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ANNUAL REPORT



## About the Cover

At China Bank, we have always been driven by our commitment to be a catalyst of wealth creation, developing our products and services, and shaping our operations around the needs of our customers, shareholders, and the communities we serve. In 2012, we continued to live up to this commitment, adapting to the changing times and approaching challenges and opportunities confidently while remaining true to our mission—“your success is our business.”



## Corporate Profile

China Banking Corporation (China Bank), stock symbol CHIB, commenced business on August 16, 1920 as the first privately-owned local commercial bank in the Philippines catering initially to the needs of Chinese-Filipino businessmen. It played a key role in post-World War II reconstruction and economic recovery through its support to businesses and entrepreneurs in critical industries. China Bank was listed on the local stock exchange by 1947, and acquired its universal banking license in 1991. The Bank serves the corporate, commercial, middle, and retail markets with a wide range of domestic and international banking services. It is one of the largest universal banks in the country in terms of assets, capital base, and market value.



## Vision

Drawing strength from our rich history, we will be the best, most admired and innovative financial services institution, partnering with our customers, employees, and shareholders in wealth creation.

## Mission


We will be a leading provider of quality services consistently delivered to institutions, entrepreneurs, and individuals, here and abroad, to meet their financial needs and exceed their rising expectations.

We will be a primary catalyst in the creation of wealth for our customers, driven by a desire to help them succeed, through a highly motivated team of competent and empowered professionals, guided by in-depth knowledge of their needs and supported by leading-edge technology.

We will maintain the highest ethical standards, sense of responsibility and fairness with respect to our customers, employees, shareholders, and the communities we serve.

## Core Values

- Integrity
- High Performance Standards
- Commitment to Quality
- Customer Service Focus
- Concern For People
- Efficiency
- Resourcefulness/Initiative

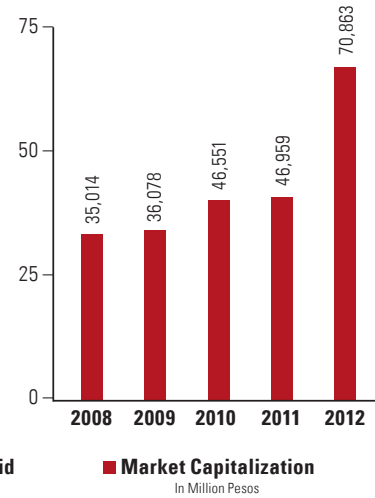
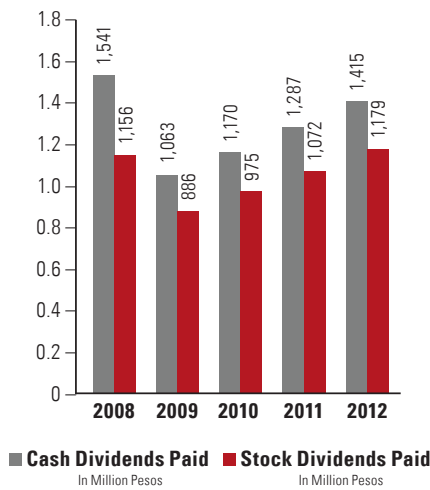
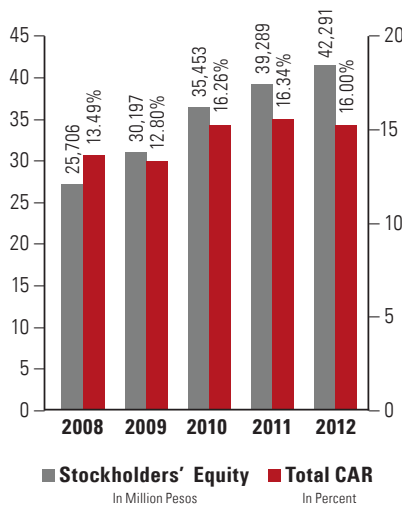
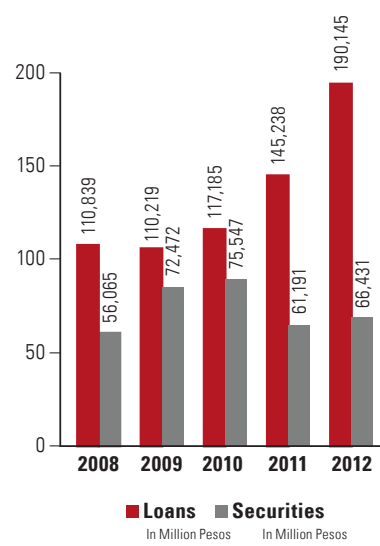
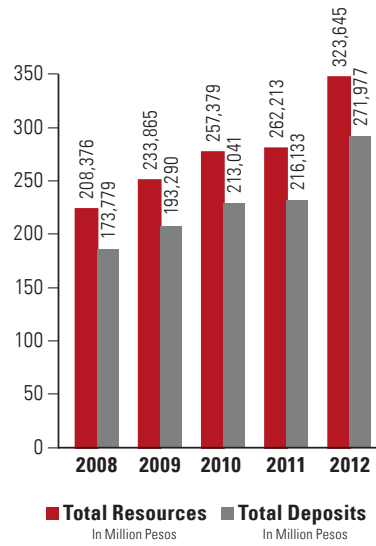
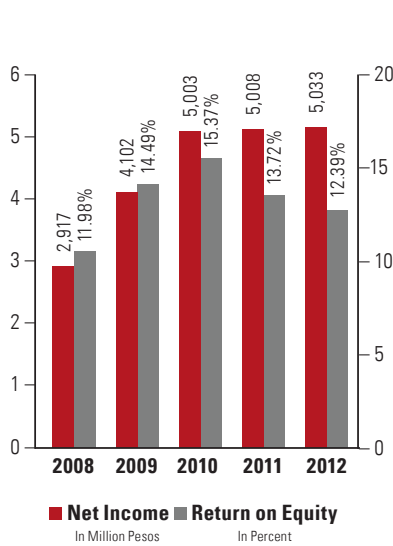


Your success  
is our business

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# Financial Highlights



## 2011 LOAN PORTFOLIO BY INDUSTRY CLASSIFICATION 2012



- 18.73% Real Estate, Renting & Business Services
- 17.46% Manufacturing
- 15.09% Wholesale & Retail Trade
- 3.47% Financial Intermediaries
- 7.76% Transportation, Storage & Communication
- 6.70% Electricity, Gas & Water
- 2.96% Agriculture
- 1.39% Construction
- 1.13% Mining & Quarrying
- 25.31% Others
- 25.99%
- 17.24%
- 14.69%
- 12.51%
- 7.53%
- 5.68%
- 2.51%
- 1.99%
- 0.78%
- 11.08%



	2010	2011	2012
<b>For the Year (In Pesos)</b>			
Gross Revenues	17,899,646,723	16,868,396,443	19,048,331,525
Gross Expenses	12,895,825,097	11,859,509,434	14,014,384,207
Net Interest Income	8,632,967,105	8,551,739,056	8,062,340,832
Non-Interest Income	4,686,355,072	4,191,798,474	5,897,461,844
Provision for Impairment & Credit Losses	495,830,652	155,097,500	236,756,182
Operating Expenses	7,128,871,373	7,032,144,807	8,266,810,560
Net Income	5,003,821,626	5,008,887,009	5,033,947,318
<b>At Year End (In Pesos)</b>			
Total Resources	257,379,313,993	262,213,686,304	323,645,464,402
Loan Portfolio(Net)	117,185,910,049	145,238,662,573	190,145,335,762
Investment Securities	75,547,613,507	61,191,602,901	66,431,281,463
Total Deposits	213,041,609,453	216,133,713,301	271,977,239,870
Stockholders' Equity	35,453,284,587	39,289,324,696	42,291,394,432
Number of Branches	269	293	316
Number of ATMs	431	475	511
Number of Employees	4,325	4,633	5,198
<b>Key Performance Indicators (in %)</b>			
Return on Average Equity	15.37	13.72	12.39
Return on Average Assets	2.10	2.04	1.72
Net Interest Margin	3.97	3.76	2.90
Cost to Income Ratio	53.52	55.18	59.22
Liquid Assets to Total Assets	48.79	38.43	36.53
Loans to Deposit Ratio	55.01	67.20	69.91
Non-Performing Loans Ratio	3.89	2.93	2.07
NPL Cover	134.17	143.90	143.19
Capital Adequacy Ratio (Tier 1)	15.41	15.48	15.15
Capital Adequacy Ratio (Total CAR)	16.26	16.34	16.00
<b>Shareholder Information</b>			
Market Capitalization (In Pesos)	46,551,107,778	46,959,091,864	70,863,932,958
Earnings Per Share (In Pesos)*	3.86	3.86	3.89
Cash Dividends Paid (In Pesos)	1,170,105,264	1,287,127,404	1,415,852,016
Cash Dividends Per Share (In Pesos)	12	12	12
Cash Payout Ratio (In %)	28.52	25.72	28.27
Cash Dividend Yield (In %)*	2.76	3.02	2.20
Stock Dividends Paid (In Pesos)	975,184,500	1,072,705,100	1,179,975,500
Stock Dividends Per Share (in %)	10	10	10
Market Value Per Share (In Pesos)*	43.40	39.80	54.60
Book Value Per Share (In Pesos)	27.30	30.25	32.58
Price to Book Ratio (x)	1.59	1.32	1.68

\*Adjusted for the 10-for-1 stock split



China Bank ended the year with a net income of ₱5.0 billion which corresponded to a return on shareholders' equity of 12.39% and return on assets of 1.72% . We note that China Bank managed to sustain its profit levels despite the contraction of net margins and the cost load of its network expansion strategy, which saw a doubling of the size of the branch network.

## Philippine economy performs well

The year 2012 was a period of transition for the Philippine economy which grew by 6.6% from a vibrant and rapidly expanding domestic sector despite the subdued outlook for the US and Europe, which were beset by chronic fiscal deficits and weak fundamentals. While apprehensions over the future cohesion of the European coalition have abated somewhat, the prospects for a broad-based recovery among its member nations remained bleak. The impasse among the members of US Congress meant mandatory cutbacks in fiscal spending under the Budget Control Act – which could hinder the modest economic recovery and prolong the quantitative easing policy of the Federal Reserve. China led the East Asian region with a slightly lower but impressive 7.8% growth, and emerging markets provided a counterbalance to the gloomy outlook in the West.

In general, the Philippine economy remained consumption-based and driven by OFW remittances, technology-based exports, and outsourced services. A 14.4% rebound in the construction reflected both private sector and the government initiatives to address the backlogs for housing and public infrastructure. While agricultural output decelerated to 3.5% from the impact of weather disasters in Mindanao, domestic services expanded by 7.4% from strong performance across all sectors. Government spending rose by 11.8% from 1% in 2011, while the ₱235 billion fiscal deficit was well within the ₱279 billion ceiling reflecting fiscal prudence. The country outlook has been buoyed by the incumbent administration's gains in improvements in governance and transparency.

## System liquidity drove down interest rates

The inflation rate remained moderate at 3.2%, with prudent application of monetary policy tools and recalibration of deposit reserves. The financial system was brimming with funds in 2012, with about ₱1.9 trillion in liquidity being channeled into the special deposit and reverse repurchase facilities of the Bangko Sentral ng Pilipinas (BSP) despite the reduction in special deposit account (SDA) rates. The continued excess system liquidity was reflected in record low interest rates for government securities, with benchmark rates at historical lows with T-bill yields now below 1% and the 25-year benchmark rate sinking to the 5% mark. This prompted investors to flock to the equity market, pushing the composite index to an all-time high of 5,833. Still, there were concerns over the country's vulnerability to shifts in portfolio investment flows as foreign funds poured into the equity and property markets. However, the BSP has built up US\$ 84 billion in foreign exchange reserves and restricted offshore activity in interest arbitrage transactions for greater flexibility in managing the forex market. Credit spreads on Philippine papers were relatively narrower than similarly rated debt issues due to better liquidity and the imminent prospect of an investment grade rating for our sovereign debt.

Again, the banking sector was a catalyst for domestic growth by mobilizing liquidity into working capital for the private and government sectors. The funding glut led to a borrowers' market, as competition drove loan and bond yields closer to the risk-free rates. The BSP cut the reserve requirement by 3% but stopped paying interest on deposit reserves starting April 2012. Aggregate loans of the banking system grew 16.2% year-on-year. To comply with prudential limits on large exposures, banks vied for SME, retail and consumer borrowers, which further intensified the price competition in these segments. The low benchmark rates prompted many corporates to tap the capital markets instead of the banking system – spawning a rash of investment banking deals for the period.

## 2012 Performance and core strategies

China Bank ended the year with a net income of ₱5.0 billion which corresponded to a return on shareholders' equity of 12.39% and return on assets of 1.72% on the back of vigorous growth in lending and securities trading gains. We note that China Bank managed to sustain its profit levels despite the contraction of net margins and the cost load of its network expansion strategy, which saw a doubling of the size of the branch network during the last five years through acquisitions and BSP-approved applications, in order to create a top-notch platform for expanding market share. Meanwhile, our bottom-line could face cost-related drag until the newer branches get past the gestation stage and steadily bring in more new clients and business volume.

## Strong growth in loans

Due to the challenging credit environment and accelerating pace of loan releases, your bank strengthened and refocused its lending organization at every level – customer acquisition, relationship management, and middle office and backroom processing. Our goal was to have a rational and consistent basis for lowering exposure to risky counterparties and setting of pricing thresholds by segment as we grew our exposure to the commercial and SME markets that have traditionally comprised a large part of our domestic franchise. In the process, our lending teams built a deeper understanding of their customers' needs and priced transactions based on risk-return profiles as well as account profitability. Our efforts to reinforce our credit infrastructure have already begun to pay off, with loan book expanding almost twice the industry average or by 29% across all fronts: up 27% for corporate, 36% in commercial, and 28% in consumer loans. This exceptional loans growth was achieved without the easing of our established credit standards as seen in the improvement of our non-performing loans ratio to 2.1% and loan loss coverage ratio to 143.19%.

## Revenue diversification

The 2012 results also reflect the gains in revenue diversification. We actively pursued fee-based revenue growth from both new business lines and captured a bigger share of our clients' transaction volume as a buffer against further declines in net margins. Total non-interest income grew by 40.7%, led by the 98.6% surge in trading gains as our Treasury Group took advantage of favorable market conditions in the last quarter. The continuing expansion of our bancassurance, remittance, cash management, trust, and private banking businesses added momentum to our revenue diversification strategy. With the upsurge in capital market activity, our Investment Banking Group played key roles in a string of major deals during the year, generating arrangement fees and selling commissions totaling ₱141.5 million. We likewise expanded our asset management and fiduciary services, which not only boosted trust fees to ₱556 million but broadened the array of wealth management products for high net worth clients. The Bank marked the 5th anniversary of its rewarding bancassurance partnership with Manulife, with commissions income up by 13.5% over the prior year from record sales of wealth products, higher productivity, and better lead conversion rates. Hence, the overall ratio of fee-based income to net revenues before operating expenses increased to 42.3% from 32.9% a year earlier.

## Strong balance sheet, capital base

We consider our strong balance sheet, sound capital position and consistent improvement in shareholder value as the pillars of our 92-year banking franchise. For the most part, the 23.4% expansion in resource base to ₱323.6 billion was driven by lending, as the share of our investment securities to total assets fell for the third consecutive year to 20.5%. The shift to loans was part of our long-term strategy to limit the concentration in interest sensitive securities and build a more resilient asset profile that could temper the impact of corrections in market prices and yields. However, the

asset reallocation involved a tradeoff between the recognition of opportunistic, one-time profits and having a sustainable stream of revenues from a range of banking relationships. Meanwhile, our Treasury team continued to take tactical positions in risk-free government securities for both trading and funding deployment purposes.

