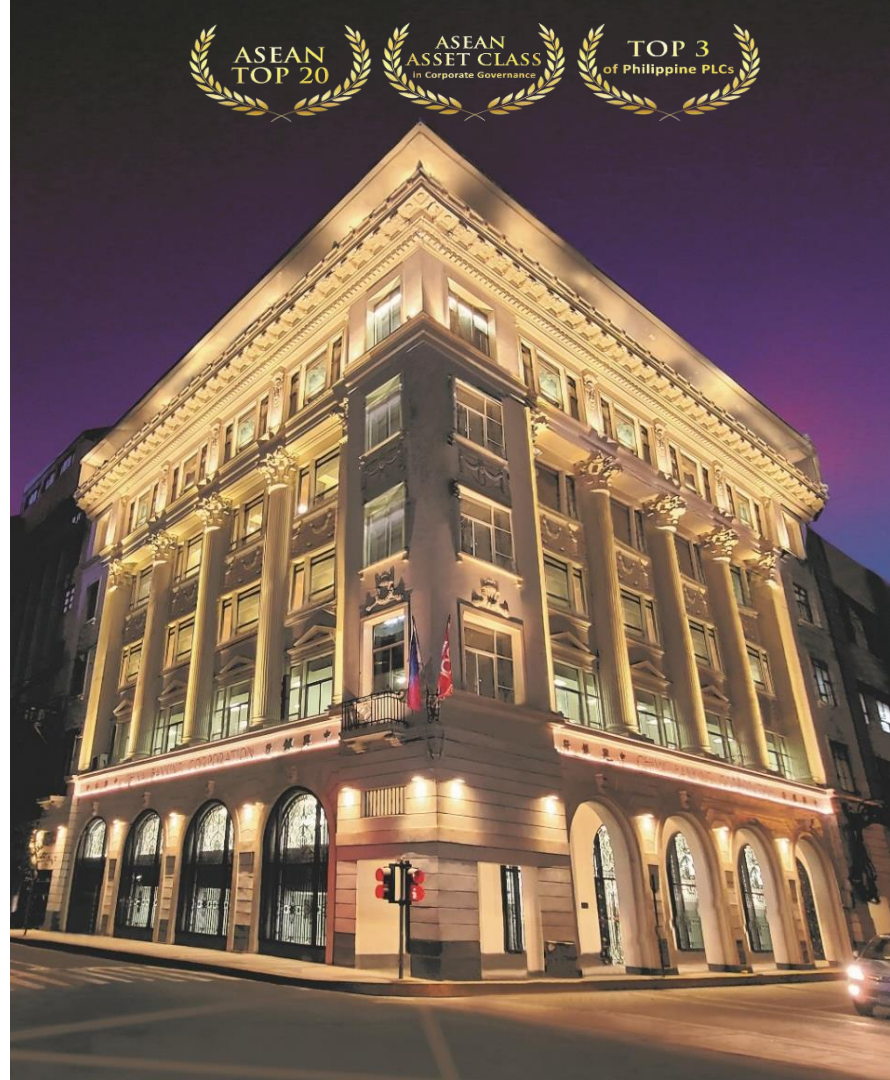


# China Banking Corporation

## ANALYSTS' BRIEFING

### 1Q 2023 Results

May 09, 2023



ANY INVESTMENT DECISION TO PURCHASE SECURITIES IN THE CONTEXT OF A PROPOSED OFFERING, IF ANY, SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR PUBLISHED IN RELATION TO SUCH AN OFFERING AND NOT ON THE BASIS OF THIS DOCUMENT WHICH DOES NOT CONSTITUTE OR FORM PART OF AN OFFER OR SOLICITATION OF AN OFFER TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES.

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This document contains “forward-looking statements”, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may”, “will pursue” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond CHIB’s control, that may change at any time, and could cause the actual results, performance or achievements of CHIB to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Recipients are cautioned not to place substantial or undue reliance on these forward-looking statements. All forward-looking statements included in this presentation are made only as of the date of this presentation and neither CHIB, the Dealers, nor any of their respective affiliates, agents, advisors or representatives (including directors, officers and employees) intend or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this document as a result of new information, future events or any other factors.

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# Panelists



**Patrick D. Cheng**  
Chief Finance Officer



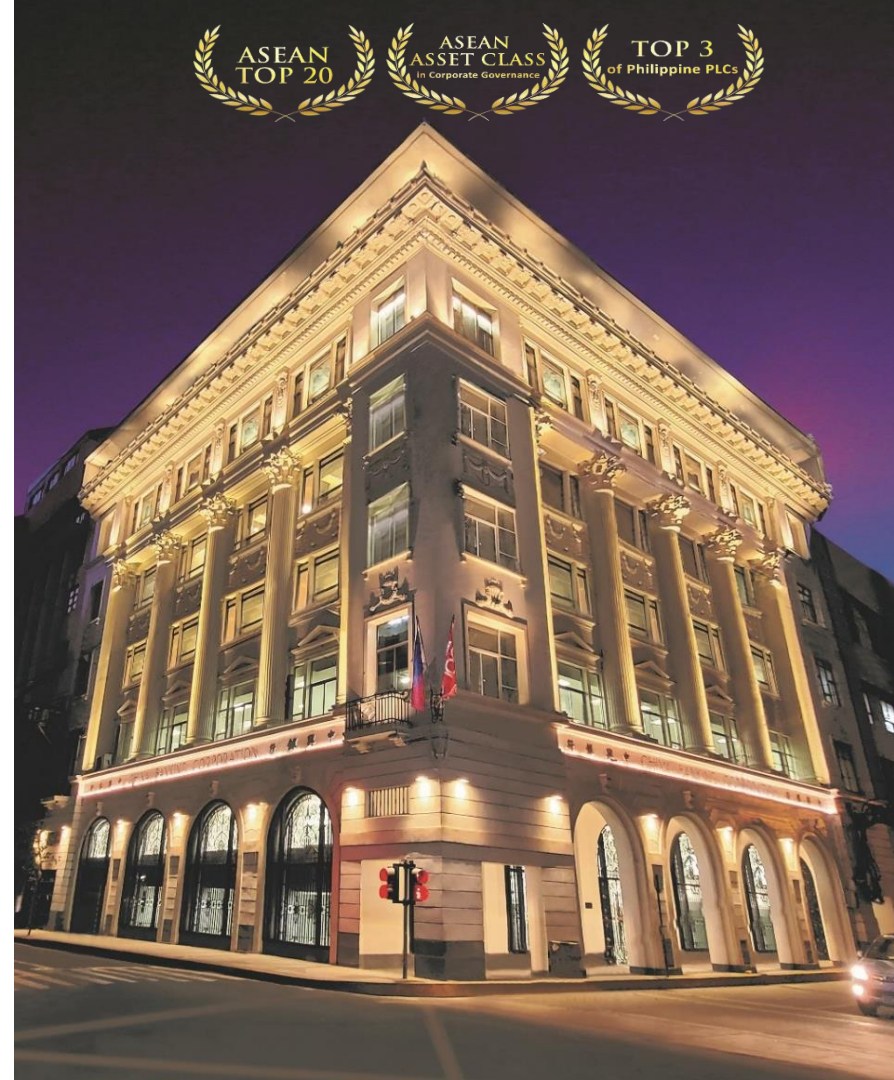
**Gerald O. Florentino**  
Investor Relations Head



