and Subsidiaries	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Income	PHP	73,561	Php	550,269
Return on Average Assets (ROA)*		6.78%		12.40%
Return on Average Equity (ROE)*		7.68%		14.46%
BIS Capital Adequacy Ratio (CAR)		39.50%		39.36%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.03%		0.03%
Earnings per Share (EPS)*	PHP	2.53	Php	4.66

RCBC FOREX BROKERS CORPORATION	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Income	PHP	1,038	Php	4,502
Return on Average Assets (ROA)*		2.38%		2.48%
Return on Average Equity (ROE)*		2.51%		2.60%
Capital to Total Assets Ratio		94.77%		95.31%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings per Share (EPS)*	PHP	8.42	Php	9.00

*March 31, 2018 ratios/amounts were annualized

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Loss	PHP (2,290)	Php (8,940)
Return on Average Assets (ROA)*	-6.78%	-6.34%
Return on Average Equity (ROE)*	-6.95%	-6.49%
Capital to Total Assets Ratio	96.70%	97.83%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Loss per Share (EPS)*	PHP (3.72)	Php (3.58)

RCBC NORTH AMERICA, INC. ¹	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Loss	PHP -	PHP -
Return on Average Assets (ROA)*	0.00%	0.00%
Return on Average Equity (ROE)*	0.00%	0.00%
Capital to Total Assets Ratio	58.70%	58.70%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Loss per Share (EPS)*	PHP -	PHP -

RCBC TELEMONEY EUROPE S.P.A. ²	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Loss	PHP (4,885)	Php (9,172)
Return on Average Assets (ROA)*	-150.96%	-55.15%
Return on Average Equity (ROE)*	39.18%	12.43%
Capital to Total Assets Ratio	-236.81%	-647.61%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Loss per Share (EPS)*	PHP (198.10)	Php (91.72)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Income (Loss)	PHP (96)	Php 88
Return on Average Assets (ROA)*	-0.20%	0.05%
Return on Average Equity (ROE)*	0.33%	-0.07%
Capital to Total Assets Ratio	-59.65%	-61.78%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Earnings (Loss) per Share (EPS)*	PHP (0.00)	Php 0.00

*March 31, 2018 ratios/amounts were annualized

¹The company ceased its operations in March 2014. Waiting for final liquidation closure.

²The company ceased its operations in March 2016. Waiting for final liquidation closure.

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. See accompanying Notes to Interim Financial Statements for the detailed discussion of the accounting policies and methods of computation (Note 2).

Seasonality or Cyclicity of Interim Operations. Seasonal or cyclical events and/or conditions do not materially affect the year-round operations of the Bank.

Changes in Estimates of Amounts Reported. There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

Issuances, Repurchases and Repayments of Debt and Equity Securities. On March 15, 2018, the bank issued a US\$ 300 million Senior Unsecured Fixed Rate Notes with a coupon and yield at 4.13% with maturity date on March 16, 2023.

On March 5, 2018, the bank has undertaken an update of its US\$ 2 billion Medium Term Note Programme with a coupon and yield at 4.125% with maturity date on March 16, 2023.

Dividends Paid for Ordinary or Other Shares. In its meeting held on March 26, 2018, The Board of Directors approved the declaration and payment of cash dividends amounting to P0.6160 per share or a total of approximately P862 million payable to holders of Common Class and a total of approximately P17 thousand payable to holders of Preferred Class shares, both were approved by the Bangko Sentral ng Pilipinas on April 5, 2018 and paid on May 7, 2018.

In its meeting held on January 29, 2018, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0919 per share, or a total of approximately P23 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on March 1, 2018 and paid on March 28, 2018.

In its meeting held on October 30, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0840 per share, or a total of approximately P23 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on December 12, 2017 and paid on December 22, 2017.

In its meeting held on July 31, 2017, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0840 per share, or a total of approximately P23 thousand payable to holders of Preferred Class shares, which was approved by the Bangko Sentral ng Pilipinas on September 5, 2017 and paid on September 22, 2017.