Our solid equity base continued to be a major strength. Our year-end stockholders' equity of ₱42.3 billion translated to a Tier 1 capital adequacy ratio (CAR) of 15.15% and total CAR of 16.00%. China Bank's ten for one stock split took effect on Sept. 5, raised the number of shares to 1,297,874,230, aligned our par value per share with the other listed banks, and boosted liquidity for our common shares. Even with the declaration of cash dividends of ₱12 per share and 10% stock dividends, China Bank's market price per share rose to P 54.60 by the end of the year, 14% higher than its value on the date of the stock split. As a result, market capitalization increased by 51% to US\$ 1.7 billion year-on-year, on track to hit the US\$ 2 billion threshold for big cap companies in the MSCI Philippines Index.

## Credit Ratings affirmed, governance awards

China Bank's continued financial strength and stability were duly recognized among the best credit ratings in the industry, as Fitch Ratings affirmed its credit ratings for China Bank (individual of "C/D") and the national rating of "AA" – one notch below the top bank rating for the country. Capital Intelligence rating agency also maintained China Bank's credit rating for financial strength at "BBB-" but upgraded its Foreign Currency Long Term rating to "BB" from "BB-" following the sovereign upgrade of the Philippines.

The Bank continued to garner top citations for corporate governance and transparency, highlighted by The Philippine Stock Exchange recognition at the inaugural Bell Awards – the only bank awarded out of the country's 255 listed companies. This distinction also highlighted China Bank's pivotal role in the development of Philippine banking as the first privately owned commercial bank and among the first banks to be continuously listed on the stock exchanges. Additionally, the Institute of Corporate Directors (ICD) presented China Bank with the Gold Award in Corporate Governance for the second consecutive year (2010 & 2011) which was its fourth time to be acknowledged as a transparent and well-governed financial institution.

Henry Sy, Sr.  
Honorary Chairman  
and Advisor to the Board

## Network expansion

As the primary channel for client acquisition and interaction, the branch banking group or BBG played a prominent role in growing our presence in the commercial, consumer & retail markets. In terms of business volume, BBG accounted for half of the Bank's net revenue from funds, 20% of fee income and 20% of total growth in loans. Last year, the Bank opened another 23 branches for a total of 316 branches: 15 branches at the bank proper plus another 8 at China Bank Savings (CBS) in Metro Manila, Cebu, nearby cities as well as regional trading hubs. The Unity Bank acquisition will add 15 existing branches to our network plus provisions for another 24 branches within six months of the Unity Bank merger into CBS. This latest acquisition bolsters our expansion efforts in the Central Luzon area, with its high concentration of SMEs and overseas foreign workers. Expanding the branch organization is a capital-intensive undertaking, but essential for customer acquisition, generating low cost deposit base, referrals for cross-selling of financial services.

China Bank Savings also forged an agreement with SM's SaveMore supermarkets for the opening of banking kiosks at selected store locations, ushering in China Bank's community banking service. These mini-branches would be open for business seven days a week, underscoring our commitment to provide retail customers with a convenient and accessible banking experience. Going forward, we see more tie-ups between the China Bank group and its partners in the industry and community, which would bring us closer to our goal to be among the top banks, if not the best bank, at every location.

As part of our social responsibility to the communities that we serve, China Bank also partnered with the International Finance Corporation (IFC) for their sustainable finance program involving clean energy investments to small to medium enterprises for renewable energy projects. We also launched our "Going Green" campaign initiative last July 2012 which resulted in declines for electricity consumption, paper mass, inkjet cartridges, and printing of publications – with an overall increase of 47% in recyclable materials matched by the corresponding reduction in our carbon footprint.

## Sharpening our long-term strategy

After embarking on our most ambitious expansion program in history, 2012 was a watershed for the Bank as we conducted an

in-depth reassessment of our competitive strategy, rebuilding the very foundations of our banking philosophy and rethinking the way we deal with our clients. The high level discussions among the members of the Board and the Management team facilitated by Towers Watson benchmarked the Bank against not only leading competitors in the country but also the best performers in the ASEAN region, and led to the crafting of a Vision Statement. Further recommendations were made on how to build an organization that best preserves our entrepreneurial mindset and reflects the best way to address the corporate, commercial/middle market/SME and consumer segments that are more demanding. This included clarifying the rules of customer engagement for the main bank and our subsidiaries.

While we take utmost pride in having the third and even fourth generation of customers banking with us, we are compelled to stay competitive, responsive, and service-oriented to sustain and add more value to the client relationship. Because over and above the bottom-line, the true benchmark for banking excellence would be our ability to grow with our customers, deepening the degree of engagement with the client and maintaining our leadership in the markets that we know best.

As our business model remains highly personalized and market-focused, attaining our corporate goals depends to a large extent on our ability to attract, train and season the right people and maintain a culture based on service excellence and an entrepreneurial mindset. In line with the institution's business expansion, our manpower base practically doubled to over 5,100 officers and staff over the last five years given the sizeable base of retail and consumer clients needing personalized attention, not to mention corporate accounts requiring more financial expertise and savvy. Consequently, we raised the standards for developing well-rounded and well-prepared bankers while increasing the number of participants enrolled at the China Bank Academy at any time.

With the goal of improving response times by decentralizing more responsibilities, we reworked and enriched key functions to ensure clearer accountability for results. Our pipeline of home-grown talents was augmented by outside hiring to fill urgent vacancies for new businesses, technical positions as well as gaps in the management bench. We will continue to beef up the ranks of our management and supervisor trainees as a pool of potential successors for officer positions and to seed the organization with fresh ideas and approaches. The year also saw the signing of the Collective Bargaining Agreement for 2012 to

2015 which upgraded the compensation and benefits of our more than 3,000 Union Members.

A key component of our service excellence strategy was the upgrade of our core banking technology to the more powerful Infosys Finacle solution, which would help us achieve cost-effective operations, efficient information management and faster response time with the least implementation time and risks of operational disruptions. We earlier saw the need for a more robust platform to process a greater magnitude of banking transactions, integrate customer, channel and regulatory data requirements and support financial analytics on 24x7 basis - which becomes more urgent with our ongoing business expansion.

Like the rest of the industry, we came under intense pressure to keep pace with the rapid changes in the global regulatory and financial reporting framework while working to ensure the safety and integrity of our banking databases - in the pursuit of greater transparency and standardization in financial disclosures. The launching of China Bank's credit cards in 2013 meant investing in retail software to support credit decisions, fraud detection and customer analytics.

As the upgrade of the Philippine sovereign credit rating to investment grade ushers in a new era of promising opportunities, we look forward with optimism but keenly aware of the pitfalls of such developments as witnessed in previous economic and business cycles.

We acknowledge and commend our fellow board members and senior management for leading the Bank to a higher level of governance and excellence by ensuring that China Bank continues to be the standard bearer for banking based on principles and customer relationships. We are fortunate to have had a dedicated team of successful businessmen at the helm of the Bank for so many years, and their collective wisdom, prudence and entrepreneurial way of thinking have carried the institution through some of the more difficult periods in its history.

The Board noted with regret the passing of Ms. Pilar Nubla Liao who has served as a Director and later, Advisor, representing one of the original founding families of China Bank. The institution has undergone growing pains over the last five years as part of its transformation into a financially solid, competitive and market-responsive organization, but with the teamwork of our officers and staff, the rewards will eventually outstrip the costs. In fact, China Bank's expansion effort was entirely funded by existing shareholders' capital and retained profits, over and above the regulatory equity levels which shows the Bank's rich potential for capital generation and replenishment of investments. Indeed, with the support of our customers and fellow China Bankers, we are confident that our Bank as a more solid and focused institution, stands ready to face the challenges and uncertainties ahead of us.



**HANS T. SY**  
Chairman & Chairman  
of the Executive Committee



**PETER S. DEE**  
President & Chief Executive Officer



**GILBERT U. DEE**  
Vice Chairman

# Growing bigger and stronger

We entered 2012 focused on expanding our network, growing core customer relationships, maintaining a strong balance sheet, and effectively managing capital. Driven and unwavering, we navigated through the inevitable challenges to achieve our goals and help our customers, colleagues, partners, and communities grow alongside us; building on our efforts over the previous years to deliver strong shareholder return and customer value. Now, we look ahead with confidence that our solid foundation and the initiatives we have undertaken will position China Bank well for long-term growth.



# Retail & Consumer Banking

Our thrust continued to be on attracting Current Account and Savings Account (CASA) deposits and expanding our housing and auto loan portfolio. CASA deposits provide a sustainable funding base to meet our customers' loan requirements.

The continued branch expansion proved to be a catalyst to customer acquisition and the growth of our low-cost funds, enabling us to control interest costs and maintain competitive lending rates; and with the commendable efforts of our branch personnel in marketing in their respective branch trading areas, and the Consumer Banking Group's faster turnaround time and stronger collaboration with the Branch Banking Group, our retail and consumer banking operations substantially expanded even without aggressive promotions or advertising.

The higher levels of CASA deposits and consumer loans underscore the healthy growth of our retail account relationships. More than just offering innovative and accessible banking solutions that fit our customers' needs, we provide warm, personalized service that is never compromised despite our rapid expansion.

**26 %**

increase in total deposits

**25 %**

increase in Consumer Banking Group's loan portfolio

**21 %**

increase in new consumer loans booked

## Wider reach

We are committed to be where the customers are, bringing to new markets our strong culture and best practices across our expanding footprint. Last year, we opened new branches to build a firm foothold in high growth and emerging markets.



Transactions shifting to

**e-channels**

2011

2012

**74 %**  
branches

**69 %**  
branches

**26 %**  
e-channels

**31 %**  
e-channels



**15**

New China Bank Branches in 2012



**8**

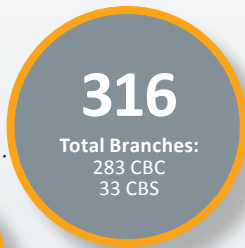
New China Bank Savings Branches in 2012

**Distribution platform**

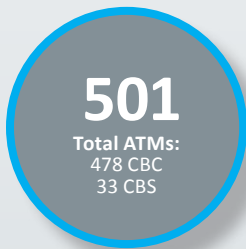
**23 new branches opened in 2012**

- 15 CBC, 8 CBS

42 branches in malls with longer banking hours and are open on Saturdays



**110% increase in e-banking customers and 24% increase in e-banking transactions in 2012**



**43 new ATMs in 2012**

- 33 CBC, 10 CBS

198 ATMs are in high-traffic off-branch locations like malls, schools, MRT stations, and hospitals



**9 new remittance tie-ups in 2012**

75% compounded actual growth rate (CAGR) of remittance volume from 2006 to 2012

We also installed more ATMs, not just in our new branches but also in high-traffic locations like malls, schools, and hospitals; enhanced our service delivery and straight-through processing via technology-driven channels to enable our customers to bank when, where, and how it is most convenient for them; and expanded our remittance network, forging new tie-up arrangements with five of the biggest banks in Saudi Arabia, while strengthening our presence overall by deploying more marketing personnel in the Middle East.

We made strategic investments in 2012 to expand our reach and promote inclusive banking. We acquired Unity Bank in November, a Pampanga-based rural bank, to be merged with CBS by May 2013. The acquisition will boost CBS' network with 15 Unity Bank branches and additional 24 branch licenses in the restricted areas granted by Bangko Sentral ng (BSP) under the Strengthening Program for Rural Banks (SPRB) Plus. We also launched the Cash Accept Machine (CAM) in July for real-time, cardless cash deposits, and the Access For All (AFA) ATM in December to enable persons with disabilities to use a self-service terminal for their banking needs.

## More open

China Bank is now on social media to listen, interact, and share with our customers, and foster deeper relationships with them. This year, we are optimizing our strategy for social media, not just as a means to get customer feedback to improve customer service, but as a new channel to derive value via product cross-sell, promotional offers, and customer acquisition.



*China Bank's new China Bank Cash-Accept Machine (CAM), is a state-of-the-art NCR SelfServ 31 terminal for fast, convenient, cardless, and real-time deposit transaction. China Bank and non-China Bank clients can use CAM to deposit to a China Bank savings or checking account. The pilot CAM terminal was installed at China Bank's Makati-Main Branch. Ten more units will be deployed at selected branches within 2013. CAM will also accept bills payments soon.*



*China Bank's new Access For All (AFA) terminal, an NCR6632, is especially designed for people with special needs. AFA's unique software and hardware features enable a person with disability to operate the terminal on his own, while maintaining the safety of the transaction. China Bank's AFA is operational 24/7 at China Bank Makati-Main branch.*

## Clearer customer value proposition

We made substantial investments in infrastructure and technology to provide the best combination of value, accessibility and convenience for our customers. At the same time, we continued to enhance our service quality and range of consumer banking products and services to make China Bank a one-stop shop for our customers.

We aligned our businesses to best serve customers, taking full advantage of the synergies, cross-selling opportunities, and diverse talent pool across the main bank, China Bank; our savings bank subsidiary, China Bank Savings (CBS); our bancassurance joint venture with Manulife, Manulife China Bank Life Insurance Corporation (MCBLife); and our insurance brokerage, China Bank Insurance Brokers, Inc. (CBIBI), to deliver consumer banking solutions more effectively and efficiently, and give our customers a seamless and positive experience with every interaction.

We took the “one solid team” approach to meeting our customers’ needs and helping them achieve their financial goals through a wide array of deposit, investment, credit, and insurance solutions at any life stage. This enhanced collaboration across the organization strengthens our ability to respond to the growing needs of our customers.

## More to offer

We will continue to build momentum by expanding our branch network—415 by 2014; strengthening our collaboration across our operations to provide maximum benefits to our customers, and increasing and deepening client relationships, offering them more innovative products and services, and more channels to reach us. In 2011, we launched the “lite version” of China Bank Online, China Bank Online Mobile, making it easier for our enrolled customers to access their China Bank accounts via their iPads, tabs, and smart phones. Beginning April 2013, China Bank Online is available on the Apple iTunes Store. Soon, the Android App will also be available for download from the Google Play Store. Last year, we set-up our Credit Card Division with an initial team of officers and staff. This year, we anticipate the launching our China Bank Credit Card with a compelling proposition to make it the centerpiece of our customers’ financial transactions. This will be followed by our cash card and debit card offerings.



## CBS

- 72% growth in total resources
- 88% increase in total deposits
- 40% growth in CASA accounts
- 16% increase in auto loans
- 187% increase in housing loans
- 587% upturn in SME/commercial loans
- Number of branches increased from 25 to 33

## MCBLife

- Record wealth sales
- Improved productivity of financial sales associates by 33%
- 133% growth in total premiums
- 34% increase in total fee income
- Lead conversion rates reached 33%

## CBIBI

- 18% growth in net income
- 50% profit margin

# Business Banking

Our main focus in 2012 was to acquire new commercial and corporate customers, build lasting relationships with them, and deepen relationships with our existing customers. We take pride in our reputation as the bank for businessmen, serving small- to medium-scale enterprises (SME) and major conglomerates and multinational corporations operating in the Philippines.

Last year, we expanded the breadth and scope of our client relationships by redefining China Bank as a total solutions provider with the enhanced capability to finance capital expenditure, meet customers' working capital and trade financing needs, and provide all kinds of financial and advisory services under one roof. We harnessed the strengths of our business groups—Branch Banking, Institutional Banking, Investment Banking, International Banking, Private Banking, Treasury, and Trust—and maximized the collaboration to proactively meet the diverse needs of all the industries we serve.

Working closely with our customers to understand the intricacies of their businesses, increasing efficiencies with dedicated teams of relationship managers and up-to-date technology, and ensuring that our resources are aligned with our highest growth opportunities, our commercial and corporate business lines grew, contributing substantially to the bottom line.

## Bigger share of the prime deals

With a stable funding source and strong balance sheet, China Bank made headway in supporting SMEs and financing landmark projects and acquisitions. Our active management of customer relationships and a comprehensive credit risk assessment system enabled us to identify good opportunities to expand quality lending in 2012. And with Institutional Banking Group's implementation of the segregation of customer segments between commercial and corporate loans, there was a greater focus on targets markets.