**Domini S. Velasquez**  
Chief Economist

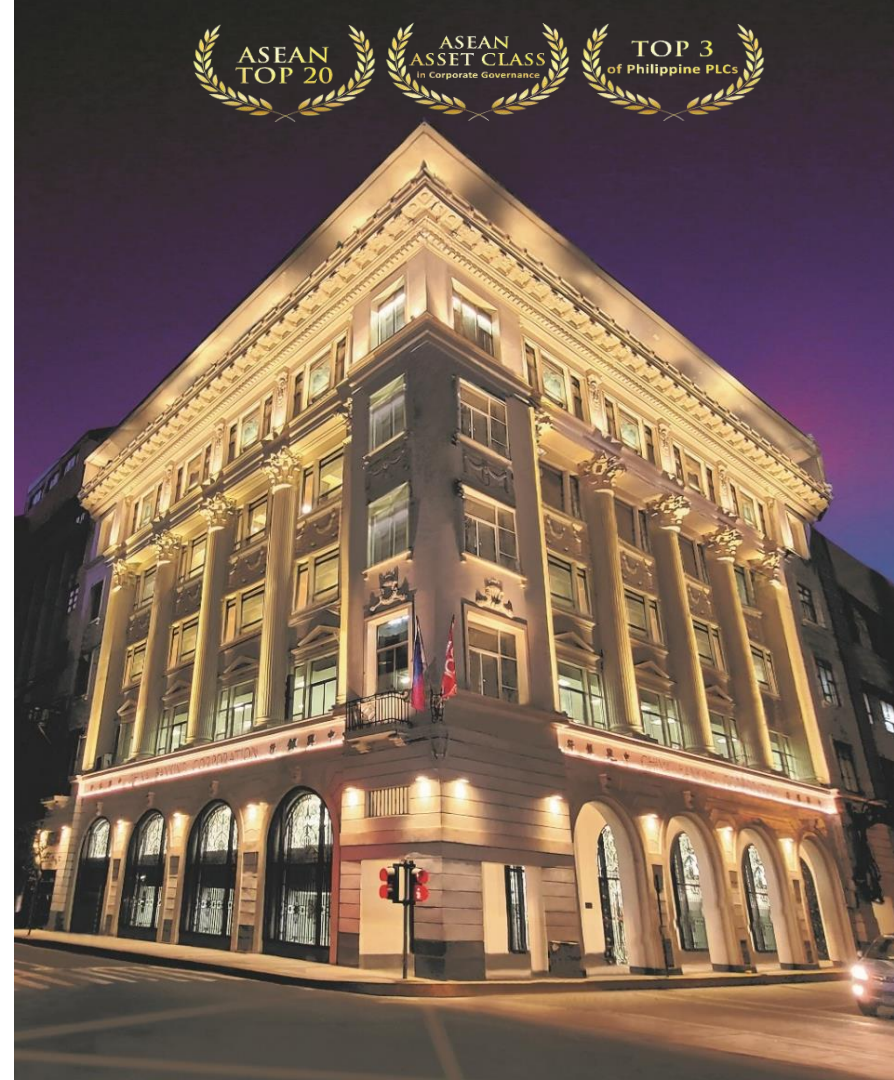
# Reminders

- Microphones and cameras are disabled during the presentation.
- For the Q & A, attendees may:
  - ✓ Post a **live question**  
click the “Raise Hand” button to be recognized
  - ✓ Send questions thru the **chat box**





# Macroeconomic Outlook



# Macroeconomic Outlook

## China Bank's view

**INFLATION 5.8%**  
from 5.8% in FY 2022

- ✓ Inflation will move downward;  
**expected to fall to ≤4% by Nov**
- ✓ Key risks:
  - Domestic food shortages
  - El Niño
  - Wage and transport hikes
  - Higher global oil prices

**POLICY RATE & FX 6.25%**  
+425 bps since May 2022

- ✓ **BSP to pause at its May meeting at 6.25% before cuts in Q4**
- ✓ Relatively flat yield curve for now until BSP cuts policy rates
- ✓ The Fed opened the door for a rate pause at its latest meeting
- ✓ More stable USDPHP in 2023 between 53.00 and 57.00
- ✓ **Narrower current account deficit will support the peso**

**GDP 5.8%**  
from 7.6% in FY 2022

- ✓ **High inflation and interest rates will weigh on growth**
- ✓ Demand momentum from the pandemic reopening will fade
- ✓ External headwinds from a slower global economy
- ✓ Fiscal support will continue to remain muted

# Macroeconomic Outlook

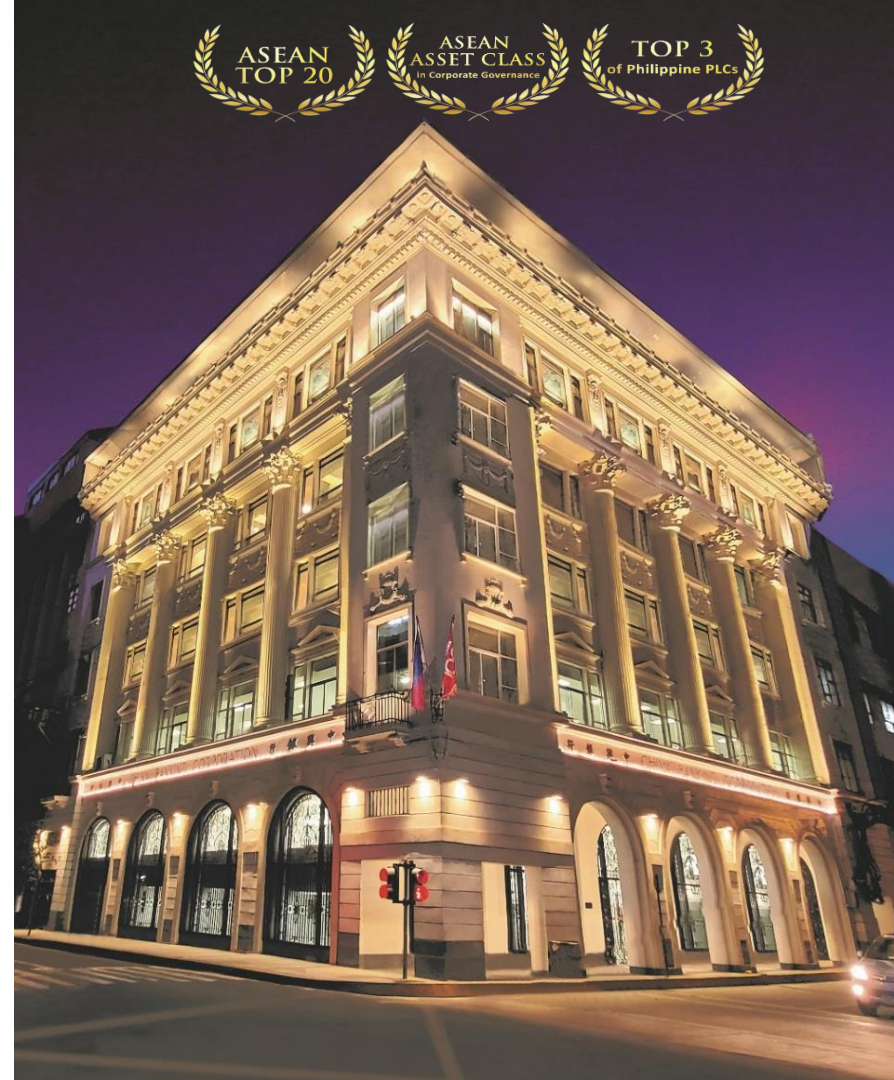
## China Bank's view

	FY 2022A	Q12023A	FY 2023F	FY 2024F
GDP growth (%)	7.7	6.8F	5.8	5.5
Inflation (%)	5.4	8.3	5.8	2.9
Policy rate (end, %)	5.50	6.25	5.75	4.50
10-Year BVAL Rate (end, %)	6.994	6.216	5.3	4.3
USDPHP (end)	55.755	54.360	55.6	51.4

### Key Takeaways

1. **Moderate economic growth in 2023** due to heightened domestic and external risks
2. **Easing cost burden** as inflation moderates, followed by lower interest rates
3. **Fiscal policy** remains subdued
4. But **growth potential remains strong**

# 1Q 2023 Financial Performance





# 1Q 2023 Performance Highlights

We delivered **strong returns**.

**P5.0 billion**  
1Q'23 Net income

**14.7%**  
Return on Equity

**1.5%**  
Return on Assets

We maintained a **quality balance sheet** and **prudent risk management**.

**2.3%**  
NPL Ratio

**118%**  
NPL Coverage Ratio

We sustained a **solid capital position** and we are **committed to distributing excess capital** to shareholders.