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.

The details of the cash dividend approvals and distributions from 2017 up to March 31, 2018 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			
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
31-Jul-17	P 0.0840	P 23	5-Sep-17	22-Sep-17	Convertible Preferred stock
30-Oct-17	P 0.0840	P 23	12-Dec-17	22-Dec-17	Convertible Preferred Stock
29-Jan-18	P 0.0919	P 23	1-Mar-18	28-Mar-18	Convertible Preferred stock
26-Mar-18	P 0.6160	P 862,340	5-Apr-18	7-May-18	Common Stock
26-Mar-18	P 0.6160	P 17	5-Apr-18	7-May-18	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 March 31, 2018 (in millions).

RESULTS OF OPERATIONS*					
	Retail Banking Group	Corporate Banking Group	Treasury / Trust	Others	Total
Net interest income	3,974	2,024	262	(1,444)	4,816
Non-interest income	985	470	412	(143)	1,724
Total revenue	4,959	2,494	674	(1,586)	6,541
Non-interest expense	3,624	1,305	151	67	5,147
Income (loss) before Income tax	1,336	1,189	523	(1,654)	1,394
Income tax expense	-	-	-	261	261
Net income (loss)	1,336	1,189	523	(1,915)	1,133

*Amounts may not add up due to rounding off.

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements.

On April 27, 2018, the bank re-opened its USD 300 million 4.125% Senior Unsecured Fixed Rate Notes due on March 16, 2023 via a second USD 150 million tranche drawdown off its USD 2 billion Medium Term Note Programme with a re-opening yield of 4.4084% and maturity date on March 16, 2023.

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. On January 29, 2018, the bank received the Board of Directors' approval to conduct a Stock Rights Offer to raise up to P15 billion in fresh Common Tier 1 Capital. Timing of transaction is subject to receipt of regulatory approval and market and other conditions.

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		
	31-Mar-18		31-Dec-17		31-Mar-18		31-Dec-17		
Return on Average Assets (ROA)* ^{1/}	0.81%		0.82%		1.01%		1.02%		
Return on Average Equity (ROE) * ^{2/}	6.82%		6.72%		6.83%		6.74%		
BIS Capital Adequacy Ratio	14.61%		15.46%		14.42%		15.33%		
Non-Performing Loans (NPL) Ratio ^{3/}	1.17%		1.25%		0.42%		0.54%		
Non-Performing Assets (NPA) Ratio ^{4/}	1.15%		1.37%		0.39%		0.48%		
Net Interest Margin (NIM)*	4.07%		4.25%		3.70%		3.85%		
Cost-to-Income Ratio	71.70%		70.92%		69.28%		68.01%		
Loans-to-Deposit Ratio ^{5/}	96.16%		93.38%		97.70%		94.26%		
Current Ratio	0.45		0.47		0.50		0.52		
Liquid Assets -to-Total Assets Ratio	0.18		0.20		0.19		0.20		
Debt-to-Equity Ratio	7.62		7.27		5.98		5.60		
Asset-to- Equity Ratio	8.62		8.27		6.98		6.60		
Asset -to- Liability Ratio	1.13		1.14		1.17		1.18		
Interest Rate Coverage Ratio	1.67		1.73		1.89		1.95		
Earnings per share (EPS)* ^{6/}									
Basic and Diluted	PHP	3.28	PHP	3.08	PHP	3.28	PHP	3.08	

**March 31,2018 ratios/amounts were annualized*

^{1/} Average assets for the consolidated and parent ratios were computed based on the 4-month average of end of month balances of total assets. Unaudited net income for the 3-month period ended March 31, 2018 in the amount of P1.133 billion represented the consolidated and parent.