We also forayed into financing energy efficiency and renewable energy projects, signing an agreement with IFC, a member of the World Bank Group, in July 2012 for technical assistance and advisory services under IFC's Sustainable Energy Finance (SEF) Program. Backed by IFC's expertise in environmental sustainability, we help our customers switch to more efficient and less carbon-intensive operations by financing their investments in efficient systems and equipment modifications, and improve their bottom line from the potential energy savings. Last year, we conducted energy audits for several companies to help the owners identify energy efficiency opportunities preliminary to the development of an energy savings program. Our account officers also attended IFC's SEF seminars on identifying potential projects, analyzing project risks, and packaging financial structures for "green" investments.

## Institutional Banking

**38 %**  
growth in loans (ADB)

**47 %**  
portfolio long term mix

**15 %**  
of portfolio from new accounts

We made our presence felt in 2012 as a major player in investment banking by acting as lead or joint lead for a total of nearly US\$400 million in dollar-denominated deals and over ₱450 billion in peso-denominated deals. Government and corporate debt attracted a lot of attention in the last few years as retail and institutional investors continued to seek higher yielding investment instruments amidst the strong liquidity in the market. Our Investment Banking Group made sure to position China Bank as the right banking partner for our client's capital-raising activities. We were the sole arranger for the US\$140 million, 10-year loan to partially finance the acquisition of four new planes



## Investment Banking Deals in 2012



for Cebu Pacific with the latest Sharklet wing-tip technology. We also acted as co-issue manager of the ₱188 billion, 25-year retail treasury bonds series 16 (RTB 16)— marking the largest issue size and longest tenor of the RTB series. We were also the joint bookrunner of San Miguel Corporation's (SMC) P80 billion series 2 preferred shares, the single largest capital-raising activity by a private company in the country to date.

Our Treasury Business Center and nationwide network of branches have proven our strong distribution capabilities. For both RTB 15 and RTB 16, China Bank was one of the top selling agents in terms of total sales volume.

Meanwhile, our Centralized Operations Group (COG), Correspondent Banking, and Remittance Business Division, continue to respond pro actively to the greater demands of our business goals thru focused teamwork to maintain our high level of competence in transaction banking handling, and keep our operations running smoothly amid the surge in transaction volumes. Our COG has also kept highly compliant with the stringent operational policies and regulations of the various government agencies. We remain very conscious of customer transaction quality and protection by maintaining a strict but manageable set of control procedure principles, and a very dynamic business continuity program.

## Bigger share-of-wallet

Aside from lending and capital-raising, we continued to reinforce our pioneering position in business banking with our dedicated team of experts and technology-backed product portfolio. We enhanced our business customers' experience and deepened the partnership by looking at the total relationship rather than the size, and understanding their businesses to match the right financial solutions with their specific banking needs. Working together, our business teams empowered our customers with China Bank's entire business banking platform—factoring services to facilitate the rapid conversion of their receivables into cash at optimum terms; cash management products and services to help them efficiently collect, disburse, and manage funds; international banking services and trade financing tools to facilitate our importer and exporter customers' supply chains and improve their cash flow across their international operations; and fund management, portfolio management, wealth management, escrow, and advisory services for asset growth and preservation.

With our highly experienced teams of account officers, portfolio managers, relationship managers, and branch managers, we provided tailored financing and liquidity solutions that helped drive our customers' businesses, and unsurprisingly, our business forward in 2012.



China Bank was recognized by the PDS Group (Philippine Dealing System Holdings Corp. and Subsidiaries) as the Top 5 Corporate Issue Manager/Arranger in 2012. Since 2006, PDS has been recognizing top financial institutions that exhibit outstanding performance, leadership, innovation, and continued pursuit in contributing to a robust domestic capital market.



China Bank was recognized by Bank of America Merrill Lynch's (BAML) for the second consecutive year as a "Top Commercial Payment Partner Bank in the Philippines" for achieving a 98% Straight Through Processing (STP) rate among its local partner banks in the country. A high STP rate means not only a lot of operational cost savings for both China Bank and Bank of America Merrill Lynch, but, it also ensures speedy and accurate handling of customers' global settlement transactions.

**Factoring**

**113 %**  
increase  
in volume

**73 %**  
increase in  
net income

**Cash Management**

**66 %**  
increase in  
total volume

**1,737**  
CMS deals  
successfully  
implemented  
and have gone  
live in 2012

**International Banking**

**22 %**  
increase in exports

**34 %**  
increase in  
domestic trade

IFC, we offer customized financing to help small to large businesses reduce energy consumption and energy costs and meet their environmental obligations. Supported by our strong brand, a growing team of dedicated and highly-trained banking professionals, and superior technology, China Bank is well positioned to tackle the challenges ahead, enhance our competitive strengths, and capitalize on future business opportunities.



Taxi riders in Davao can now pay for cab fare with their ATM or debit card. China Bank, BancNet, and Mabuhay Taxi, one of the biggest and oldest taxi fleet operators in Davao, have teamed up to pioneer cashless payments in the city's transport system. For the initial roll-out of the program in April 2012, 20 units of black Mabuhay Taxi were installed with wireless point-of-sale (POS) terminals. Soon, all units of Mabuhay Taxi will be POS-equipped.

**Bigger things ahead**

Moving forward, we will enhance our relationship-focused approach to grow our commercial and corporate portfolio and increase market share. We will work even harder to remain among the market leaders in offering our business customers with comprehensive products and services and customized advisory services guided by market-intelligence and reliable Trust and Treasury systems. And with our partnership with

# Wealth Management

We have built over time a solid reputation and a range of bespoke solutions that have made China Bank a highly trusted partner in wealth creation, protection, and growth. In 2012, we focused on maintaining our strong momentum in the wealth management space by capitalizing on the synergies with all of the Bank's business lines and partner financial institutions, and expanding our team of highly experienced and well trained banking professionals who embody our client-focused approach to customer relationships.

## Full suite of wealth solutions

As today's financial world is constantly evolving, our customers' requirements become increasingly specialized. Through our Treasury Group, Private Banking Group, and Trust Group, we offer products and services tailored to individual needs, delivering the right solutions to traditional as well as niche banking requirements.

Our Treasury Group, in charge of balancing and managing the daily cash flow and liquidity of funds within the Bank, the safety and profitability of our investment portfolio, and protection of refinancing sources in the interest of the entire China Bank Group, also handles specialized transactions for our customers like trading in shares, bonds, and foreign exchange. With our outstanding performance in the past Retail Treasury Bond (RTB) issuances, the Bureau of Treasury again tapped China Bank for the 15th and 16th RTB offerings as one of the selling agents and as a Joint Issue Coordinator. We also participated in the ROP 37 issuance as well as landmark bond offerings like the SMIC Bonds, SMB Bonds, and SMC preferred shares (series 2A; 2B; and 2C), giving our customers secure investment options to grow their money. The implementation of the Asset/Liability Management (ALM) modules have strengthened our Treasury operations and risk management, benefiting our customers and the whole organization.

Through the efforts of Treasury Group, China Bank was recognized in 2012 as one of the Best Traders in Philippine Peso Bonds by *The Asset Magazine*. We were also among the top ranking in terms of the number of clients and the volume of peso trades among the 28 member-brokers of the Philippine Depository & Trust Corp. Moreover, as we continued to provide competitive prices to our corporate customers, we maintained our position as one of the most active banks in the Philippine foreign exchange market.

Meanwhile, we provide customized financial planning, advisory services, and wealth management solutions for the high net worth segment through our Private Banking Group. Our genuinely open architecture platform enables us to offer the best-in-class solutions from affiliated mutual funds and money market funds alongside our proprietary products to optimize our customers' portfolio.

In 2012, we further diversified our wealth management offerings, actively positioning MCBLife products as an effective estate planning tool, and ramping up white labeling arrangements and distribution of third party products to open up new and viable investment outlets matched with our clients' risk profile. We also continued to increase operational efficiency, streamlining the end-to-end transaction processing and ensuring error-free transaction execution. And more importantly, we focused on relationship management, driving strong flows of new business and deepening existing customer relationships with an expanded team of seasoned and highly trained relationship managers who have specialist knowledge of market developments, tax issues, and regulatory changes.

As part of our commitment to provide ongoing investor education to our private banking clients, we hosted a new round of wealth planning forum specifically for the second and third generations. We partnered with the Ateneo Family Business Development for the modules on propagating wealth across generations. The forum held in Makati, Cebu, and Davao, provided the "next in line" with relevant information and valuable insights on issues relating to family businesses and



### Private Banking

**22 %**  
increase in assets under management

**43 %**  
increase in income

preserving and growing family wealth.

China Bank is one of the foremost institutions in trust banking. Our Trust Group continued to focus on our long standing commitment: the protection and prudent growth of our customer assets, enabling us to maintain our momentum as one of the preferred banks by individual, corporate, and institutional clients, despite tough competition and tougher regulatory restrictions.

With a growing branch network generating a higher level of client referrals from the frontline units, the number of accounts handled expectedly increased. And as our Investment Banking Group became more active last year in the debt capital markets, our Trust Group also prominently figured in the deals as facility agent, paying agent, registrar and security trustee, and as a receiving paying agent in one of the year's biggest initial public listings at the Philippine Stock Exchange.

However, towards the latter part of the year, the regulatory environment underwent radical changes. The Bureau of Internal Revenue issued Revenue Regulation No. 14-2012 and Revenue Memorandum Circular Nos. 77-2102 and 81-2012 which, among others, provided additional characteristics and conditions for Long-Term Trust and Investment Management Accounts to be exempt from income taxation, thereby restricting the market for such arrangements. The new definition of "lender" under the 19-lender rule to include entities holding beneficial ownership, as well as recent rulings issued to trustee retirement funds, likewise present additional challenges that must be hurdled by the trust industry. Meanwhile, the series of rate cuts by the BSP during the year on its special deposit account (SDA) facility led clients to seek other investment opportunities outside of SDAs. Notwithstanding, with our strong fundamentals, China Bank is well-positioned to take on the challenges of this changing regulatory environment to reach the targets we have set for ourselves while also helping our customers achieve their own investment goals.

### Full speed ahead in wealth creation

Moving forward, we will continue to strengthen our wealth management operations and enhance our offerings for a richer, more rewarding banking experience for our customers. Treasury Group is looking at recalibrating our local securities holdings and adopting the trading opportunistic approach, expanding our US dollar portfolio outside of ROP for yield pick-up, and reducing our available for sale securities/held for trading (AFS/HFT) portfolio in preparation for Basel III. Meanwhile, Private Banking Group's major initiative this year includes opening a Private Banking Desk in Singapore, further expanding our counterparty base for viable investment outlets, and acquiring a wealth management system to further improve and automate transaction processing. On the other hand, Trust Group is going back to the basics of individual and corporate fund management, fiduciary services for corporate and individual clients—retirement funds, estate planning, escrow services, security trusteeship and paying agency—as well as pooled investments under Unit Investment Trust Funds (UITFs) meant for the broad-based retail market. We plan to launch an equity fund within 2013 to expand our product offerings, and are looking into opportunities from recently passed regulations on other types of UITFs—feeder funds and fund-of-funds, as well as exchange-traded funds. Also in the pipeline are regional trust desks in key locations to support the frontline units and enhance awareness for trust products and services. The first trust desk was opened in January 2013 to tap the Visayas-Mindanao market.

### Trust

**15 %**  
increase in average level of trust assets  
under management (AUM)

**5<sup>th</sup>**  
largest in the local Trust industry  
in terms of AUM

# Capacity-building

Behind our successful operations is a solid framework that supports the increased growth momentum. The continuous improvements in our human resources, banking technology, and processes enable us to deliver greater customer and shareholder value, as well as added value to our bottom line by improving productivity and enhancing our competitive edge. In an increasingly challenging and competitive environment, the best-in-class capacity-building efforts that we invested in 2012 helped us build a team and a technology infrastructure that can deliver sustainable banking for years to come.

## HUMAN RESOURCES

### Hiring the right people

As we pursued our expansion plan, we strengthened our ranks with men and women who are not only highly qualified for the job they are hired for, but who share the same values and a strong sense of extended family that moves us to commit to something bigger than ourselves. Our Human Resources Division continued to focus on getting the right people even as we tapped more recruitment channels to keep in stride with the business requirement, and to bring in new talents as part of the succession planning.

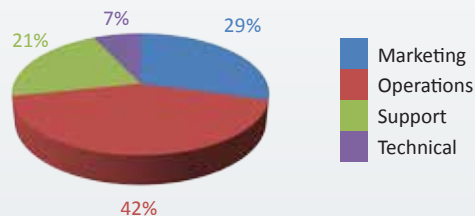
Our top-notch manpower underpins our commitment to the best interest of our customers, shareholders, and the communities we serve. Individually, our dedicated and hard working employees have diverse talents and perspectives that lead to more innovative ideas and solutions, and collectively, we are one solid team capable of scaling great heights—for China Bank and for our stakeholders.

### Developing talents

With the changing business conditions and regulatory environment, and the challenge of maintaining our unparalleled service levels across the entire network during this expansionary phase, it is crucial to address the resulting need for constant skills development for our new hires and our existing officers and staff.

**1,135\***

new employees hired in 2012



**5,198\***

total number of employees in 2012

\* CBC, CBC-PCCI, CBIBI, CBS





As we continue to grow, we adopted different approaches like newspaper ads, job fairs, online job posting, campus recruitment, headhunters, resume drop box, and employee referral to tap all the possible sources of the most talented and qualified fresh graduates, management trainees, and experienced professionals. In December 2012, we launched our redesigned interactive career website which is linked to jobstreet.com. Job seekers can visit our corporate website or the Jobstreet website to check out job opportunities at China Bank and to conveniently apply online.

In 2012, we strengthened our leadership program, enhancing existing modules and introducing new ones to build our employees' operational, technical, marketing, service, communication, and managerial skills, as well as update their knowledge of our Bank policies and all relevant laws and regulations. For our Management Trainees, we have a comprehensive development plan which includes a mentoring program with members of our Management Committee as mentors. The China Bank Academy and our Intranet portal for e-training, are vital to meeting our objective of empowering our manpower. We also welcomed new learning resources to enable our people absorb the best practices in local and international banking.

### Promoting a culture of excellence

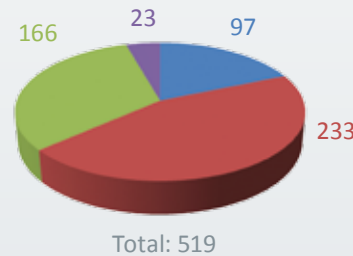
We take every opportunity to engage our employees in our commitment to excellence. We have a Rewards and Recognition program that fosters a positive, productive, and harmonious working environment. In 2012, we implemented new awards to recognize the ardor and spirit of our work force, fuel their excitement, and motivate them to aim higher.

Beyond recognizing the best and the brightest, the awards attach a great importance to exemplifying China Bank's seven core values: integrity, high performance standards, commitment to quality, customer service focus, concern for people, efficiency, and resourcefulness/initiative. The awards also give credence to how we value our people—guiding them with ideals that build character, challenging them to see them soar, and rewarding them for embracing China Bank's values and applying them in the conduct of their work and their dealings with our customers.

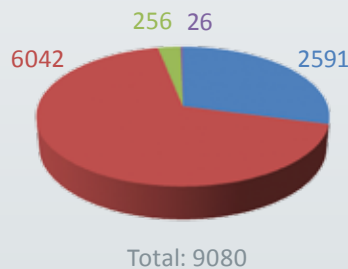
### Motivating for high performance

We provide a rewarding and enriching work experience for our employees. With our dynamic career management, competitive compensation, and well-rounded employee welfare program, China Bank has become one of the preferred employers in the banking industry, attracting some of the best talents, and retaining most of them for the long haul.

### Training Programs Conducted



### Participants\*



\* Employee may have attended several training programs

- Officer Training
- Staff Training
- External
- Executive

ChinaBankers are given the requisite tools, training, and authority to succeed in their careers and contribute to the Bank's success. We manage their career path in a decentralized way, with the immediate supervising authorities overseeing performance, so that each employee receives as much personal attention as possible. We institutionalized a succession management program that will ensure availability of qualified officers for key positions. This includes the periodic review of the talent pipeline and implementation of individual career development plans.