**15.4%**  
CET-1 Ratio

**16.3%**  
Capital Adequacy Ratio

**P1.90/sh**  
Total cash dividends

# 1Q 2023 Financial Highlights

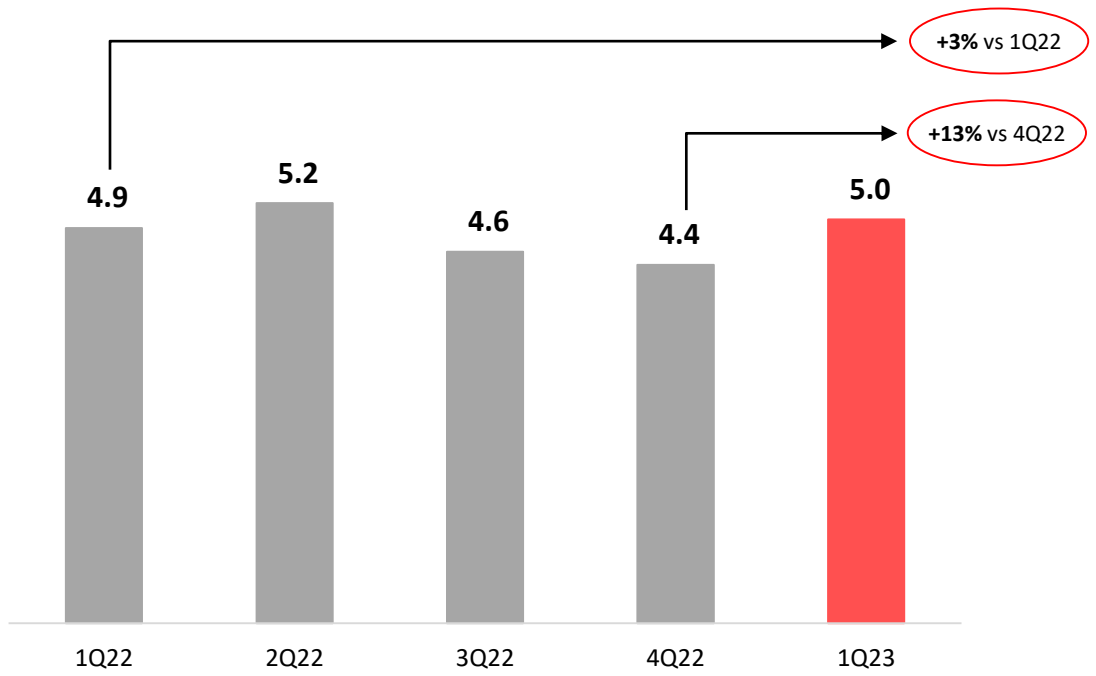
INCOME STATEMENTS In Php billions, except %	1Q 2022	4Q 2022	1Q 2023	1Q'23 vs 1Q'22	1Q'23 vs 4Q'22
Interest income	12.6	16.7	18.4	46%	11%
Interest expense	(1.9)	(4.8)	(5.7)	207%	20%
<b>Net interest income</b>	<b>10.8</b>	<b>11.9</b>	<b>12.7</b>	<b>18%</b>	<b>7%</b>
Fee-based income	1.7	1.8	0.5	-72%	-73%
<b>Total revenue</b>	<b>12.5</b>	<b>13.7</b>	<b>13.2</b>	<b>5%</b>	<b>-4%</b>
Operating expenses	(5.7)	(6.4)	(6.8)	19%	7%
<b>Income before provisions and taxes</b>	<b>6.8</b>	<b>7.3</b>	<b>6.4</b>	<b>-6%</b>	<b>-13%</b>
Provision for impairment and credit losses	(0.8)	(2.1)	(0.4)	-44%	-79%
<b>Income before income tax</b>	<b>6.0</b>	<b>5.2</b>	<b>5.9</b>	<b>-1%</b>	<b>13%</b>
Provision for income tax	(1.1)	(0.8)	(0.9)	-19%	15%
<b>Net income</b>	<b>4.9</b>	<b>4.4</b>	<b>5.0</b>	<b>3%</b>	<b>13%</b>
Return on Equity	16.0%		14.7%		
Return on Assets	1.7%		1.5%		
Net interest margin	4.3%		4.2%		
Cost-to-income ratio	46%		52%		

# 1Q 2023 Financial Highlights

BALANCE SHEETS in Php billions, except %	Mar 31, 2022	Dec 31, 2022	Mar 31, 2023	Mar'23 vs Mar'22	Mar'23 vs Dec'22
Liquid Assets	153	178	146	-5%	-18%
Investment Securities	321	412	455	42%	10%
Net Loans	616	700	709	15%	1%
Other Assets	37	40	41	12%	3%
<b>Total Assets</b>	<b>1,127</b>	<b>1,330</b>	<b>1,352</b>	<b>20%</b>	<b>2%</b>
Deposits	879	1,066	1,086	24%	2%
Bills and Bonds Payable	98	99	95	-3%	-4%
Other Liabilities	24	31	31	29%	2%
<b>Total Liabilities</b>	<b>1,001</b>	<b>1,195</b>	<b>1,212</b>	<b>21%</b>	<b>1%</b>
<b>Total Equity</b>	<b>125</b>	<b>135</b>	<b>139</b>	<b>11%</b>	<b>3%</b>
<b>Total Liabilities and Equities</b>	<b>1,127</b>	<b>1,330</b>	<b>1,352</b>	<b>20%</b>	<b>2%</b>
NPL Ratio	2.4%	2.3%	2.3%		
NPL Cover	121%	123%	118%		
Tier 1/CET 1 Ratio	15.5%	15.1%	15.4%		
Capital Adequacy Ratio (CAR)	16.3%	15.9%	16.3%		

# Sustained profitability amidst a challenging environment

Quarterly Net Income (In PHP Bn)

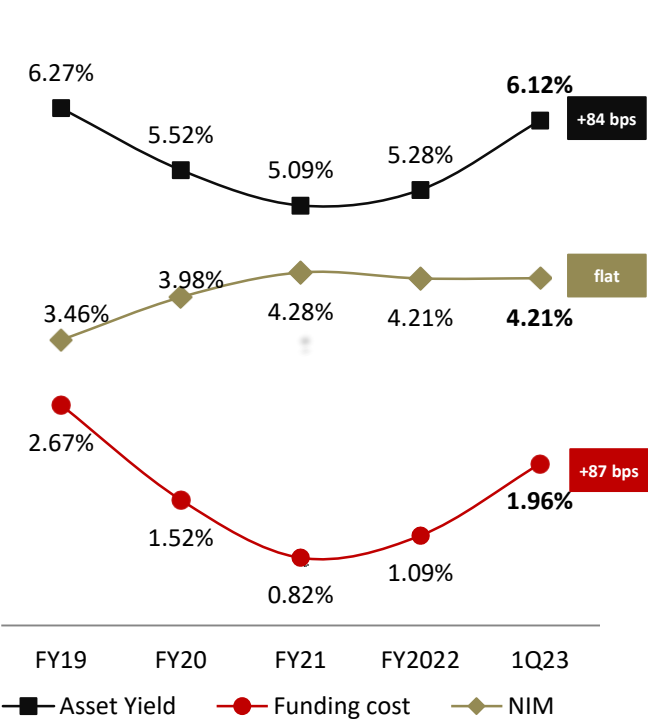


1Q'23 Net income **breached the P5-billion** mark on strong NII growth.

Trailing 12-month EPS at **P7.2/share** vs. P6.1/share in 1Q'22

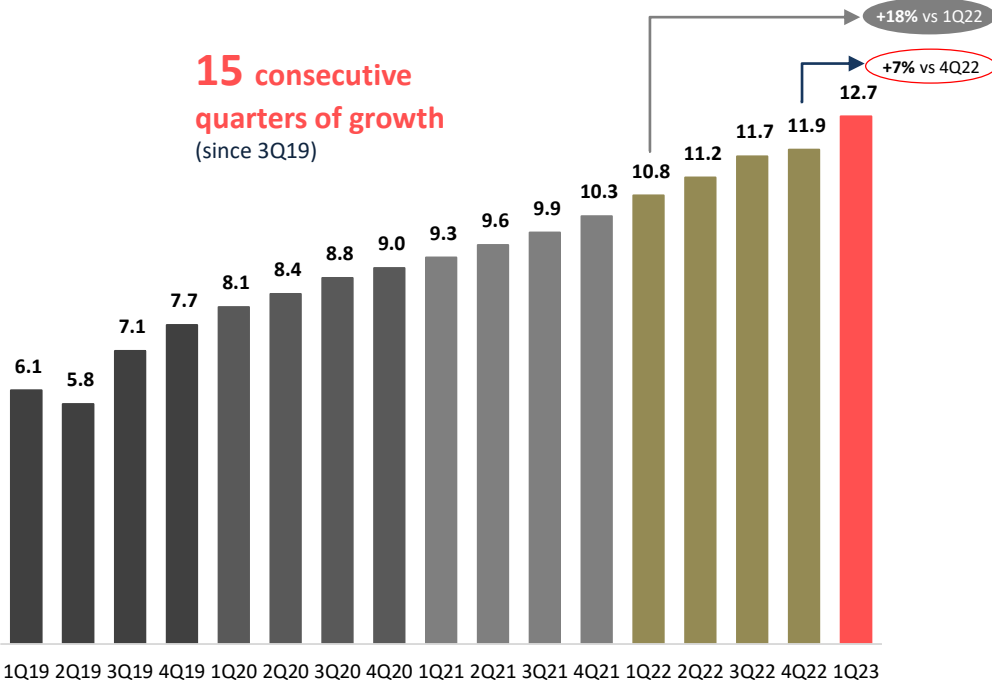
# Resilient NII despite pressure on funding costs

## NIM stabilizes above 4%



## Net interest income continues to grow Q-on-Q

Net Interest Income (In PHP Bn)