^{2/} Average equity for the consolidated and parent ratios were, likewise, computed based on the 4-month average of end of month balances. Unaudited net income for the 3-month period ended March 31, 2018 in the amount of P1.133 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/} Including Interbank Loans

^{6/} Total weighted average number of issued and outstanding common shares (diluted) as of March 31, 2018 – 1,399,918,362 shares; as of December 31, 2017 – 1,399,916,364 shares.

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RCBC SAVINGS BANK	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Income	PHP	318,842	Php	1,350,231
Return on Average Assets (ROA)*		1.10%		1.22%
Return on Average Equity (ROE)*		10.38%		11.80%
BIS Capital Adequacy Ratio (CAR)		13.70%		14.03%
Non-Performing Loans (NPL) Ratio		2.47%		3.13%
Non-Performing Assets (NPA) Ratio		3.66%		4.09%
Earnings per Share (EPS)*	PHP	41.89	Php	43.74

RIZAL MICROBANK	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Loss	PHP	1,959	Php	(9,537)
Return on Average Assets (ROA)*		0.56%		-0.69%
Return on Average Equity (ROE)*		1.33%		-1.54%
BIS Capital Adequacy Ratio (CAR)		39.67%		43.24%
Non-Performing Loans (NPL) Ratio		-0.34%		0.02%
Non-Performing Assets (NPA) Ratio		-0.26%		0.01%
Loss per Share (EPS)*	PHP	0.91	Php	(1.09)

RCBC CAPITAL CORPORATION and Subsidiaries	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Income	PHP	73,561	Php	550,269
Return on Average Assets (ROA)*		6.78%		12.40%
Return on Average Equity (ROE)*		7.68%		14.46%
BIS Capital Adequacy Ratio (CAR)		39.50%		39.36%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.03%		0.03%
Earnings per Share (EPS)*	PHP	2.53	Php	4.66

RCBC FOREX BROKERS CORPORATION	Unaudited		Audited	
In Php 000s	March 31, 2018		December 31, 2017	
Net Income	PHP	1,038	Php	4,502
Return on Average Assets (ROA)*		2.38%		2.48%
Return on Average Equity (ROE)*		2.51%		2.60%
Capital to Total Assets Ratio		94.77%		95.31%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings per Share (EPS)*	PHP	8.42	Php	9.00

*March 31, 2018 ratios/amounts were annualized

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Loss	PHP (2,290)	Php (8,940)
Return on Average Assets (ROA)*	-6.78%	-6.34%
Return on Average Equity (ROE)*	-6.95%	-6.49%
Capital to Total Assets Ratio	96.70%	97.83%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Loss per Share (EPS)*	PHP (3.72)	Php (3.58)

RCBC NORTH AMERICA, INC. ¹	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Loss	PHP -	PHP -
Return on Average Assets (ROA)*	0.00%	0.00%
Return on Average Equity (ROE)*	0.00%	0.00%
Capital to Total Assets Ratio	58.70%	58.70%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Loss per Share (EPS)*	PHP -	PHP -

RCBC TELEMONEY EUROPE S.P.A. ²	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Loss	PHP (4,885)	Php (9,172)
Return on Average Assets (ROA)*	-150.96%	-55.15%
Return on Average Equity (ROE)*	39.18%	12.43%
Capital to Total Assets Ratio	-236.81%	-647.61%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Loss per Share (EPS)*	PHP (198.10)	Php (91.72)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Unaudited	Audited
In Php 000s	March 31, 2018	December 31, 2017
Net Income (Loss)	PHP (96)	Php 88
Return on Average Assets (ROA)*	-0.20%	0.05%
Return on Average Equity (ROE)*	0.33%	-0.07%
Capital to Total Assets Ratio	-59.65%	-61.78%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Earnings (Loss) per Share (EPS)*	PHP (0.00)	Php 0.00

*March 31, 2018 ratios/amounts were annualized

¹The company ceased its operations in March 2014. Waiting for final liquidation closure.

²The company ceased its operations in March 2016. Waiting for final liquidation closure.