Our comprehensive benefits and competitive, performance-based compensation package reflects our responsible, long-term approach to working relationships and our commitment to the best labor practices. Last year, we signed a new Collective Bargaining Agreement (CBA)—the 23rd CBA in China Bank's 92-year history. The 2012-2015 CBA, provides for wage increases, improvements in medical allowance and sick leave benefits, higher insurance coverage, and a contract signing bonus for all China Bank rank and file employees nationwide.

We also support a good work-life balance to keep our team motivated and energized. Our employees enjoy adequate personal/family time off, and when warranted, are allowed to have flexible work schedules. We also have various sports, recreational, and health and wellness programs to provide our employees with activities outside of the workplace, strengthen camaraderie, and promote community participation and personal growth.

### Caring for our employees

We take genuine interest in our people's welfare. The communication lines are always open and we encourage dialogues between management and the labor union, or discussions between individual employees and our Employee Relations Office to resolve issues and promote a harmonious and mutually-beneficial working environment.

We also have an occupational health policy that goes beyond compliance with the regulatory requirements. In 2012, we

focused on the prevention of work-related stress. We developed materials and training programs to manage stress, anxiety, and depression. We also revised our vacation leave policy, encouraging employees to use their leave credits and to take their paid vacation leaves in longer stretches to clear their minds and recharge their batteries.



*We take an active part in assisting our employees in crisis situations. Whenever needed, a donation drive is mobilized to provide additional financial support to employees or family members of employees who are in need of medical help or are struck by a calamity.*

*In 2012, both the China Bank management and employees again worked together to help a number of our colleagues and their families with serious medical conditions and to provide aid and relief to those who were affected by the devastating typhoons and monsoon rains.*

## INFORMATION TECHNOLOGY

### Strengthening the core

Banking is a technology-driven business and we are committed to make the necessary investments for cutting-edge technology to boost operational efficiency and flexibility, to effectively manage risk and regulatory compliance, and more importantly,

to enhance service quality and optimize customer experience. As we anticipated and prepared for the significant increase in business volumes that comes with our continued branch expansion, we acquired a new core banking system in 2012—the Finacle Universal Banking System (FUBS) from Infosys. The implementation project began in October, with a comprehensive functional training conducted by Infosys for the end-users and support team. We are targeting the second half of 2014 for the bank-wide roll-out of this new core banking system.

FUBS is one of the most comprehensive, flexible, and scalable universal banking solutions in its class. We are confident that our new core banking system is robust, well-designed, sustainable into the future, and will truly enable us to respond faster, better, and more comprehensively to every China Bank customer.

### Enhancing customer experience

Technology helps create a positive customer experience, and so in 2012, we focused on employing up-to-date technology in the most effective way, to give our customers greater convenience and security, and more reasons to enjoy banking with China Bank.

- China Bank Cash Accept Machine (CAM) was launched, allowing real-time, cardless cash deposits to a China Bank savings or checking account.
- China Bank's Carnelian Remittance System for cash payout became fully operational, allowing our remittance tie-ups that do not have their own systems to process cash payout remittances in an efficient and timely manner. This new system feature was implemented with One Network Bank, a tie-up that gives our customers' beneficiaries an additional 86 outlets from which to pick up their remittances.
- We implemented the INCHEQS Inward Clearing System from InsiteMy, streamlining and automating key processes in the inward clearing and check verification cycle. This new system, in tandem with the Signature Database Verification System, accelerates the check clearing process throughout our branch network.
- We also enhanced the receivables suite of our Cash Management solutions with the launch of Check Depot, a post-dated check warehousing service. Unlike the usual check warehousing facilities, Check Depot utilizes our Internet banking portal, China Bank Online, for the convenient uploading or encoding of the details of the checks to be warehoused (the physical checks can be sent at a later date), and the easy monitoring of these post-dated receivables online.

### Improving operational efficiency

Our IT and automation initiatives in 2012 were not only geared towards streamlining our operations. We also invested in technologies that offer enhanced data analysis and reporting to meet the growing security, regulatory, and compliance requirements.

- We implemented the Sungard Ambit Focus ALM, our Asset Liability Management (ALM) system, which provides key figures for ALCO (Asset & Liability Committee) and generates Balance Sheet, Cash Flow Liquidity, and Dynamic Income Calculation reports.

The Static Module, which generates Balance Sheet and Cash Flow based on actual data, is now being used by Treasury Group, Corporate Planning Division (CorPlan), and Risk Management Group (RMG). Meanwhile, the Advanced Liquidity Module enables RMG to input assumptions, based on our static data, for liquidity analysis.

Another tool for analysis is the Dynamic Module. It allows Treasury and CorPlan to input scenarios for dynamic income calculation. User Acceptance Testing was completed last December.

- Reuters K+TP (Kondor plus Trade Processing), our Treasury Back Office System, was implemented in February, thus completing the replacement of FlexCube, our former treasury system.

K+TP covers Spot, Outright Forward, and Swap for foreign exchange (FX) transactions and our plan to do Derivative transactions in the future. It also provides daily revaluation of FX transactions and daily mark-to-market of securities, enabling Treasury to monitor China Bank's actual financial position daily. On the operations side, SWIFT messages are now generated and automatically sent to SWIFT Alliance, our central SWIFT system, thus streamlining our Treasury back office operations and eliminating manual intervention.

### Reducing our carbon footprint through automation

Over the last three years, we have been looking at our technology efforts not just from a customer service and operational efficiency standpoint; we have also been considering the environmental benefits of automation. In 2012, we began to see the positive results of our technology-focused process innovations, like the steady decline of our paper consumption, as well as marked improvements in our power consumption despite the continued growth of our branch network and operations.

Armed with the latest technology and a clear mindset to do things the better, more efficient, and more environmentally-friendly way, we aim to deliver the best results for our customers and shareholders, now and well into the future.

# Responsible and responsive

China Bank is more than just a bank—we're an active member of the communities we serve, one whose practices are good not only for our business, but also the environment and society at large. We aim to have a positive impact in everything we do, partnering with our employees, clients, and various philanthropic and non-profit organizations to reach out, get involved, and make a difference.



In 2012, we upheld our commitment to being a responsible and responsive corporate citizen. We continued with our CSR programs, sustaining our support of various socially-responsible causes and strengthening our efforts for a sustainable future.

### Giving back

China Bank is passionate about giving back to the community and we are proud to help like-minded organizations create positive change and improve lives. Our corporate endowments last year substantially increased. In order to make the greatest impact, we directed 90% of our donations to education, disaster relief, and human services. We supported more charities, including CFC-ANCOP's (Answering the Cry of the Poor, a ministry of Couples for Christ) Child Sponsorship Program, through which we sponsored 16 ANCOP scholars for the school year 2012 to 2013, and again for the school year 2013-2014; The Hero Foundation, to help with the education of orphaned children of killed military personnel; The Archdiocese of Cebu; The Zonta Club of Mandaluyong; and more.

### Helping rebuild lives

We have consistently been reliable partners in times of great need. China Bank's calamity fund is activated immediately after disaster strikes to help raise funds for the affected families. We turned over a total of P3.2 million to Philippine National Red Cross (PNRC) and CFC-ANCOP in client and employee donations, combined with China Bank's own donation, to help with the rehabilitation efforts for the victims of Typhoon Sendong, the disastrous Habagat, and Typhoon Pablo.

### More than money

We have made a conscious effort of helping in any way we can. In addition to monetary donations and charitable fundraising, we also help out with in-kind donations. We strongly encourage employee volunteerism and seek out opportunities to engage our people and demonstrate our company spirit. We also actively monitor local conditions to protect the interests of our people and clients as best we can during times of disaster and turmoil.

### Gift of education

It is our continuing commitment to provide educational assistance to promising children. We have two scholarship programs, the G.U.D Scholarship Fund, named after Board Vice Chairman Gilbert U. Dee, and the D.C.C. Scholarship Fund, named after one of our founding fathers, Dee C. Chuan. Both scholarship programs benefit deserving children of China Bank

employees and cover the tuition fee for the high school (G.U.D. Fund) and 4-year college education (D.C.C. Fund) in any school or university in the country. We are also the benefactor of a scholar at the Ateneo de Manila University. He completed his B.S. Math degree in 2012.

### One with our communities

Our branches nationwide were actively involved in a number of local events such as sports fests and tournaments, cultural fairs and activities, and anniversary celebrations and conventions of different associations, organizations, and universities to foster friendship and camaraderie in the communities where we operate. Several branches and our employee clubs also organized charity events to reach out to the underprivileged sector in their own communities.

### One with Mother Earth

We acknowledge that our environmental obligations are as important as our business, social, and community responsibilities. For the last five years, we have been taking steps to progressively lessen our operation's impact on the environment, like switching to energy-efficient lighting and air conditioning systems, acquiring technologies to automate processes, and having a solid waste management program. In 2012, we further broadened our environmental agenda.

In June, we signed an agreement with IFC, a member of the World Bank Group, for technical assistance and advisory services under IFC's Sustainable Energy Finance (SEF) Program to promote clean and efficient energy projects to improve business bottom lines.

With the green partnership with IFC, whereby IFC will lend its expertise to China Bank in identifying potential projects and analyzing project risks, we can package viable financial structures to fund renewable energy and other clean development projects in the Philippines, as well as aid energy-intensive industries to go green. We already have projects in the pipeline with a number of manufacturing, agriculture, and mall/resort businesses that are looking into cleaner production and more energy-efficient operations.

A month later, in July, we launched "Going Green," a campaign aimed at encouraging our employees to embrace China Bank's advocacy of protecting and preserving the environment. We embarked on a vigorous and mostly digital campaign to create awareness about the program and to educate employees on the importance and benefits of reducing, reusing, and recycling. In 2013, we expect to see continued positive results.

An aerial photograph of two men in dark suits shaking hands. They are standing on a red carpet with a circular pattern. The man on the left has grey hair, and the man on the right has dark hair and glasses. The background is a large, stylized red circle with a grid pattern.

# Fair, transparent, and accountable

We believe that strong corporate governance is integrated to China Bank's management approach—it is a key factor in maintaining our integrity, promoting competitiveness, and enhancing investor confidence. Thus, we go to great lengths to ensure that we are not just consistent with the rule of law, but that China Bank is run soundly and prudently, in a manner that fits the best interests of all stakeholders, and is at least at par with the international best practices in corporate governance.

## Corporate governance framework

The overall stewardship of China Bank rests on the highest governing authority within the Bank, the Board of Directors. The Board is the guardian of fairness, transparency, and accountability in all financial and business dealings of China Bank. The Board guides our overall philosophy and direction, sets the pace for our current operations and future directions, and ensures that our obligations to stakeholders are met; furthermore, it leads in establishing the tone of good governance, setting corporate values, codes of conduct, and other standards of appropriate behavior, from the top and down the chain of command.

## Corporate Governance Manual

We have an extensive Corporate Governance Manual which was revised and approved by the Board on August 1, 2012. The Manual contains our corporate governance policies, governance structure, principles, the specific and general duties and responsibilities of the Board and the duties of the individual directors. It also reflects the updates on corporate governance in the Bangko Sentral ng Pilipinas (BSP) Circular No. 749, and the rules and regulations of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). To enjoin bank-wide compliance and for easy access, a copy of the Manual is available in the Bank’s intranet under the Compliance Office Public Folder. Our Group Compliance Officer monitors our compliance with the Manual.

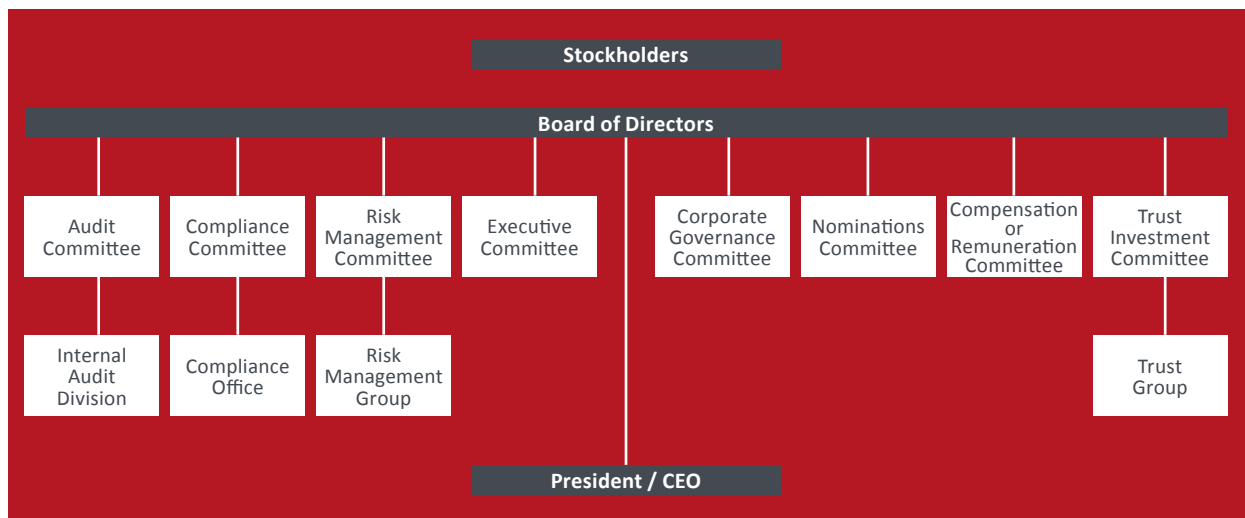
## Chairman

The roles of the chairman and president / Chief Executive Officer (CEO) are segregated but complementary to ensure an appropriate balance of power and greater accountability. The chairman of the board is Hans T. Sy. He was our vice chairman

from 1989 until 2011, when he became chairman. He has never been a CEO of China Bank or held any executive positions in the Bank. As chairman, he is responsible for the leadership and effective running of the Board. His duties also include maintaining a relationship of trust with board members; ensuring that the Board takes an informed decision, and that board meetings are held in accordance with our by-laws, taking into consideration the suggestions of the CEO, management, and the directors; and maintaining quality and timely lines of communication and information between the Board and management.

## President & CEO

Peter S. Dee is our incumbent president and CEO, appointed in 1985. Subject to the control of the Board which has direct charge of the business of the Bank and general supervision of the business affairs and property of the Bank, he is primarily responsible for the achievement of agreed objectives and execution of strategy as established by the Board, and for leading the senior executive team in the day-to-day running of the business. In the absence or inability of the chairman and the vice-chairman of the Board, he is authorized to preside over the board meetings and the stockholders’ meeting.



## Board of Directors

Our 2012 Board brings an ideal blend of business, legal, and finance expertise to China Bank. We have eleven directors and one adviser, Honorary Chairman Henry Sy, Sr.—our other long-time adviser, Pilar N. Liao, passed away on October 23, 2012.

Of the eleven, three are executive directors: Vice Chairman Gilbert U. Dee, President and CEO Peter S. Dee, and Senior Executive Vice President and Chief Operating Officer Ricardo R. Chua. The rest are non-executive directors. China Bank has no executive director who serves on more than two boards of listed companies outside of the group.

We welcome diversity in our Board and do not discriminate on age, gender, or ethnic background. The position of a China Bank director is a position of trust; thus, the directors are selected for their integrity, leadership, experience at policy-making levels, and their ability to render independent judgment.

**Board age profile**

Age	Profile
50-60	27%
61-70	27%
71 and above	46%

## Nomination/election to the Board

The shareholders nominate candidates by submitting the nomination to any of the members of the Nominations Committee, the Corporate Governance Committee, or the corporate secretary on or before the prescribed date. The Corporate Governance Committee reviews and evaluates the qualifications of the candidates, the full Board confirms these candidates' nomination, and the shareholders elect the directors during the Annual Stockholders' Meeting.

## Succession

Succession, replacement or vacancy in the Board is addressed in the Bank's By-Laws, stating that vacancies in the Board may be filled by appointment or election of the remaining directors, if still constituting a quorum; otherwise, the stockholders shall fill such vacancy in a regular or special meeting called for this purpose. Ultimately, it is the Board's discretion to fill up such vacancy or not.