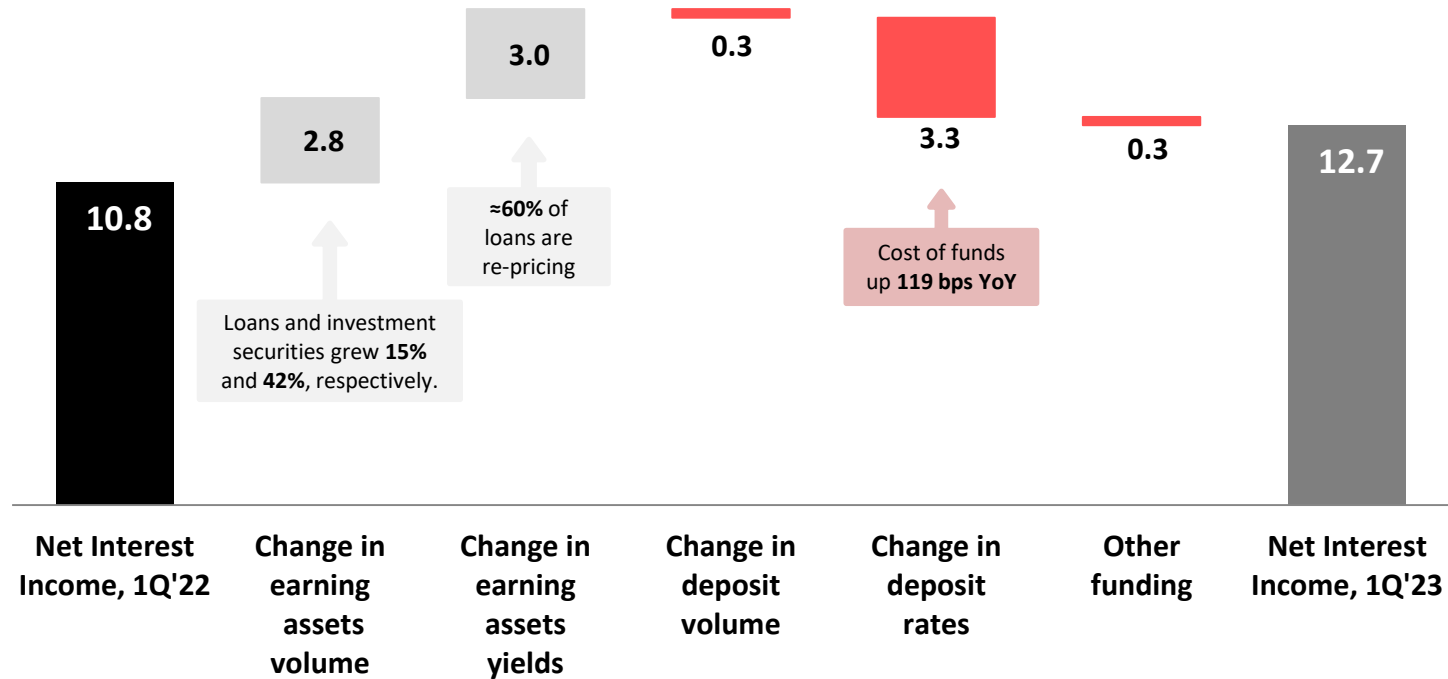




# Resilient NII despite pressure on funding costs

## Net interest income continues to grow

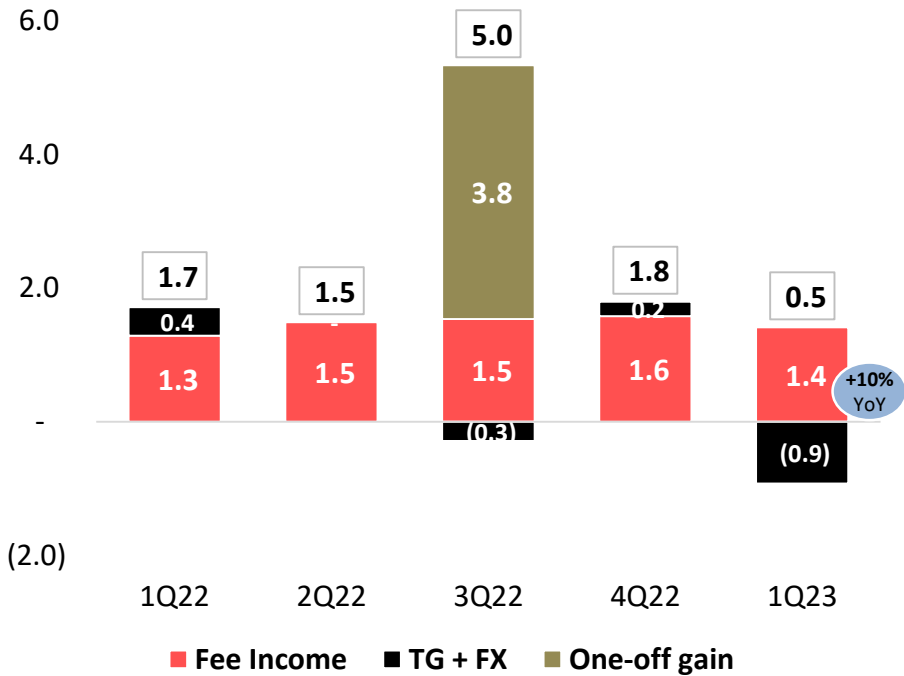
Net Interest Income (In PHP Bn)



# Fee-based income remains strong

## Core Fee income continues to grow

Fee-based Income (In PHP Bn)

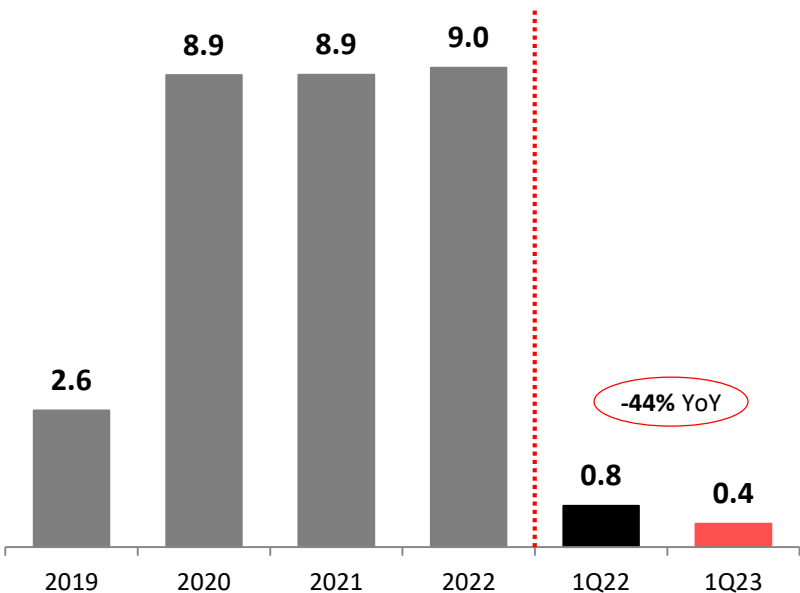


- ✓ Core fee income grew **10% YoY to P1.4 billion**.
- ✓ Service charges, fees, and commissions were up **9% to P750 million** due to higher deposits, loans and transactions-based fees.
- ✓ The decline in Treasury and FX-related gains was offset by **higher accrual income on Investment securities**.

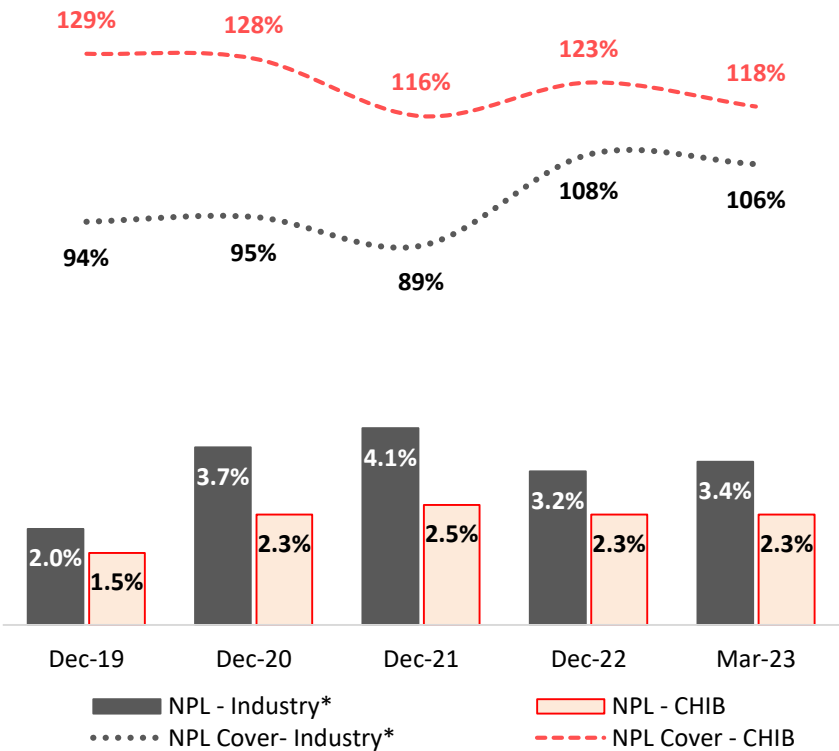
# Stable asset quality and sufficient NPL cover