NIYOG PROPERTY HOLDINGS, INC. In Php 000s	Unaudited		Audited
	March 31, 2018		December 31, 2017
Net Income	PHP	15,499	Php 134,909
Return on Average Assets (ROA)*		8.11%	18.42%
Return on Average Equity (ROE)*		8.50%	19.32%
Capital to Total Assets Ratio		94.08%	96.05%
Non-Performing Loans (NPL) Ratio		0.00%	0.00%
Non-Performing Assets (NPA) Ratio		0.00%	0.00%
Earnings per Share (EPS)*	PHP	45.19	Php 96.99

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Unaudited		Audited
	March 31, 2018		December 31, 2017
Net Income	PHP	28,122	Php 91,147
Return on Average Assets (ROA)*		1.24%	1.10%
Return on Average Equity (ROE)*		16.07%	13.64%
Capital to Total Assets Ratio		7.09%	7.87%
Non-Performing Loans (NPL) Ratio		6.43%	8.61%
Non-Performing Assets (NPA) Ratio		5.71%	6.65%
Earnings per Share (EPS)*	PHP	0.25	Php 0.199

**March 31, 2018 ratios/amounts were annualized*

31 March 2018 vs 31 December 2017

RCBC's Total Assets grew by 5.65% or P31.303 billion from P553.988 to P585.292 billion mainly due to the increase in Loans and Receivables, Net and Investment Securities.

Cash and other Cash Items decreased by P6.10% or P896 million from P14.693 to P13.797 billion.

Due from Bangko Sentral ng Pilipinas, representing 9.75% of total resources, stood at P57.109 billion. Due from other banks increased by 11.81% or P2.340 billion from P19.818 billion to P22.159 billion, mainly due to increase in foreign bank placements. Total trading investment securities, representing 15.14% of Total Resources, increased by 21.59% or P15.747 billion from P72.932 billion to P88.679 billion attributable to 63.06% or P3.382 billion increase in Financial Assets at Fair Value through other Comprehensive Income (FVOCI) from P5.364 billion to P8.746 billion and 22.55% or P13.526 billion increase in Hold-to-Collect (HTC) portfolio from P59.977 billion to P73.502 billion.

Loans under reverse repurchase agreement decreased by 13.75% or P1.352 billion from P9.831 billion to P8.479 billion mainly due to lower placements with the BSP.

Loans and Receivables-net stood at P371.560 billion and represented 63.48% of total resources. This was primarily as a result of increase in the volume of loan releases.

Investment Properties, net increased by 5.47% or P186 million from P3.399 to P3.584 billion attributable to additional foreclosed properties made by subsidiaries.

Deposit liabilities were recorded at P394.614 billion and represented 67.37% of Total Resource. Demand deposits stood at P52.495 billion and accounted for 8.96% of Total Resources; Savings Deposits were recorded at P167.483 billion and accounted for 28.59% of Total Resources. Time deposits reached P174.635 billion and accounted for 29.82% of total resources.

Bills payable increased by 14.78% or P6.497 billion from P43.967 billion to P50.464 billion mainly attributable to higher foreign borrowings; it represented 8.62% of total resources. Bonds payable increased by 60.12% or P16.870 billion from P28.060 billion to P44.930 primarily as a result of issuance of U.S.\$300 million senior notes in March 2018. Accrued taxes, interest and other expenses payable increased by 8.28% or P346 million from P4.185 billion to P4.531 billion mainly due to increase in accruals for interest and other expenses.

Other Liabilities increased by 7.06% or P873 million from P12.371 billion to P13.245 billion.

Total liabilities grew by 6.32% or P30.793 billion from P486.963 billion to P517.756 and represented 88.40% of Total Resources

Total Capital Funds stood at P67.536 billion and accounted for 11.54% 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.