## Independent directors

As a publicly-listed company, we comply with the legal requirement to have at least 20%, but not less than two independent directors. We define an independent director as holding no interests or relationships with China Bank, the controlling shareholders, or the management that would influence their decisions or interfere with their exercise of independent judgment. As stated in our Corporate Governance Manual, our independent directors have a term of five years, with a two-year cooling off period before they can serve for another five years; and while they are in our Board, they are not allowed to hold interlocking directorships in more than five listed companies.

We fully comply with the corporate governance rules of the SEC with regard to the nomination and election of our independent directors. We have three independent directors—Dy Tiong, Alberto S. Yao, and Robert F. Kuan—who are in the Board to exercise independent judgment and protect the rights of minority shareholders, acting objectively and challenging management decisions if warranted to ensure efficient and transparent management, especially on areas of related party transactions.

## Related Party Transactions

As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.

Related party refers to any of the Bank's directors, officers, stockholders and their related interests (DOSRI). Related interests mean individuals related to each other or common law, and two or more corporations owned or controlled by a single individual or by the same family group or the same group of persons.

Prior to Board approval, the Audit Committee reviews all related party transactions. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.

CHINA BANKING CORPORATION  
Significant<sup>1</sup> Related Party Transactions  
(Intra-Group Transactions)  
As of December 2012

Name of Counterparty	Type of Transaction <sup>2</sup>	Amount/Contract Price
SM Retail, Inc.	Bills Purchase Line	₱300 M
Super Industrial Corporation	Omnibus Line	₱50 M
Carmen Copper Corp.	Fixed Rate Dollar-Denominated Retail Bonds for Sell down to clients of Treasury Group, Trust and China Bank Savings, subject to conditions.	US\$30M
Rizal Commercial Banking Corporation	Participation in US Dollar denominated notes.	US\$200M
Henry Sy, Sr.	Loan Line	₱300.0M
SM Development Corp.	Loan Line	₱200.0M
SM Land, Inc. (Formerly: Shoemart Inc./Costa Del Hamilo, Inc.)	Loan Line	₱1.0B
JJaccis Development Corp.	Omnibus Line	₱200.0M
Sysmart Corporation	Loan Line	₱2.0 B
EEl Corporation, Inc.	Accreditation of Corporate Buyer	₱50.0 M
Union Motor Corp.	Omnibus Line	₱150.0 M
China Bank Savings, Inc.	Government Securities Dealings	₱800.0 M
SM Development Corp.	Sell-down of existing SMDC shares	₱400.00 M
Summerhills Home Development Corporation	Documentation of loan line	₱50.0 M
Quantum Amusement Corporation	Omnibus line	₱80.0 M
Banco de Oro Unibank, Inc.	Treasury Inter-bank limits and various FX presettlement risk limits	Money Market ₱2.409 B FX Limit - US\$40.0 M
BDO Private Bank, Inc.	Treasury Inter-bank limits	Money Market ₱316.840 M FX limit – US\$5.0 M
China Bank Savings, Inc.	Treasury Inter-bank limits	Money Market ₱416.680 M
Rizal Commercial Banking Corp.	Treasury Inter-bank limits	Money Market ₱708.720 M FX Limit – US\$10.0 M Bonds PSR – ₱150.0M
RCBC Savings Bank, Inc.	Treasury Inter-bank limits	Money Market – ₱70.0 M Bonds PSR – ₱50.0 M

<sup>1</sup> ₱50M and above

<sup>2</sup> These shall include on-balance sheet and off-balances sheet credit exposures and claims, as well as, dealings such as service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions and borrowings, among others.

## Corporate secretary

The corporate secretary, Atty. Corazon I. Morando, is an officer of China Bank, with the rank of vice president. The vital role of corporate secretary requires administrative, interpersonal, legal, and financial skills for it is her duty, among other things, to serve as an adviser to directors with their responsibilities and obligations, reviewing carefully the information presented to them at the time they are to make a decision; ensure that board procedures and related rules and regulations are followed; safe-keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Bank; assist the chairman in the preparation of the board agenda; and update the directors, together with the Group Compliance Officer, on relevant statutory changes.

Our corporate secretary, who has the skills and professional experience to be effective at her job, has been working and dealing fairly and objectively with all the constituencies of China Bank, not just the Board, but also our management, stockholders, and other stakeholders.

## Board orientation and training program

In place is a full orientation and continuing education process for the Board that includes extensive materials, meetings with key management, and visits to branches.

Upon their election, the directors are issued a copy of their general and specific duties and responsibilities as prescribed in the Manual of Regulations for Banks (MORB), which they are required to acknowledge to have received, and to certify to have read and fully understood. Copies of the acknowledgement receipt and certification are submitted to BSP within the prescribed period; moreover, they also individually submit a Sworn Certification that they possess all the qualifications and none of the disqualifications as enumerated in the MORB. These certifications are submitted to BSP after their election. Additional certifications are executed by independent directors to comply with Securities Regulation Code and BSP rules which are then submitted to the SEC.

The Board is informed on an ongoing basis of the Bank's performance, major business and risk issues, and new developments. Aside from the corporate secretary, the Board also has access to senior management, external consultants, and advisors.

In accordance with the MORB, all the members of the Board have attended the required Corporate Governance Seminar. In case there are new members, they are required to attend an orientation program from training providers accredited by the BSP.

## Board meetings

The organizational meeting of the Board is held after the Annual Stockholders' Meeting. Regular Board meetings are held at least once a month; however, the chairman, vice chairman, president or a majority of the Board, may call for special board meetings.

The directors are expected to prepare for, attend, and participate in these meetings, and to act judiciously, in good faith, and in the best interest of China Bank and our shareholders.

In 2012, the China Bank Board had 17 meetings, including the organizational meeting. The incumbent directors attended in more than 50% of all the meetings.

Director	Attendance
Hans T. Sy	15
Gilbert U. Dee	15
Peter S. Dee	16
Joaquin T. Dee	17
Dy Tiong	17
Herbert T. Sy	12
Harley T. Sy	17
Alberto S. Yao	15
Robert F. Kuan	15
Jose T. Sio	16
Ricardo R. Chua	16

## Board & CEO evaluation

In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board—the individual members, the committees, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.

Last year, the Board and our CEO once again conducted a self-assessment of their performance in 2012. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.

The self-assessment uses the following rating system:

Rating	Description
0	<b>Poor</b> - Leading practice or principle is not adopted in the company's Manual of Corporate Governance
1	<b>Needs Improvement</b> - Leading practice or principle is adopted in the Manual but compliance has not yet been made
2-3	<b>Fair</b> - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness
4	<b>Good</b> - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation (s) or incompleteness
5	<b>Excellent</b> - Leading practice or principle is adopted in the Manual and full compliance with the same has been made

The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.

On January 18, 2013, the Compliance Office submitted our annual corporate governance certification to the SEC and the PSE.

The composition of the Board and the various committees is also reviewed regularly to ensure a balanced membership. On May 3, 2012, Jose T. Sio replaced Herbert T. Sy as member of the Trust Investment Committee, while Herbert T. Sy took Jose T. Sio's seat in the Compensation or Remuneration Committee. On January 9, 2013, the Executive Committee was reorganized, designating Ricardo R. Chua as member in lieu of Dy Tiong.

### Board committees

To assist in the execution of its responsibilities, the Board has established several committees. Members of the different committees are appointed by the Board during the annual organizational meeting, taking into account the optimal mix of skills and experience of the members. To promote objectivity, independent directors and non-executive directors are appointed to the greatest extent possible without impairing the collective skills, experience, and effectiveness of the committees.

Each of the committees has a charter, and the members perform their duties and conduct meetings in accordance with their respective charters (available in China Bank's corporate website: [www.chinabank.ph](http://www.chinabank.ph)).

- **Executive Committee** has the powers of the Board in the management of the business and affairs of the Bank when

### Board - Level Committees

	Executive Committee	Risk Management Committee	Audit Committee	Compliance Committee	Corporate Governance Committee	Nominations Committee	Compensation or Remuneration Committee	Trust Investment Committee
<b>Chairman</b>	Hans T. Sy	Alberto S. Yao*	Alberto S. Yao*	Joaquin T. Dee	Robert F. Kuan*	Dy Tiong*	Hans T. Sy	Robert F. Kuan*
<b>Members</b>	Gilbert U. Dee Peter S. Dee Joaquin T. Dee Dy Tiong* Ricardo R. Chua**	Hans T. Sy Gilbert U. Dee Joaquin T. Dee	Joaquin T. Dee Dy Tiong*	Hans T. Sy Alberto S. Yao*	Joaquin T. Dee Hans T. Sy Alberto S. Yao*	Hans T. Sy Joaquin T. Dee	Gilbert U. Dee Peter S. Dee Joaquin T. Dee Dy Tiong* Herbert T. Sy	Jose T. Sio Harley T. Sy Peter S. Dee Rene J. Sarmiento***
<b>No. of Meetings In 2012</b>	37	11					2	12
<b>No. of Joint Meetings In 2012</b>			12 joint meetings with Compliance and Corporate Governance committees	12 joint meetings with Audit and Corporate Governance committees	12 joint meetings with Audit and Compliance committees  11 joint meetings with Nominations Committee	11 joint meetings with Corporate Governance Committee		

\* Independent Director  
 \*\* Replaced Dy Tiong on January 9, 2013  
 \*\*\* Non-director member

the Board of Directors is not in session, except with respect to: approval of any action for which stockholders' approval is also required; the filling of vacancies in the Board of Directors; the amendment or repeal of the By-laws or the adoption of new By-laws; the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; a distribution of cash dividends to the stockholders; and such other matters specifically excluded or limited by the Board of Directors and/or by laws or regulations.

- Risk Management Committee** is responsible for the oversight and development of all the Bank's risk management functions. It provides oversight over management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Bank, including regular receipts from management of information on risk exposures and risk management activities. It likewise evaluates the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness, and review and revise the same as needed.
  - Audit Committee** primarily oversees all matters pertaining to audit — the Bank's internal audit function and performance, the integrity of the Bank's financial statements, and the Bank's accounting processes in general, among other things. The Committee likewise provides oversight on the senior management's activities, as well the Bank's internal and external auditors and monitors and evaluates the adequacy and effectiveness of the Bank's internal control system.
- The Audit Committee Charter was revised in September 2012 to align with the requirements of SEC Memo No. 4 series of 2012 and the provisions of the Institute of Internal Auditors' (IIA) Model Audit Committee Charter which promotes effective, quality, and transparent Audit Committee.
- Compliance Committee** is tasked to ensure that the management is doing things in accordance with the prescribed rules, policies, procedures, guidelines and the like, and that appropriate corrective actions are being taken when necessary or required.
  - Corporate Governance Committee** is responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines, and it oversees the periodic evaluation of the Board and its Committees and Executive Management.

## Directors' Attendance in Committee Meetings in 2012

Joint Audit, Compliance, and Corporate Governance Committee Meetings: 12	Member Attendance
Hans T. Sy	12 of 12
Joaquin T. Dee	12 of 12
Dy Tiong	11 of 12
Alberto S. Yao	12 of 12
Robert F. Kuan	12 of 12
Risk Management Committee Meetings: 11	Member Attendance
Alberto S. Yao	8 of 11
Hans T. Sy	10 of 11
Gilbert U. Dee	10 of 11
Joaquin T. Dee	11 of 11
Joint Nominations and Corporate Governance Committee Meetings: 11	Member Attendance
Hans T. Sy	11 of 11
Joaquin T. Dee	11 of 11
Dy Tiong	11 of 11
Alberto S. Yao	11 of 11
Robert F. Kuan	11 of 11
Executive Committee Meetings: 37	Member Attendance
Hans T. Sy	34 of 37
Gilbert U. Dee	33 of 37
Peter S. Dee	32 of 37
Joaquin T. Dee	37 of 37
Dy Tiong	34 of 37
Compensation or Remuneration Committee Meetings: 2	Member Attendance
Hans T. Sy	2 of 2
Gilbert U. Dee	2 of 2
Peter S. Dee	2 of 2
Joaquin T. Dee	2 of 2
Dy Tiong	2 of 2
Jose T. Sio*	1 of 2
Trust Investment Committee Meetings: 12	Member Attendance
Robert F. Kuan	10 of 12
Harley T. Sy	12 of 12
Peter S. Dee	11 of 12
Herbert T. Sy**	4 of 5
Jose T. Sio***	7 of 7
Rene J. Sarmiento	11 of 12

\* Member up to May 2, 2012, replaced by Herbert T. Sy on May 3, 2012

\*\* Member from January to May, 2012

\*\*\* Member from June to December, 2012

- **Nominations Committee** is tasked to review and evaluate the qualifications of all persons nominated to the Board, as well as appointments requiring Board approval and promotions favorably endorsed by the Promotions Review Committee.
- **Compensation or Remuneration Committee** provides oversight over the remuneration of the Board, senior management and other key personnel, ensuring that compensation is consistent with the Bank’s culture, strategy and control environment.
- **Trust Investment Committee** is responsible for the investment supervision over all the portfolios or funds under the management of the Trust Group. It acts upon all trust business for acceptance as well as approval of all investments for trust and agency accounts, unless this function is specifically delegated by the Board to the head of the Trust Group or other senior officers of the Bank, consistent with existing regulations.

**Other Committees**

- **Management Committee** formulates the Bank’s business plans and budget as directed by the Board and reports to the Board on the implementation of corporate strategies designed to fulfill the Bank’s corporate mission and business goals. At the operating level, it covers top management matters such as, but not limited to, environmental assessment, objectives setting, performance and budget review, asset/liability management, organizational and human resource development, product development, and major operating policies.
- **Credit Committee** reviews and approves all credit applications within its credit approval authority. It also reviews all credit applications exceeding its credit approval authority, and if found acceptable, endorses such to the Executive Committee or the Board of Directors.
- **Board of Trustees of CBC Employees Retirement Plan** is responsible for the investment and disbursement of CBC Employees’ Retirement Plan assets. The Committee ensures that the plan conforms to SEC regulations, that the plan’s assets earn maximum returns without sacrificing security, and that the participants are assured of receiving their vested portion upon retirement/termination.

**Other Committees**

	Management Committee	Credit Committee	Board of Trustees of CBC Employees’ Retirement Fund
<b>Chairman</b>	Ricardo R. Chua	Gilbert U. Dee Peter S. Dee	Gilbert U. Dee
<b>Vice Chairman</b>	-	Ricardo R. Chua	-
<b>Members</b>	Gilbert U. Dee Peter S. Dee Nancy D. Yang Samuel L. Chiong Rene J. Sarmiento Ramon R. Zamora Rhodora Z. Canto Antonio S. Espedido, Jr. Alberto Emilio V. Ramos William C. Whang Alexander C. Escucha	Nancy D. Yang Samuel L. Chiong Ramon R. Zamora William C. Whang Rhodora Z. Canto* Ananias S. Cornelio III** Melissa F. Corpus***	Peter S. Dee Ricardo R. Chua
<b>No. of Meetings in 2012</b>	49	48	

\*Non-noting member; retired effective February 28, 2013  
 \*\*Non-voting member  
 \*\*\*Non-voting member; effective March 1, 2013

**Board compensation**

China Bank directors are entitled to a per diem of ₱500.00 for attendance at each meeting of the Board or of any committees, and to 4% of the Bank’s net earnings. Details are disclosed to the SEC and PSE and posted in the China Bank website. Non-executive directors do not receive any performance-related compensation.

**Internal Controls**

The Board is responsible for the establishment and review of China Bank’s system of internal control, while the day-to-day responsibility for internal control rests with management. All of our employees are involved to a certain degree in our internal control process.

The components of our internal control system includes a well-defined management structure with clear authorities, responsibilities, and operating procedures; an enterprise risk management function supported by the Risk Management Committee and the Risk Management Group; a robust compliance function with anti-money laundering and anti-insider trading policies; a comprehensive planning and budgeting process, spearheaded by the Corporate Planning Division, that delivers detailed annual financial forecasts and targets for Board approval; and an internal audit function, independently exercised by the Audit Division.