## Stable asset quality results to lower provisions

Provisions (In PHP Bn)



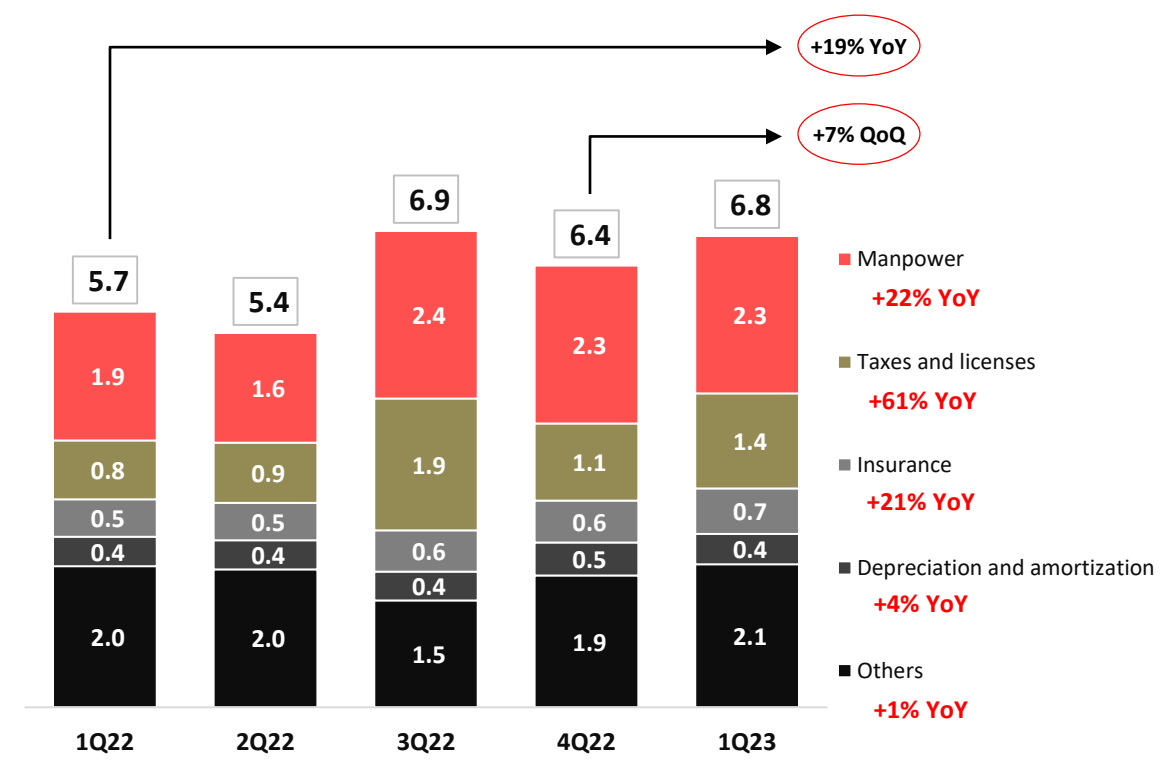
## NPL ratio has stabilized; NPL cover remains adequate



\*BSP data (UKB + TB), as of February 2023

# Operating expenses impacted by persistently high inflation

Operating Expenses ex provisions (In PHP Bn)

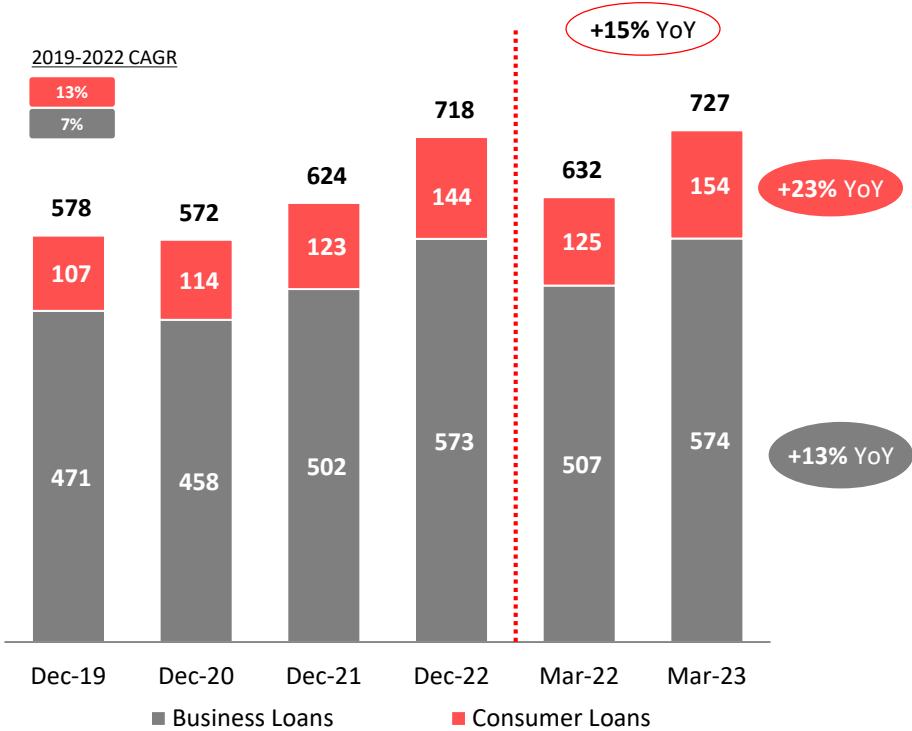


- ✓ **Volume-related taxes** higher due to higher operating income and bigger deposit balances.
- ✓ **Core opex up 12%** to P3.3 Bn on continued investments on digital transformation and human resource development.

# Sustained loan growth

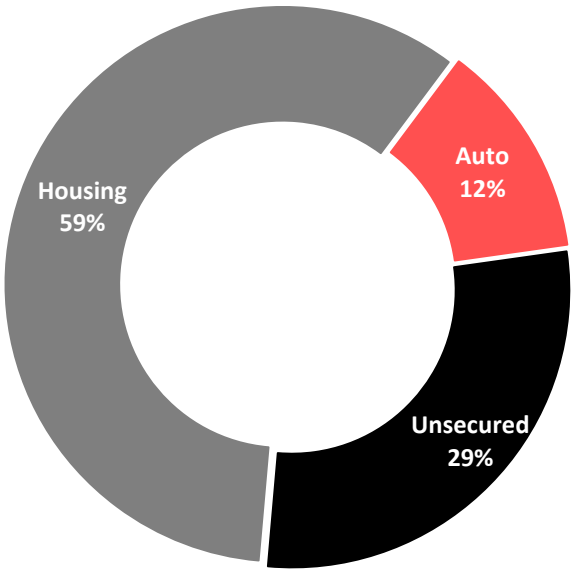
Continued expansion in both consumer and corporate segments

Gross Loans (In PHP Bn)