31 March 2018 vs. 31 March 2017

Total interest income increased by 19.45% or P1.125 billion from P5.781 billion to P6.906 billion and accounted for 105.58% of total operating income. Interest income on loans and receivables went up by 24.09% or P1.217 billion from P5.054 billion to P6.271 billion and accounted for 95.87% of total operating income. The increase is mainly due to increase in average yield and volume of Loans and Receivables. Interest income on investment securities was recorded at P599 million and accounted for 9.15% of total

operating income. Other interest income decreased by 75.11% or P108 million from P144 million to P36 million primarily as a result of lower income on Term Deposits due to lower volume of placements.

Total interest expense increased by 27.92% or P456 million from P1.633 billion to P2.089 billion and accounted 31.94% of total operating income. Interest expense from deposit liabilities grew by 35.55% from P933 million to P1.264 billion primarily as a result of increase in deposit level in terms of ADB coupled by increase in average cost; it represented 19.33% of total operating income. Interest expense on bills payable and other borrowings increased by 17.78% or P125 million from P701 million to P825 million mainly due to increase in Bills Payable and Bonds Payable. As a result, net interest income increased by 16.12% or P668 million from P4.148 billion to P4.816 billion.

The Group booked higher impairment losses at P457 million, up by 37% or P123 million from P333 million and represented 6.98% of total operating income. Increase in impairments losses net was mainly due to additional provisions for Credit Card Receivables as a result of implementation of ECL coupled by higher volume year on year.

The Other operating income of P1.724 billion which accounted for 26.36% of total operating income was an improvement of 6.15% or P100 million and is broken down as follows:

- Service fees and commissions declined by 8.72% or P76 million largely due to lower fees from investment banking and lower commitment fees on loans
- Trading and securities gain-net declined by 125.78% or P48 million from P38 million trading gain to a Trading Loss of P10 million, attributable to unrealized mark to market trading losses.
- Foreign exchange gains increased by 134.19% or P197 million from P147 million to P344 million attributable to higher FX trading gains
- Trust fees settled at P68 million.
- Miscellaneous income went up by 5.45% or P27 million from P501 billion to P528 billion brought about by higher dividend income and rental income.

Operating expenses, accounted for 71.70% of Total Operating Income, increased by 11.64% or P489 million from P4.201 billion to P4.690 billion due to the following:

- Manpower costs increased by 7.15% or P105 million from P1.470 billion to P1.575 billion, as a result of increase in headcount and regular salary adjustment. It consumed 24.09% of the total operating income;
- Occupancy and equipment-related stood at P791 million and consumed 12.10% or Total operating income;
- Taxes and licenses grew by 29.21% or P126 million from P432 million to P558 million primarily as a result of higher Documentary Stamp Tax expense as a result of higher DST rates imposed on debt instruments due to TRAIN;
- Depreciation and amortization was recorded at P454 million;
- Miscellaneous expenses went up by 21.08% or P228 million to settle at P1.311 billion from P1.083 billion primarily as a result of higher service fees and other credit card related expenses

Tax expense increased by 10.70% or P25 million from P236 million to P261 million higher taxable income for the period.

Net profit attributable to non-controlling interest settled at P1 million.

Overall, net income increased by 13.06% or P131 million from P1.002 billion to P1.133 billion.

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

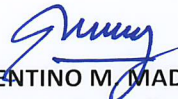
Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **RIZAL COMMERCIAL BANKING CORPORATION**

Date **May 11, 2018**



GIL A. BUENAVENTURA
President & CEO



FLORENTINO M. MADONZA
SVP, Head - Controllershship Group



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

RIZAL COMMERCIAL BANKING CORPORATION
Aging of Other Receivables
31-Mar-18
(Amounts in PHP)

		1-90 days	91-180 days	181-1 year	Over one year	Total	Allow	Net
	Accounts Receivable	712,799,173.68	212,999,100.08	141,569,914.03	883,171,327.59	1,950,539,515.38	340,631,384.24	1,609,908,131.14