## Internal Audit

Internal audit is an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations. The internal audit function is handled by our Audit Division which is primarily responsible for the assessment of the Bank's system of risk management, control, and governance processes to determine whether it is adequate and functioning in a manner to ensure that: our operations are performed with sufficient and adequate controls; significant financial, managerial, and operating information is accurate, reliable, and timely; relevant legislative or regulatory issues impacting the Bank are recognized and addressed properly; and the Bank's resources are acquired economically, used efficiently, and adequately protected.

The Audit Division functionally reports to the Audit Committee and administratively to the president and CEO. Our chief audit executive is Vice President Marilyn G. Yuchenkang.

In 2012, the Audit Division continued to enhance the effectiveness of China Bank's audit function. Among the major initiatives were the establishment of a Quality Assurance & Improvement Program to assess the effectiveness and efficiency of the Internal Audit (IA) activity and identify opportunities for improvements, and evaluate the IA's

conformity with the code and standards set by the Institute of Internal Auditors (IIA); the improvement of the risk-based audit process and methodology to enhance audit coverage and maximize the use of the Division's resources; the strengthening of the Continuing Professional Development Program—a total of 25 internal and 32 external trainings were attended by audit personnel; and the enhancement of the strategic collaboration with the Risk Management Group and the Compliance Office to improve governance, risk management, and control processes.

## External Auditors

We engaged SGV & Co./Ernst & Young to audit our annual financial statements. Throughout the Bank's history, the external auditors have not found any significant exceptions such as cases of fraud or dishonesty, and any other matters which could potentially result in material losses to the Bank and our stakeholders.

We have been working with SGV & Co./Ernst & Young for over 20 years. The partners assigned to us are rotated every five years, as required by regulations. The same accounting firm is recommended for appointment at the scheduled 2013 annual stockholders' meeting.

Fiscal Year	Audit Fees and Other Related Fees
2012	₱1,780,000.00
2011	₱1,680,000.00

The above audit fees are inclusive of other assurance and related services by SGV & Co./Ernst & Young that are reasonably related to the performance of the audit or review of the Bank's financial statements. The matter of the 2012 audit fees was taken up and approved by the Audit Committee and confirmed by the Board.

Apart from the matter of audit fees, the Audit/Executive/Risk Management Committee likewise discussed/approved to engage the services of SGV & Co./Ernst & Young in non-audit work approved in 2011 which continued in 2012, particularly, the ongoing implementation of Internal Capital Adequacy Assessment Process (ICAAP), and strengthening of risk management and audit processes through project engagements which include ICAAP for Internal Audit, ICAAP Phase 2, and ICRRS (July 20, 2011); and validation of risk models (October 12, 2011).



### Compliance System

Our compliance system fosters a culture of bank-wide compliance to protect the Bank's reputation and our stakeholders' interests. The Compliance Office sees to it that employees at all levels are aware of and comply with all applicable laws, rules, and regulations, by cascading the Bank's Compliance Plan and disseminating all regulatory agencies' issuances, advisories, and other regulatory matters. The Compliance Office also acts as liaison for the Board and management on regulatory compliance matters with the regulatory agencies; and provides advisory services, including reviewing proposed China Bank products and services.

The Compliance Office is headed by our group compliance officer, Vice President Dante T. Fuentes, who functionally reports to the Compliance Committee, and administratively to the president and CEO.

The Compliance office updates our Compliance Manual annually. The latest updating includes its alignment to BSP Circular 747 which calls for the compliance system to focus on the mitigation of business risk. The Compliance Office also regularly conducts trainings on corporate governance, bank fraud, anti-money laundering, and other relevant laws and regulations; and continues to strengthen our compliance program to elevate China Bank's CAMELS Rating (Capital Adequacy, Assets Quality, Management Efficiency, Earnings Capacity, Liquidity and Sensitivity to Market Risk) to the next level.

### Risk Management

We have a dynamic risk management program that is designed to ensure the various risks inherent to the Bank's operations are comprehensively identified, adequately measured, consistently monitored, and effectively managed. The program is implemented through risk policies, processes, and procedures that reflect industry best practices and in accordance with regulatory standards. This includes the establishment of a comprehensive risk-reporting system which enables the Risk Management Group (RMG) to effectively communicate our overall risk exposures and vulnerabilities across the different levels of the organization.

The Board is primarily responsible for the development and oversight of our risk management program through an independent board-level governing body, the Risk Management Committee (RMC). The Board along with Senior Management are responsible for the Bank's overall risk profile as well as the risk management approach and strategies which are implemented through the RMG as the operating unit responsible for this function. RMG is headed by the chief risk officer, First Vice President Ananias S. Cornelio III.

### Operational Risk

The focus in 2012 for Operational Risk Management continues to be the following three key areas: the development and implementation of operational risk management tools and methodologies, the capability building program for Business Continuity, and the strengthening of the IT Risk Management Framework.

Last year, RMG undertook major initiatives to increase the effectiveness of China Bank's Risk and Control Self-Assessment (RCSA) process which include, among others, introducing a risk library of generic to specific operational risks based on earlier submissions of risk identification and assessment results, updating the risk assessment matrix and risk level definition, and improving data capture with the use of a standard template across branches. The process of compiling management actions for medium and high risk areas has also been introduced as we intend to link such eventually to performance management.

To strengthen our business continuity program, RMG executed several tests and simulation exercises to assess the Bank's level of preparedness in the event of major disasters or events adversely affecting operations. In 2012, the Disaster Recovery (DR) testing exercise was conducted which, for the first time, was further supported by a business validation and independent audit of the test process, enabling us to clearly determine gaps in the recovery strategy under certain scenarios and thereafter improve the level of business resiliency and disaster preparedness. In addition, through the updated Business

Impact Analysis (BIA), critical business process and system dependencies were identified which then served as additional inputs to further enhance the Bank's recovery strategy and appropriately align with the defined Return Time Objectives (RTO). We then correspondingly improved our incident response and management protocols, which include the introduction of incident severity classification standards.

With regard to IT Risk, RMG improved our project management lifecycle methodology—intended to set the standards for applications development—with the development of software quality assurance reviews, and implemented the software development lifecycle methodology, designed to establish the standards for the technical aspect of systems development. Furthermore, the first run of the IT Risk Assessment was conducted, and the technology service catalogue was introduced as an initial step to the development of the Service Level Management framework.

## Credit Risk

In 2012, our risk rating tool for corporate borrowers, the Internal Credit Risk Rating System (ICRRS), was independently reviewed by a third-party reviewer as prescribed by existing regulations and standards. The review covered, among others, the model design, data quality, and use test. We are currently reviewing the recommendations for adoption. In the case of the Borrower Credit Score, which was developed and approved for accounts not covered by the ICRRS, mainly small and medium enterprises, RMG continues to implement it on a test-run basis and plans to do a surface level validation to determine the level of effectiveness before its live implementation.

RMG continued to strengthen our ability to detect indication of asset quality deterioration and credit concentration. Analytics were expanded to assess the profile of the credit portfolio and correspondingly capture adverse trends and vulnerabilities. The Herfindahl Hirschman Index (HHI) was also adopted as a standard measure of market concentration to depict industry concentration of the Bank's loan exposures.

In order to maintain a strong credit discipline in the Bank and to stress the importance of adherence to credit policies, a credit review process is regularly conducted. This is performed by the Bank's Credit Review and Control Department under the RMG. In 2012, 919 borrowers were covered in the review aggregating to P85 Billion in credit exposures. The review of the credit portfolio is done per lending unit. The progress on the issues raised during the review is strictly monitored until fully resolved by the concerned unit.

## Market and Liquidity Risk

Last year, RMG further enhance our policies, processes, and procedures for market risk, interest rate risk, and liquidity risk.

For market risk, the regular Value-at-Risk (VaR) limits review have incorporated the impact of the 1-day and 10-day VaR on the Capital Adequacy Ratio (CAR), in addition to the annual trading budget, historical limit utilization, market depth, and our risk tolerance as bases for establishing the limits; the impact analysis of 1-day VaR limits utilization and corresponding 10 day VaR were also included in the regular Risk Management Committee reporting. The VaR limits are set on 1-day basis with scaling up of the defeasance period (to 10 days in line with Pillar II guidelines) for the trading portfolio and are also included in management reporting. This effectively embeds capital considerations into risk taking activities via the VaR limits. Similarly, the impact analysis on Earnings-at-Risk (EaR) limits utilization on CAR have also been embedded and included in the regular reporting to the Risk Management Committee.

For liquidity risk, two additional tools were introduced to complement the Maximum Cumulative Outflow (MCO) report: the Liquidity Ratios and Large Funds Provider (LFP) report. The liquidity ratios are used to monitor the Bank's structural liquidity while the LFP report is used to monitor potential concentration risk of Peso and foreign-currency denominated deposits.

On stress testing, the Bank is currently operating with a more definitive stress testing process. It now includes local and off-shore stress test, forward-looking stress test, reverse stress test, and integrated balance sheet stress test. Its impact to capital has also been embedded into the process and included in the reports. The liquidity stress scenarios were also defined with the corresponding contingency funding plan for each scenario.

RMG also began last year the User Acceptance Testing (UAT) of Kondor Global Risk Market module of the Treasury System to automate the calculation of the Value at Risk numbers and to shift the methodology from Parametric to Historical Simulation, and the Static and Advanced Liquidity modules of the Asset Liability Management (ALM) system to automate generation of the Liquidity and Interest Rate Risk reports. Target full implementation is within 2013.

In addition, the Bank has engaged the services of an external consultant with technical expertise for the independent validation of our internal risk measurement models—VaR, EaR, and MCO. The engagement is on-going and includes: the validation of methodology and quantification, data quality, data security and reporting; and building of the technical capacity of our internal auditors through classroom trainings and formal group discussion to perform future validations. Target completion is within 2013.

## Record and beneficial owners holding 5% or more of voting securities as of February 28, 2013

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City Stockholder	Various stockholders/clients	Non-Filipino	308,794,390	23.792%
Common	SM Investments Corporation 10th Floor L.V. Loocsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Henry Sy, Sr. (Indirect ownership) Stockholder	Filipino	223,267,800	17.203%
Common	Sysmart Corporation 10th Floor L.V. Loocsin Bldg., 6752 Ayala Avenue, Makati City Stockholder	Henry Sy, Sr. (Indirect ownership) Stockholder	Filipino	192,058,910	14.798%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City Stockholder	Various stockholders/clients	Filipino	117,916,600	9.085%

## Directors and Principal Officers Owning China Bank Shares as of February 28, 2013

Title of Class	Name	Position	Amount & Nature of Beneficial/Record Ownership	Citizenship	Percent
<b>A) Directors</b>					
Common	Hans T. Sy	Chairman of the Board	1,545,890	Filipino	0.1191%
Common	Gilbert U. Dee	Vice Chairman	6,905,950	Filipino	0.5321%
Common	Peter S. Dee	President & CEO	844,600	Filipino	0.0651%
Common	Joaquin T. Dee	Director	28,527,170	Filipino	2.1980%
Common	Dy Tiong	Independent Director	119,610	Filipino	0.0092%
Common	Herbert T. Sy	Director	246,830	Filipino	0.0190%
Common	Harley T. Sy	Director	56,260	Filipino	0.0043%
Common	Alberto S. Yao	Independent Director	4,290	Filipino	0.0003%
Common	Roberto F. Kuan	Independent Director	16,310	Filipino	0.0013%
Common	Jose T. Sio	Director	1,700	Filipino	0.0001%
Common	Ricardo R. Chua	Director, SEVP & COO	70,440	Filipino	0.0054%
		<b>Total</b>	<b>38,339,050</b>		<b>2.9539%</b>

<b>B) Executive Officers (in addition to Gilbert U. Dee, Peter S. Dee and Ricardo R. Chua)</b>					
Common	Nancy D. Yang	Senior Vice President	1,426,560	Filipino	0.1099%
Common	Samuel L. Chiong	Senior Vice President	25,600	Filipino	0.0020%
Common	Rene J. Sarmiento	Senior Vice President	12,810	Filipino	0.0010%
Common	Gerard T. Dee	First Vice President	3,800	Filipino	0.0003%
Common	Rosemarie C. Gan	First Vice President	15,430	Filipino	0.0012%
		<b>Total</b>	<b>1,484,200</b>		<b>0.1144%</b>
		<b>Grand Total</b>	<b>39,823,250</b>		<b>3.0683%</b>

Moving forward, RMG will look into producing a Balance Sheet Value at Risk (VaR) report to supplement the current Interest Rate Risk management process, as well as begin gathering information in anticipation of the Basel III requirements on the Liquidity Coverage (LCR) and Net Stable Funding Ratio (NSFR).

### Disclosure and Transparency

We are committed to a high standard of disclosure and transparency to facilitate understanding of the Bank's true financial condition and the quality of our corporate governance.

### Ownership Structure

We are transparent about the Bank's ownership structure. The security ownership of certain record and beneficial owners and management holding 5% or more of voting securities is disclosed annually. This information is also contained in the SEC 20-IS sent to shareholders.

### Content and Timing of Disclosures

We uphold the right of stockholders to information. The Board is committed to protect this right by ensuring that at all times, all material information about China Bank are adequately and punctually disclosed, particularly information that could affect share price.

We conform with SEC and PSE's disclosure policy and provide timely, accurate, and transparent disclosures on financial and non-financial matters relating to the Bank. We have a reputation among our correspondent banks and counter parties, the rating agencies, and the regulatory agencies for being among the best and most forthcoming in terms of the availability of information and the speed which inquiries for information are responded to; furthermore, we have a voluntary rating relationship with Fitch Ratings which underscore our commitment to best practice in transparency and good governance.

In addition to compliance with the reportorial requirements like publishing our quarterly financial statements in leading newspapers and producing a comprehensive annual report for the Annual Stockholders' Meeting, we promptly disclose major and market-sensitive information like dividend declarations, joint ventures and acquisitions, sale and disposition of significant assets, as well as other material information that may affect the investment decision of the investing public, in the form of press releases in newspapers and reports in our internal publication.

We also electronically file our disclosures through the Online Disclosure System (Odisy) of PSE which are then posted on the PSE website. Our corporate website is likewise regularly updated to include the latest news and current information about the Bank.

### Shareholder Communications and Investor Relations

Communication is a two way street between China Bank and our stakeholders. We disclose information about the affairs of the Bank, and we also receive feedback which we, in turn, use to develop better policies, products, and services. In addition, investors and shareholders may request information or clarifications pertaining to the management of the Bank, stockholders rights, or any other bank-related issues of importance. The Investor Relations Office, headed by our investor relations officer, Senior Vice President Alexander C. Escucha, handles institutional investor inquiries. The Office of the Corporate Secretary, headed by Atty. Corazon I. Morando, corporate secretary, attends to the concerns of individual shareholders and those who wish to communicate with our directors. Atty. Morando is likewise authorized to forward communications that can be more appropriately addressed by other departments, such as Service Quality, Human Resources, etc.

The contact information of the Investor Relations Office and the Office of the Corporate Secretary is on the inside back cover of this annual report.

### Anti-Money Laundering

We are committed to complying with the provisions of the Anti-Money Laundering (AML) law. Over the years, our Compliance Office has been developing and implementing programs to prevent China Bank from being used for money laundering, through a combination of proper KYC (Know Your Customer), deterrence, detection, and record-keeping in order to facilitate investigations. To create bank-wide awareness, AML trainings are regularly conducted and the revised Money Laundering and Terrorist Financing Prevention Program (MLPP) Operations Manual is posted in our intranet system for easy reference.

In 2012, the Compliance Office put in place a risk-based approach for identifying the degree of potential money-laundering risks associated with customers and transactions, enabling our branches to focus on those customers and transactions. A Customer Risk Assessment Form checklist to determine the risk category of a client was developed not only to guide our branches and business units to gather, obtain, update and validate information or data but to enhance also customer relationship.