## Well-secured consumer lending portfolio

Consumer Loans Breakdown, Mar-2023

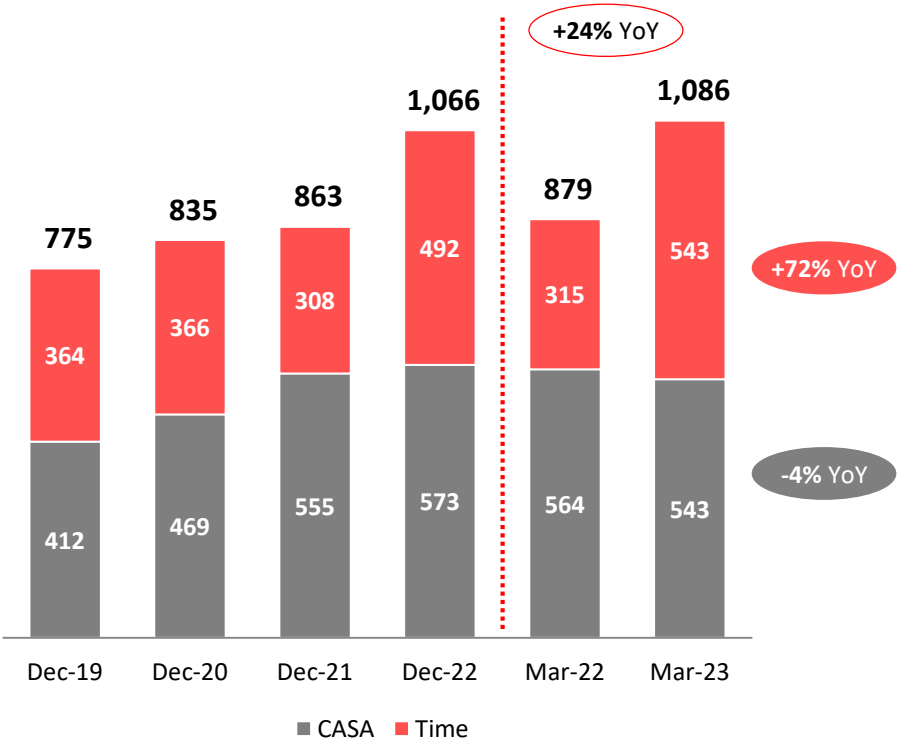




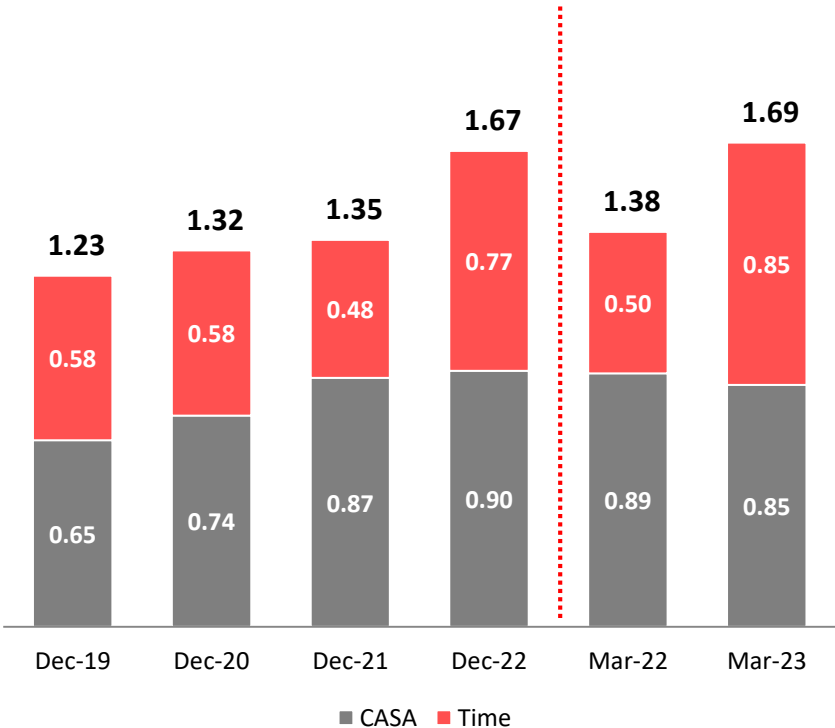
# Strong Deposit growth

## CASA eases but still above pre-pandemic level

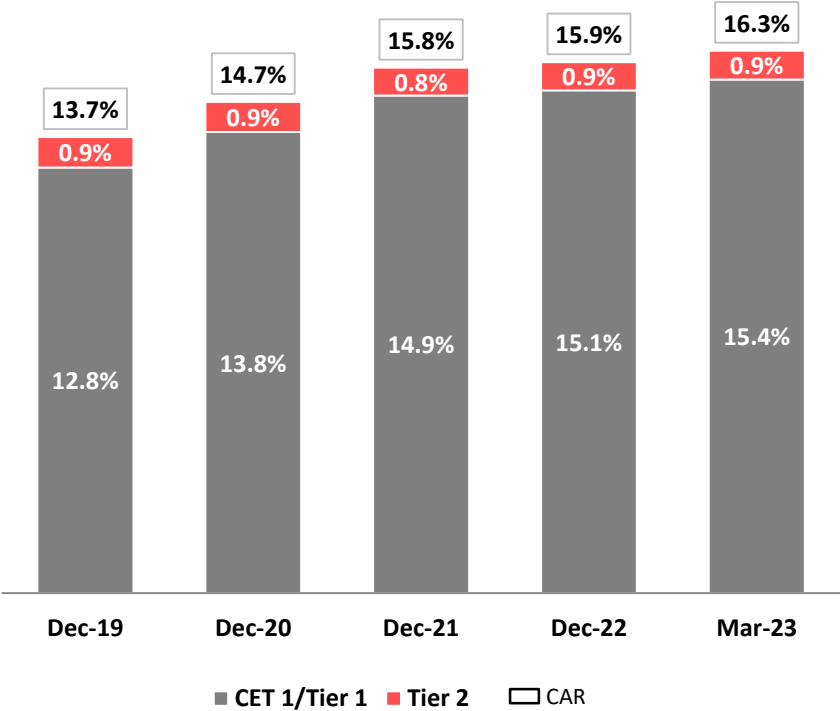
Deposits (In PHP Bn)



## Deposits per branch (In PHP Bn)

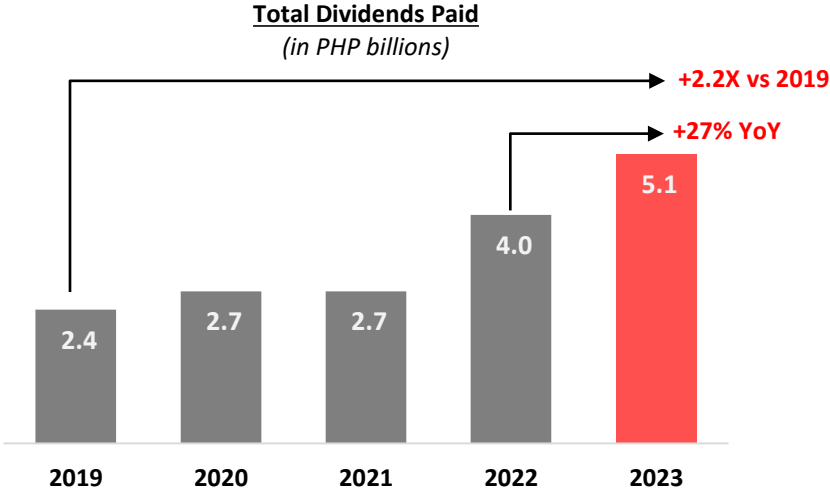


# Strong internal capital generation results to higher buffer



## Enough capital buffer:

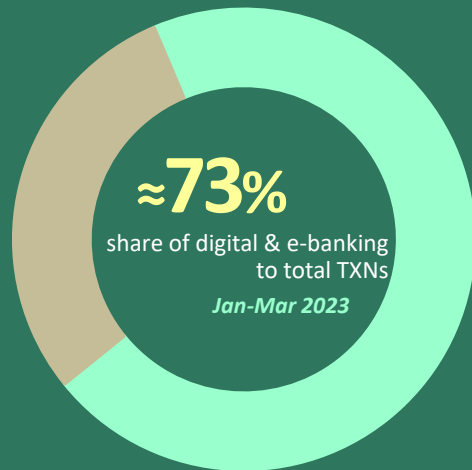
- ✓ to absorb credit shock;
- ✓ to support Asset growth; and
- ✓ to sustain dividend payment to shareholders



# Digital Banking

Retail, 1Q'23 vs 1Q'22

Bringing our signature touch in relationship banking to our customers anytime, anywhere.