## Code of Ethics

We are committed to honest and ethical conduct of our business, guided by our Core Values: Integrity, High Performance Standards, Commitment to Quality, Customer Service Focus, Concern for People, Efficiency, and Resourcefulness / Initiative. These core values are also the foundation of our Code of Ethics which provides clear guidelines on acceptable and unacceptable behavior and business practices. The Bank's Code of Ethics is applicable to all of our directors, officers, and employees.

To promote adherence to the Code and deter wrongdoing, any breach of conduct are subject to appropriate sanctions. Training and compliance monitoring are integral parts of our Code of Ethics. Human Resources Division ensures that every China Bank employee is aware of and upholds our Code of Ethics. All new employees are given a copy of the Code of Ethics booklet. Receipt thereof is acknowledged in writing. The PDF format of the Code is also available in the Bank's Intranet under Compliance Office's Public Folder, for easy reference. New employees likewise undergo the New Employees' Orientation Course (NEOC) wherein our Code of Ethics is comprehensively discussed.

## Policy on Conflict of Interest

Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank should prevail. Our employees are not allowed to have direct or indirect financial interests that conflict or appear to conflict with their duties and responsibilities as employees of the Bank; to engage in other work outside of the Bank without the Bank's written permission; and to have work competitive with the Bank.

## Policy on Insider Trading

We adopted a policy on securities transactions to reinforce existing laws against insider trading. Our policy on insider trading prohibits directors, officers, and employees who are considered to have knowledge of material facts or changes in the affairs of

China Bank which have not yet been publicly disclosed, including any information likely to affect the share price of the Bank's stock, to directly or indirectly engage in financial transactions as a result of, or primarily relying upon, "insider information." Also covered are consultants and advisers and all other employees who are made aware of undisclosed material information.

## Policy on Whistle-blowing

We have a whistle-blowing policy, wherein employees, customers, shareholders, and third party service providers are encouraged to report questionable activity, unethical conduct, fraud or any other malpractice by mail, phone or e-mail, without fear of reprisal or retaliation because the identity of the whistleblower is kept confidential. Disclosures are directed to the attention of the Chief Compliance Officer, who is responsible to determine the sufficiency and validity of the report. If determined sufficient in form and substance, the CCO shall refer the disclosure either to the Audit Division and/or Human Resources Division for further investigation. If the CCO finds the report baseless, he is required to respond to the Whistleblower of its status within 24 hours from receipt thereof. Meritorious disclosure, as may be determined by the CCO should be given recognition and may be entitled to an award as deemed necessary by the HRD or the Investigation Committee.

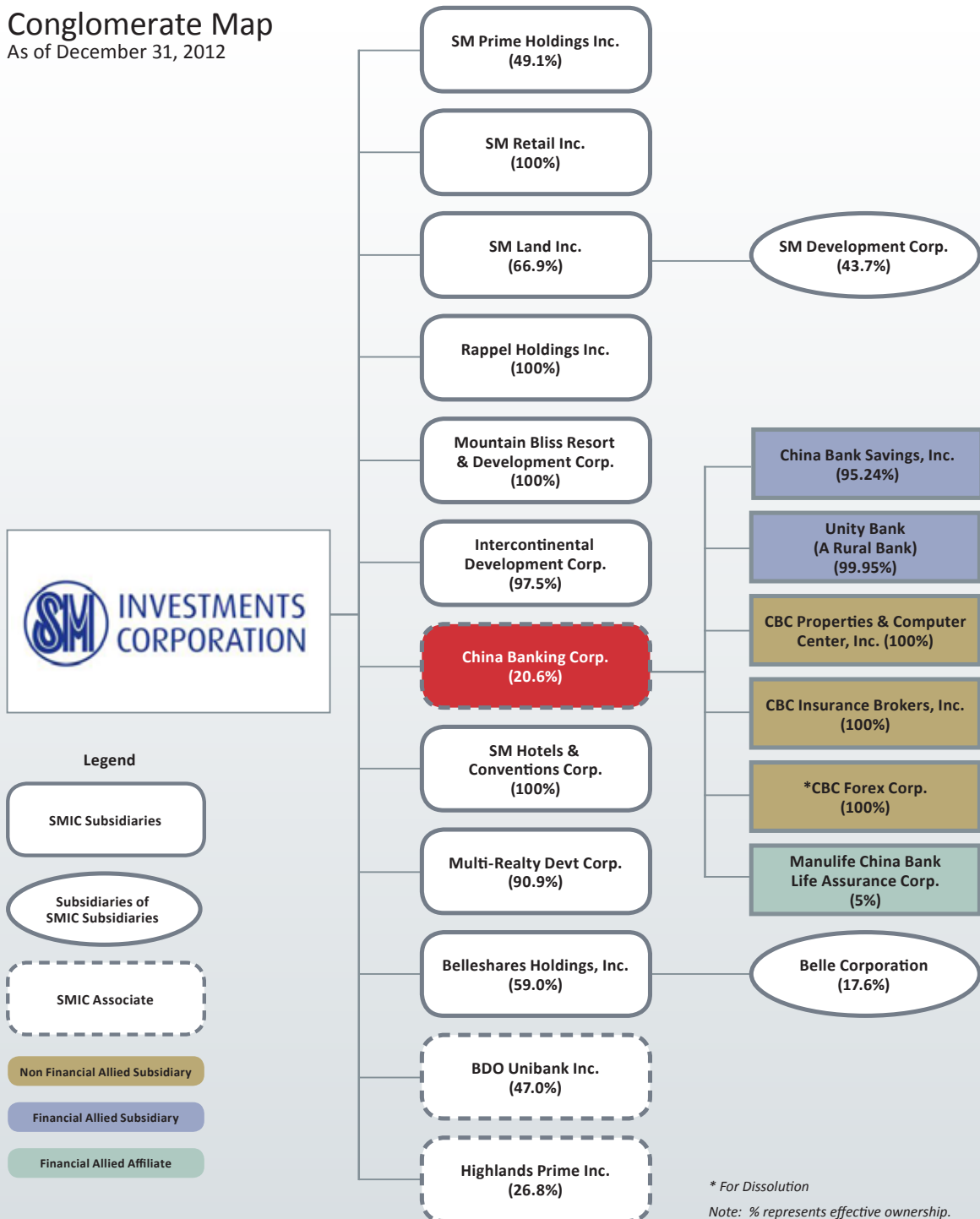
## Corporate Governance Awards

In 2012, the PSE and the Institute of Corporate Directors (ICD) recognized our commitment to good corporate governance. China Bank was among the awardees in the first PSE Bell Awards for Corporate Governance—the only bank among the five publicly-listed companies awarded, distinguished from among 255 publicly-listed companies. We were also distinguished by ICD as one of the best-governed publicly-listed companies in the Philippines, winning in the Gold category for the second consecutive year.

These awards are positive confirmations of our adherence to good corporate practices, of our commitment to always be fair, transparent, and accountable to all our stakeholders.

# Conglomerate Map

As of December 31, 2012





**HENRY SY, SR.**

Henry Sy, Sr., 88, is the honorary chairman of and advisor to the Board of China Bank. He is also the chairman of SM Investments Corporation, SM Prime Holdings, Inc., and Highlands Prime, Inc., and the chairman emeritus of BDO Unibank, Inc. He holds an Associate in Commercial Science degree from the Far Eastern University and was conferred a doctorate degree in Business Management *Honoris Causa* by the De La Salle University.



**HANS T. SY**

Hans T. Sy, 57, is the chairman of the Board since 2011 and of the Executive Committee since 1989. He was elected to the China Bank Board as director in 1986. He is also the president of SM Prime Holdings, Inc., and serves in the boards of SM Keppel Land, Inc., SM Land, Inc., and Highlands Prime, Inc. as director, and of SM Investments Corporation as adviser. He graduated from the De La Salle University with a degree in Mechanical Engineering.



**GILBERT U. DEE**

Gilbert U. Dee, 77, is the vice chairman of the Board. He has been a China Bank director since 1969, served as chairman from 1989 to May 2011. He also currently serves in the boards of China Bank subsidiary CBC Properties and Computer Center, Inc. (CBC-PCCI) and Union Motor Corporation as chairman, and of Super Industrial Corporation as director. He was formerly a director of Philippine Pacific Capital Corporation, Philex Mining Corporation, and CBC Finance Corporation, and the president of GAB Investment Corporation. He obtained his Banking degree from the De La Salle University and his MBA degree in Finance from the University of Southern California.



**PETER S. DEE**

Peter S. Dee, 71, is a director since 1977 and the president & chief executive officer of China Bank since 1985. He is also in the boards of China Bank subsidiaries CBC-PCCI and China Bank Insurance Brokers, Inc. (CBIBI), and Cityland Development Corporation, Hydee Management & Resources Corporation, and GDSK Development Corporation. He was an assistant vice president at Rizal Commercial Banking Corporation from 1963 to 1971, and served as director of Sinclair (Phils.), Inc. and Can Laquer, Inc. He is a graduate of the De La Salle University / University of the East with a degree in Commerce. He also completed a Special Banking course from the American Institute of Banking.



**JOAQUIN T. DEE**

Joaquin T. Dee, 77, is a China Bank director since 1984. He also serves as director/president of JJACCIS Development Corporation and Enterprise Realty Corporation, and director/treasurer of Suntree Holdings Corporation. He was the vice president for sales and administration of Wellington Flour Mills from 1964 to 1994. He holds a degree in Commerce from the Letran College.



**DY TIONG**

Dy Tiong, 83, is an independent director of China Bank, elected to the Board in 1985. He is also the chairman of Panelon Philippines, Inc., the honorary chairman of Chiang Kai Shek College, and the chairman *emeritus* of the Dr. Sun Yat Sen Society. He was the president of CBC Finance, Inc. from 1980 to 2001 and Panelon Development Corporation from 1990 to 1994. He graduated from the National Jean Kuan College with a degree in Business Administration.



**HERBERT T. SY**

Herbert T. Sy, 56, is a China Bank director since 1993. He is also the vice chairman of Supervalue, Inc., Super Shopping Market, Inc., and Sanford Marketing Corp. He has also been a director and/or officer for more than five years in companies engaged in food retailing, rubber manufacturing, investment, real estate development, and mall operations. He obtained his Management degree from the De La Salle University.



**HARLEY T. SY**

Harley T. Sy, 53, is a China Bank director since 2001. He is also the president of SM Investments Corporation and the treasurer of SM Land, Inc. (formerly Shoemart, Inc.). He held several positions in SM Synergy Properties Holdings Corporation, Ace Hardware Philippines, Inc., Sybase Equity Investments Corporation, Tagaytay Resort Development Corp., and Supervalue, Inc., to name a few. He graduated from the De La Salle University with a degree in Finance.



**ALBERTO S. YAO**

Alberto S. Yao, 66, is an independent director of China Bank since 2004, and of China Bank subsidiary, China Bank Savings (CBS). He is also the president & CEO of Richwell Trading Corporation, Richwell Philippines, Inc., Europlay Distributor Co., Inc., and Internationale Globale Marques Inc.; and the president of Richphil House Incorporated and Megarich Property Ventures Corp. He was the vice president for merchandising of Zenco Sales, Inc. from 1968 to 1975. He graduated from the Mapua Institute of Technology with a degree in Business Administration.



**ROBERTO F. KUAN**

Robert F. Kuan, 64, is an independent director of China Bank since 2005, and of CBS. He also holds directorships/trusteeships at St. Luke's Medical Center, SLMC Global City, Inc., St. Luke's College of Medicine – William H. Quasha Memorial, Far Eastern University, Brent International School, Inc., and Seoil Phils., Inc. He obtained his Business Administration degree from the University of the Philippines and Masters in Business Management (MBM) degree from the Asian Institute of Management (AIM). He also attended the Top Management Program conducted by AIM in Bali, Indonesia in 1993. In 2011, he was conferred a doctorate degree in Humanities *Honoris Causa* by the Lyceum North Western University.

+ Pilar N. Liao, was an advisor to the China Bank Board from 2000 to 2001, 2002 to 2003, and from 2008 to October 23, 2012. She was elected to the Board as director in 1985. She served in the boards of Speed Office Systems as chairman and of Security Mutual Fund Corporation and Occidental Data Corporation as director. She graduated from the College of the Holy Spirit with a degree in Home Economics.



**JOSE T. SIO**

Jose T. Sio, 73, is a China Bank director since 2007. Presently the executive vice president and chief financial officer (CFO) of SM Investments Corporation, the holding company of the SM Group, he was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines. He also serves in the boards of SM Keppel Land, Inc., Consolidated Prime Development Corporation, Manila North Tollways Corporation, and First Asia Realty Development Corporation as director; and at BDO Unibank, Inc. and SM Development Corporation as advisor to the board. He was a partner of Sycip Gorres Velayo & Co. (SGV) from 1977 to 1990. He holds an Accounting degree from the University of San Agustin and an MBA degree from New York University, USA.



**RICARDO R. CHUA**

Ricardo R. Chua, 61, is a China Bank director since 2008, and the chief operating officer (COO) since 1995. He also serves in the boards of CBS and BancNet as chairman, and in the boards of CBC-PCCI, CAVACON Corporation, and Sun & Earth Corporation, among others, as a director. He was a director and the treasurer of CBC Venture Capital Corp. from 1989 to 2003, and a director of the Philippine Clearing House Corp. from 2005 to 2011. A certified public accountant, he graduated *cum laude* from the University of the East. He completed his MBM degree at AIM.

*Note: Gilbert U. Dee and Peter S. Dee are related within the fifth civil degree of consanguinity. Hans T. Sy, Herbert T. Sy, and Harley T. Sy are related within the second civil degree of consanguinity; Mr. Henry Sy, Sr. is their father.*

Management Committee



**Standing from Left:** Rhodora Z. Canto, Samuel L. Chiong, William C. Whang, Alberto Emilio V. Ramos, Antonio S. Espedido, Jr., Ramon R. Zamora, Alexander C. Escucha, Rene J. Sarmiento, Nancy D. Yang

**Seated from Left:** Peter S. Dee, Gilbert U. Dee, Ricardo R. Chua

**Nancy D. Yang**, 73, senior vice president, is the head of the Branch Banking Group and Binondo Business Center. She also serves in the boards of China Bank Savings, Inc. (CBS) as vice chairman, and of China Bank Insurance Brokers, Inc. (CBIBI) as director. She holds a Bachelor of Arts degree from the Philippine Women's University and a post graduate scholarship grant in Human Development & Child Psychology from Merrill Palmer Institute in Detroit, Michigan, USA. She had attended several trainings here and abroad, including the Allen Management Program, BAI Retail Delivery Conference in San Francisco and Florida, USA, Environmental Risk Management for Bankers conducted by the Bank of America, and the Corporate Governance for Corporate Directors sponsored by the BSP.

*Note: Nancy D. Yang is related within the second civil degree of consanguinity to Peter S. Dee.*

**Samuel L. Chiong**, 63, senior vice president, is the deputy group head of the Branch Banking Group. He is also a director and the treasurer of CBC Properties & Computer Center, Inc. (CBC-PCCI) and CBIBI. He also sits in the board of CBS as a director—the chairman of the Trust Committee, and a member of the Executive Committee and Risk Management Committee. He was previously connected with The Consolidated Bank & Trust Corporation and State Investment House, Inc. He obtained an Economics degree from the Ateneo de Manila University, attended law school at Ateneo de Davao University and Xavier University, and completed the Advanced Bank Management Program at the Asian Institute of Management (AIM).

**Antonio S. Espedido, Jr.**, 57, senior vice president, is the head of the Treasury Group. He also serves in the boards of CBC Forex Corporation (CBC Forex) and CBS as director. He was a key executive of the Bank of the Philippine Islands (BPI) from 1984 to 1993, and Citytrust/BPI from 1995 to 2004. He was also a director of ACI Phils. (Forex) from 1996 to 1997. He graduated from the University of San Francisco with a Business Administration degree. He had trainings on fund transfer pricing and project management. He also had portfolio management training with a subsidiary of Hongkong & Shanghai

Banking Corporation and attended a seminar on the Formulation of Strategic Thinking by SGV Knowledge Group of Companies.