**+49%**  
Digital TXNs  
year-on-year



**+29%**  
O/S Active Users  
year-on-year



**+34%**  
O/S Enrollments  
year-on-year



**+39%**  
Gross TXN Value  
year-on-year

**CHINABANK**  
Since 1920



# Awards & Distinctions



China Bank was recognized by the ASEAN Capital Markets Forum as among the **ASEAN Asset Class, ASEAN Top 20, and Top 3 Philippine Publicly Listed Companies**



The Bank also received the **Five-Golden Arrow Recognition**, the **highest corporate governance award** given by the Institute of Corporate Directors

CHIB is the **only Bank** to receive this coveted award, together with two other PLCs, at this year's awarding

# Other Citations

 <p>China Bank Easy Tax</p> <p>Best Digital Business Banking Initiative</p> <p>2022</p>	 <p>2<sup>nd</sup> Strongest Bank in the Philippines</p> <p>2021</p>	 <p>Cesar E.A. Virata Award (Bank Category)</p> <p>2021</p>	 <p>Mobile Banking &amp; Payment Initiative of the Year Philippines</p> <p>2020</p>	 <p>Top Corporate Securities Market Makers and Top Fixed-income Brokering participants</p> <p>2019</p>	 <p>Apo Agua Infrastructure Php9 Billion financing</p> <p>Utility Deal of the Year Philippines</p> <p>2019</p>
 <p>Atlantic Gulf and Pacific Company Php6 Billion term loan</p> <p>Oil and Gas Deal of the Year Philippines</p> <p>2019</p>	 <p>Best Bond Adviser</p> <p>Domestic Bond Category</p> <p>2019, 2018, 2017</p>	 <p>China Bank Corporation P30 Billion Fixed Rate Retail Bond</p> <p>Best Retail Bond Philippines</p> <p>2019</p>	 <p>Autotax Payment Facility</p> <p>Most Innovative Public Sector System Philippines</p> <p>2019</p>	 <p>Best Corporate Governance Disclosure and Transparency Award</p> <p>2019</p>	 <p>Pagtugon Award for Universal and Commercial Banks</p> <p>2018, 2019</p>
 <p>Best Managed Fund for Bond Long-Term Dollar Category</p> <p>2019, 2018, 2017</p>	 <p>Best Managed Fund for Balanced Peso Category</p> <p>2018</p>	 <p>Best Fixed Income Deal - PHP181 Billion ROP Bureau of the Treasury's Retail Treasury Bond</p> <p>2018</p>	 <p>Best Fixed Income Deal - Ayala Corporation US\$400 Million Fixed-For-life Bonds (Ayala USD Fixed For Life)</p> <p>2018</p>	 <p>Best Investor Relations Bank Philippines</p> <p>2019, 2018, 2016</p>	 <p>Top Corporate Issue Manager / Arranger Investment House Category</p> <p>2018, 2017</p>



# In summary, CHIB continues to be..

Profitable

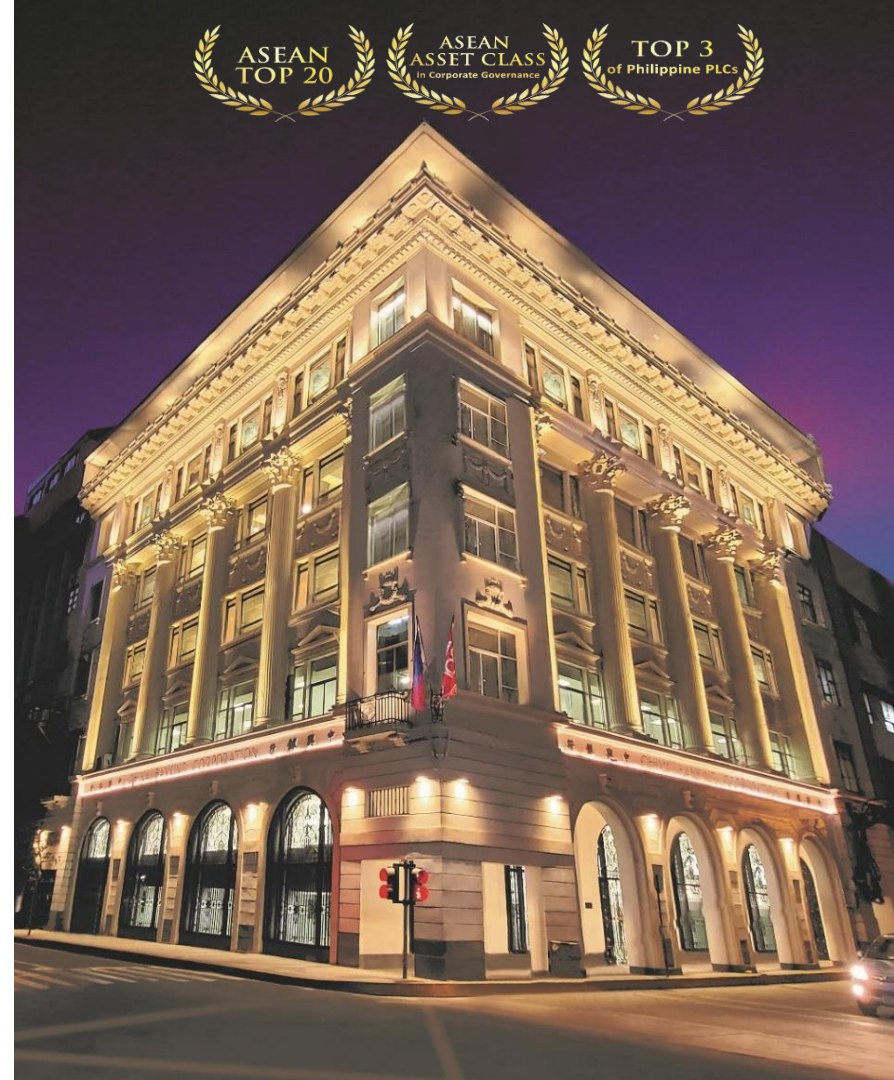
Adequately-capitalized

Well-managed

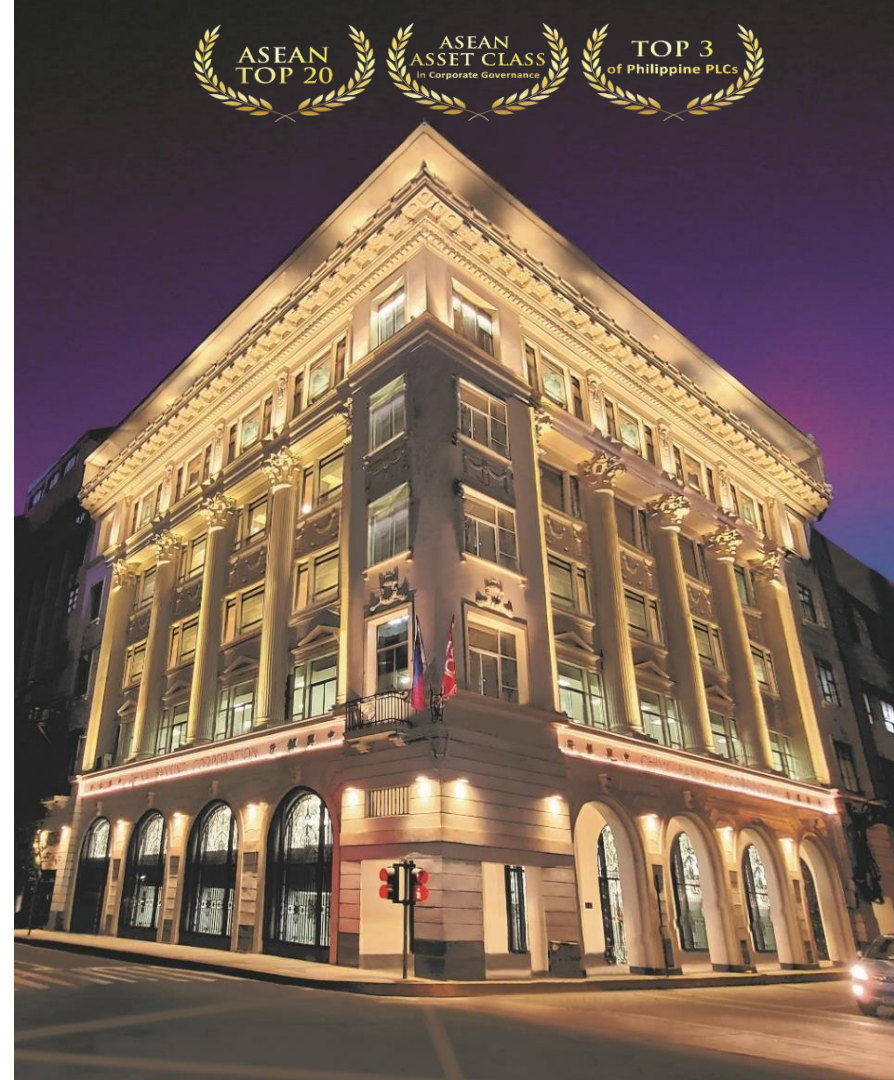
	1Q'22	FY2022	1Q'23
Return on Equity	16.0%	15.1%	14.7%
Return on Assets	1.7%	1.6%	1.5%
CET 1/Tier 1 Ratio	15.5%	15.1%	15.4%
Capital Adequacy Ratio	16.3%	15.9%	16.3%
NPL Ratio	2.4%	2.3%	2.3%
NPL Coverage Ratio	121%	123%	118%

## Q & A

- ✓ Please click the **“Raise Hand”** button to be recognized.
- ✓ You may also send questions thru the **chat box**.



# Additional Information



## Who we are

- ✓ One of the oldest privately owned banks, established in 1920
- ✓ Publicly-listed since 1927 on the Manila Stock Exchange
- ✓ Strong presence in the entrepreneur, middle market and business segments
- ✓ Longest relationship with Chinese-Filipinos, serving up to the 4<sup>th</sup> generation
- ✓ Best practice in Corporate Governance



641 branches\*



1,047 ATMs\*



10,249 Employees\*

*\*As of March 31, 2023*

### Full Service Platform

RELATIONSHIP BANKING

Retail Banking Business Segment

- Loans
- Deposits

Institutional Banking Segment

- Corporate loans
- Commercial loans

Consumer Banking Segment

- Housing loan
- Auto loans
- Credit Card
- Multi-purpose loans

FINANCIAL MARKET

Treasury

Market Sales

Remittance

Wealth Management

Trust & Asset Management

China Bank Capital

China Bank Securities

SAVINGS BANK AND BANCASSURANCE

China Bank Savings

- SME loans
- Consumer
  - Housing loans
  - Auto loans
  - Teachers' loans
  - Personal loans

Manulife-China Bank Life Assurance Corp. (MCBLife)

China Bank Insurance Brokers

## EQUITY PROFILE

Particulars	May 3, 2023
Ticker	CHIB
Stock Price	Php32.20
Market Cap (in PHP Mn)	86,659
Market Cap (in USD Mn)	1,566*
Book Value per Share	Php51.7
Earnings per Share	Php7.2
Price to Book	0.6
Price to Earnings	4.5

\*Based of May 3, 2023 USDPHP exchange rate of PHP 55.33

## CREDIT RATINGS

MOODY'S

- Investment grade credit rating of [Baa2](#) with [stable outlook](#) from May 2017
- Same level as the Philippine sovereign rating and at par with the country's three biggest banks
- Affirmed in July 2022

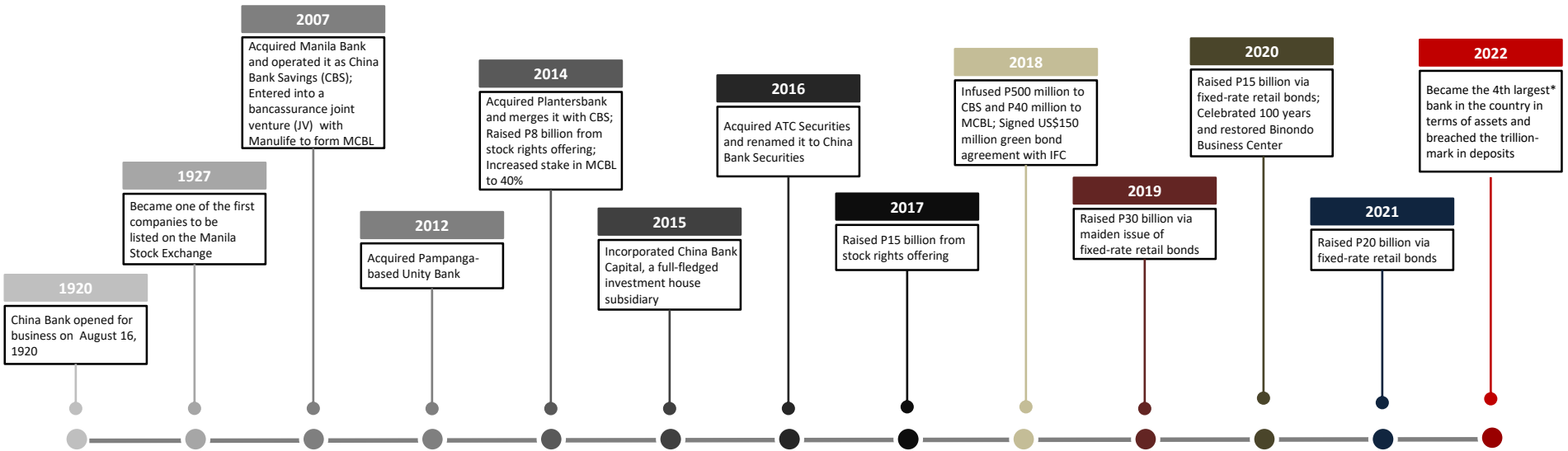
PhilRatings  
PHILIPPINE RATING SERVICES CORPORATION

- Investment grade issuer rating of [PRS Aaa \(corp.\)](#) with [stable outlook](#) in February 2019
- Affirmed in October 2021



# China Bank Profile

## Corporate Milestones

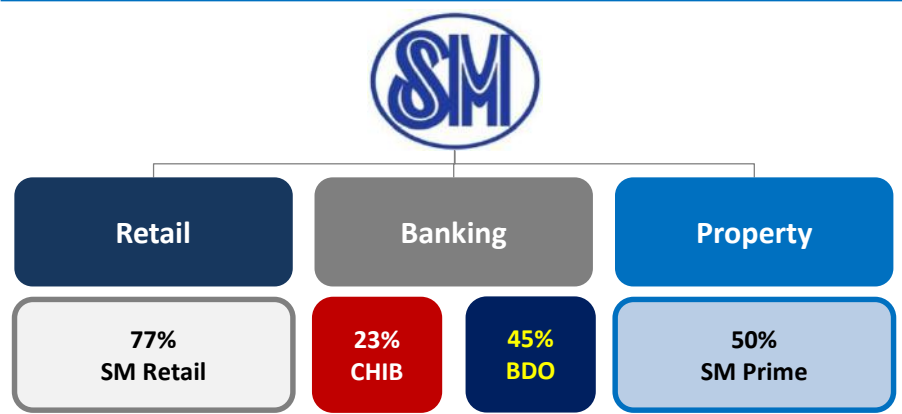


\*Among private universal banks

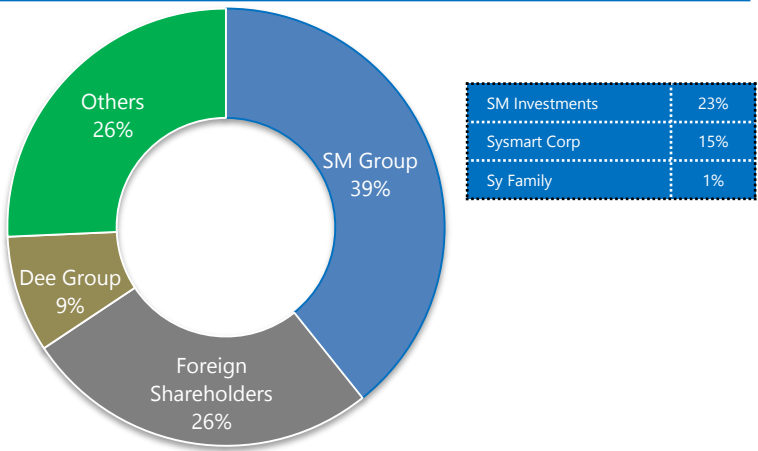
# Strong Support and Synergies with the SM Group

China Bank benefits from being part of one of the largest and most diversified conglomerates in the Philippines

Snapshot of SM Group Business Lines



Current Shareholdings



## Distinct Benefits for China Bank



Access to the SM Group's ecosystem of merchants, suppliers and contractors to promote the Bank's products



51 branches and 141 ATMs in SM Group's shopping malls, SaveMore, CityMall and Alfamart locations

# Highly capable management team



**Hans T. Sy**  
*Chairman of the Board*



**Gilbert U. Dee**  
*Vice Chairman of the Board*



**Romeo D. Uyan, Jr.**  
*President and Chief Executive Officer*



**Patrick D. Cheng**  
*Executive Vice President and Chief Finance Officer*



**Aloysius C. Alday, Jr.**  
*Executive Vice President and Head of Consumer Banking Segment and Customer Contact Center Group*



**Jose L. Osmeña, Jr.**  
*Executive Vice President and Head of Retail Banking Business Segment*



**Magnolia Luisa N. Palanca**  
*Executive Vice President and Head of Financial Markets Segment*



**Lilian Yu**  
*Executive Vice President and Head of Institutional Banking Segment*



**Ananias S. Cornelio III**  
*Senior Vice President and Chief Risk Officer*



**Delfin Jay M. Sabido IX**  
*Senior Vice President, Chief Innovation & Transformation Officer and Head of Innovation and Transformation Segment*



**Christopher Ma. Carmelo Y. Salazar**  
*Senior Vice President, Treasurer and Head of Treasury Group*



**Manuel C. Tagaza**  
*Senior Vice President and Chief Digital Officer*



**Atty. Aileen Paulette De Jesus**  
*Vice President II and Chief Compliance Officer*

**Thank You!**