**Ramon R. Zamora**, 64, senior vice president, is the group head for Centralized Operations, Remittance Business Division, and Correspondent Banking Division. He is also a director of CBC Forex, CBC-PCCI, and CBSI. He was formerly a vice president of Citibank N.A. and had attended various seminars on financial products, credit risk management, IFRS, and finance professional module, among others. He obtained his Economics degree from the Ateneo de Manila University.

**Rhodora Z. Canto\***, 63, senior vice president, is the Head of the Credit Management Group and Investment Banking Group. She is also a director of CBS. Prior to joining the Bank, she spent many years in lending and investment banking and managed major transactions in corporate finance and capital markets. She was vice president of Citicorp Investment Philippines, vice president & chief operating officer of Citytrust Investment Philippines, director and president of BPI Securities Corporation, and director of Philippine Business Bank. A certified public accountant, she obtained an Accounting degree from the University of the Philippines and a Masters in Business Management (MBM) degree from AIM.

*\*Retired effective February 28, 2013*

**William C. Whang**, 54, senior vice president, is the head of the Institutional Banking Group. With more than 30 years of banking experience, he previously held key executive positions in Metrobank, Republic National Bank of New York, First Philippine International Bank, Westmont Bank, International Exchange Bank, Unionbank of the Philippines, Security Bank Corporation, and Sterling Bank of Asia. He graduated from the De La Salle University with a Business Management degree.

**Rene J. Sarmiento**, 59, senior vice president, is the head of the Trust Group. He is also a director of CBS and the president of Sarmiento-Jacinto, Inc. and Great Success Realty Corp. He has

more than 30 years of investment and trust operations experience gained from Ayala Investment and Development Corporation, Far East Bank & Trust Company, and Security Bank Corporation. A certified public accountant, he graduated *magna cum laude* from the De La Salle University with a degree in Accounting. He obtained an MBM degree from AIM.

**Alexander C. Escucha**, 56, senior vice president\* is the head of the Corporate Planning Division and the Investor Relations Office. He is also a director of CBS and the vice chairman of the UP Visayas Foundation, Inc. He is an international resource person at The Asian Banker. In 2005, he was the president of the Philippine Economic Society and the chairman of the Federation of ASEAN Economic Associations. He also served as president of the Corporate Planning Society of the Philippines in 1989 and of the Bank Marketing Association of the Philippines in 1998. Prior to joining the Bank, he was a vice president at the International Corporate Bank. He graduated *cum laude* from the University of the Philippines with a degree in Economics.

*\* Effective March 1, 2013*

**Alberto Emilio V. Ramos**, 53, senior vice president, was seconded to CBS and elected as president effective August 1, 2011, and also as director of the CBS Board. He is also the chairman of Unity Bank, A Rural Bank Inc. and the trustee/treasurer of the Chamber of Thrift Banks. Prior to joining the Bank in 2006 as head of the Private Banking Group, he was the president of Philam Asset Management, Inc. He likewise held key executive positions at BPI, Citytrust Banking Corporation, Western State Bank, Tokai Bank of California, Urban Development Bank, and Filinvest Credit Corporation. He graduated from the De La Salle University with degrees in Political Science and Marketing Management, obtained an MBM degree from AIM, and received a Treasury Professional Certificate from the Banker's Association of the Philippines.

He had extensive training on treasury products, asset-liability management, credit and financial analysis, performance appraisal and strategic marketing.

## China Bank and Subsidiary Senior Officers

### FIRST VICE PRESIDENTS



Virgilio O. Chua, Ananias S. Cornelio III, Gerard Majella T. Dee, Rosemarie C. Gan, Victor O. Martinez, Philip SL Tsai

### VICE PRESIDENTS



Luis M. Afable, Jr., Albert V. Alcalá, Jenny R. Amisola, Cristina P. Arceo, Layne Y. Arpon



Lilibeth R. Cariño, Marie Carolina L. Chua, Jose Francisco Q. Cifra, Melissa F. Corpus, Angela D. Cruz



Ma. Carla U. Ermita, Maria Luz B. Favis, Madelyn V. Fontanilla, Dante T. Fuentes, Patrick U. Go



Dorothy T. Maceda, Antonio Owen S. Maramag, Delia Marquez, Corazon I. Morando, Danilo V. Ochengco



Jose L. Osmeña Jr., Lily I. Reyes-Lao, Elizabeth C. Say, Henry D. Sia, Shirley G.K.T. Tan



Stephen Y. Tan, Manuel M. Te, Marisol M. Teodoro, Maria Rosanna Catherina L. Testa



Geoffrey D. Uy, Noemi L. Uy, Maire Karabel D. Viola, Marilyn G. Yuchenkang

**CBC - PROPERTIES AND COMPUTER CENTER, INC.**

**CHINA BANK INSURANCE BROKERS, INC.**



Phillip M. Tan, Editha N. Young, Augusto P. Samonte



Gerard E. Reonisto, Cynthia B. Nono

**CHINA BANK SAVINGS**



**Standing:** Emmanuel C. Geronimo, VP; Edgar D. Dumlao, VP; Alberto Emilio V. Ramos, President; Jaime Valentin L. Araneta, EVP; Jose Ramon O. Santamaria, FVP; and Jan Nikolai M. Lim, FVP. **Seated:** Edralin G. Agbayani, VP; Rosalinda T. Munsayac, VP; Anna Maria P. Ylagan, VP; and Maria Consuelo S. Ruffey, VP

**VICE CHAIRMAN**

Gilbert U. Dee

**PRESIDENT AND  
CHIEF EXECUTIVE OFFICER**

Peter S. Dee

**SENIOR EXECUTIVE  
VICE PRESIDENT AND  
CHIEF OPERATING OFFICER**

Ricardo R. Chua

**SENIOR VICE PRESIDENTS**

Rhodora Z. Canto  
Samuel L. Chiong  
Alexander C. Escucha  
Antonio S. Espedido, Jr.  
Alberto Emilio V. Ramos  
Rene J. Sarmiento  
William C. Whang  
Nancy D. Yang  
Ramon R. Zamora

**FIRST VICE PRESIDENTS**

Virgilio O. Chua  
Ananias S. Cornelio, III  
Gerard Majella T. Dee  
Rosemarie C. Gan  
Victor O. Martinez  
Philip S.L. Tsai

**VICE PRESIDENTS**

Luis M. Afable, Jr.  
Albert V. Alcalá  
Jenny R. Amisola  
Cristina P. Arceo  
Layne Y. Arpon  
Lilibeth R. Cariño  
Marie Carolina L. Chua

Jose Francisco Q. Cifra  
Melissa F. Corpus  
Angela D. Cruz  
Ma. Carla U. Ermita  
Maria Luz B. Favis  
Madelyn V. Fontanilla  
Dante T. Fuentes  
Patrick U. Go  
Dorothy T. Maceda  
Antonio Owen S. Maramag  
Delia Marquez  
Corazon I. Morando  
Danilo V. Ochengco  
Jose L. Osmeña, Jr.  
Lily I. Reyes-Lao  
Elizabeth C. Say  
Henry D. Sia  
Shirley G.K.T. Tan  
Stephen Y. Tan  
Manuel M. Te  
Marisol M. Teodoro  
Maria Rosanna Catherina L. Testa  
Geoffrey D. Uy  
Noemi L. Uy  
Maire Karabel D. Viola  
Marilyn G. Yuchenkang

**SENIOR ASSISTANT VICE PRESIDENTS**

Evelyn T. Alameda  
Camilo S. Cape  
Jeannette H. Chan  
Grace A. Cruz  
Adela A. Evangelista  
Cristina F. Gotuaco  
Shirley C. Lee  
Maria Alicia P. Libo-on  
Mandrake P. Medina  
Juvy J. Pabustan  
Danilo T. Sarita

Cynthia U. Surpia  
Clara C. Sy  
Wilfredo L. Sy  
Belenette C. Tan  
Virginia Y. Uy  
George C. Yap  
Jocelyn O. Yu

**ASSISTANT VICE PRESIDENTS**

Baldwin A. Aguilar  
Ma. Hildelita P. Alano  
Patrick Y. Ang  
Edwin D. Aquino  
Marissa A. Auditor  
Ma. Luisa O. Baylosis  
Restituto B. Bayudan  
Victor Geronimo S. Calo  
Victoria G. Capacio  
Victoria L. Chua  
Dante S. Cortez  
Ma. Jeanette D. Cuyco  
Maria Sheila S. Dayao  
Ricardo J. De Guzman  
James Christian T. Dee  
Norman D. Del Carmen  
Reynaldo P. Del Rosario, Jr.  
Gemma B. Deladia  
Therese G. Escolin  
Cesaré Edwin M. Garcia  
Sandra O. Hernandez  
Grace Y. Ho  
Melecio C. Labalan, Jr.  
Eric Y. Lee  
Juan Jesus C. Macapagal  
Jennifer Y. Macariola  
Jocelyn A. Manga  
Remedios Emilia R. Olivar  
Ma. Victoria G. Pantaleon  
Frederick M. Pineda

Rafael Ramon C. Ramos  
Jonathan Carlos C. Rojas  
Estefania A. Santos  
Francisco Eduardo A. Sarmiento  
Ma. Cecilia D. So  
Maria Marta Theresa S. Suarez  
Jeanny C. Tan  
Julieta C. Tan  
Irene C. Tanlimco  
Ma. Cecilia V. Tejada  
Edna A. Torralba  
Ma. Edita Lynn Z. Trinidad  
Christopher C. Ty  
Jasmin O. Ty  
Hudson Q. Uy  
Reymundo M. Valbuena  
Lauro C. Valera  
Esmeralda R. Vicente  
Rosario D. Yabut  
Carina L. Yandoc  
Vicente S. Yap, Jr.  
Mary Joy L. Yu

#### **SENIOR MANAGERS**

Kathlyn I. Abalos  
Ramiro A. Amanquigon  
Jay Angelo N. Anastacio  
Freddie S. Bandong  
Eric Von D. Baviera  
Meneleo S. Bernardo  
Yasmin I. Biticon  
Robert O. Blanch  
Renito R. Bognot  
Jonathan C. Camarillo  
Alex M. Campilan  
Hermenegildo G. Cariño  
Ma. Rosalie F. Cipriano  
Aida D. Cristobal  
Mary Evangeline A. Cruz

Rodolfo S. De Lara  
Jinky T. Dela Torre  
Mary Ann R. Ducanes  
Susan U. Ferrer  
Pablito P. Flores  
Alexander V. Gaita  
Ma. Salome D. Garcia  
Michelle Lorei R. Gayoma  
Marites B. Go  
Virginia G. Go  
Lucia I. Gorayeb  
Ruth D. Holmes  
Gladys Antonette P. Isidro  
Alex A. Jacob  
Antonette F. Justiniano  
Vivian T. Kho  
Maria Margaret U. Kua  
Luningning U. Lim  
Ma. Gladys C. Liwag  
Mary Ann L. Llanes  
Ordon P. Maningding  
Gloria G. Mañosca  
Ronald R. Marcaida  
Erlan Antonio B. Olavere  
Enrico J. Ong  
Remberto D. Orcullo  
Alfred Paul L. Paiso  
Josephine D. Paredes  
Flora C. Peña  
Noreen S. Purificacion  
Wilfredo A. Quijencio  
Hidelisa L. Robinol  
Maria Luisa C. Rodriguez  
Arnulfo H. Roldan  
Jose Enrique L. Salvador  
Ana Ma. Raquel Y. Samala  
Nycette O. San Diego  
Alejandro F. Santos  
Fernando S. Santos, III

Ma. Graciela C. Santos  
Roque A. Secretaria, Jr.  
Emilie L. Sia  
Paul D. Siongco  
Anna Liza M. Tan  
Roxana Angela S. Tan  
Michaela L. Teng  
Mary Ann E. Tiu  
Nelson L. Tiu  
Ruben M. Torres  
Cristina C. Ty  
Anthony Ariel C. Vilar  
April Marie O. Yago  
Sandra Mae Y. Yao  
Isabel D. Yap  
Hanz Irvin S. Yoro

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### RESULTS OF OPERATIONS

China Bank's net income for 2012 was ₱5.03 billion, marginally up by 0.50% from the ₱5.01 billion registered in the same period last year. This income performance translates to a 12.39% return on equity and 1.72% return on assets.

Total operating income consisting of net interest income and fee-based income grew by 9.54% or ₱1.22 billion to ₱13.96 billion. Total operating expenses (including provision for impairment and credit losses) increased by 18.31% or ₱1.32 billion to ₱8.50 billion amidst the Bank's continuous business and branch expansion

Net interest income reached ₱8.06 billion, 5.72% below 2011 as the declining asset yields offset the volume growth of earning assets. Consequently, net interest margin decreased to 2.90% from 3.76% last year. Contributing to the net interest margin reduction was the non-remuneration of deposit reserves kept with the BSP beginning April 2012 as well as the maturity of some high yielding government instruments. These two items offset the increase in interest revenues from the faster-than-industry growth in loan portfolio.

Total fee-based income stood at ₱5.90 billion, up by 40.69% from last year. The increase was led by the 98.57% rise in trading gains to reach ₱2.92 billion as the Bank's Treasury Group took advantage of favorable market conditions in the last quarter. Trust fees, foreign exchange gains and gain on sale of investment properties recorded growths of ₱38.67 million, ₱152.04 million and ₱43.64 million, respectively. Service charges, fees and commissions were also up by 6.20% to ₱1.05 billion boosted by investment banking fees and commissions. Miscellaneous income, mainly from bancassurance commissions and valuation gains on equity investment, grew by 40.12% or ₱222.70 million to ₱777.79 million. Hence, share of total fee-based income to total revenues went up to 30.96% from 24.85% in 2011.

Total operating expenses (excluding provision for impairment and credit losses) increased by 17.56% to ₱8.27 billion as the Bank continued to expand business operations, open new branches, hire additional manpower and invest in technology. The material components of operating expenses include compensation and fringe benefits which accounted for 35.36%, occupancy cost at 12.89%, depreciation and amortization at 9.98% and taxes and licenses at 9.92%. Cost-to-income ratio stood at 59.22%. With the growth in the Bank's loan portfolio, provision for impairment and credit losses increased to ₱236.76 million and its loan loss coverage ratio stood at 143.19% from 143.90% last year.

The Bank's sustained profitability enabled it to declare and pay regular dividends to stockholders. For 2012, China Bank paid cash dividends of ₱12 per share for a total of ₱1.42 billion, representing a total payout of 28.27% of prior year's net income. The Bank also declared a 10% stock dividends or ₱1.18 billion.

### FINANCIAL CONDITION

As of year-end 2012, the Bank's total assets stood at ₱323.65 billion or 23.43% higher than 2011 driven by substantial growth in loan portfolio supported by increase in deposits.

Because of the highly fluid credit environment, Loans and Receivables (net) grew to ₱190.15 billion or by 30.92%, double the industry growth rate. Lending vigorously grew across all market segments – 36% in commercial, 28% in consumer and 27% in corporate loans—cushioning the impact of lower yields and thinning margins. Customers from real estate, renting & business services comprised 25.99% of the Bank's gross loan portfolio followed by manufacturing at 17.24%, wholesale & retail trade at 14.69% and financial intermediaries at 12.51%. More effective credit risk management led to a 10.53% drop in the Bank's non-performing loans (NPLs) to ₱5.03 billion, reducing its NPL ratio to 2.07% and improving its loan loss coverage ratio to 143.19%, one of the best in the industry.

Liquid assets increased by 17.31% to ₱118.22 billion from the growth in due from BSP and other banks and investment securities. Due from BSP grew to ₱40.66 billion, up by 34.98% mainly from higher reserves following the growth in deposits while due from other banks increased by ₱1.78 billion to ₱4.53 billion from higher volume of dollar placements with other banks. Total investment securities which consist of Financial Assets at Fair Value through Profit or Loss, Available-for-Sale and Held-to-Maturity Financial Assets reached ₱66.43 billion, higher by 8.56% from last year and representing 21% of total assets in keeping with the Bank's strategy of reducing share of treasury-managed assets to total assets.

On the liabilities side, total deposits stood at ₱271.98 billion, a 25.84% increase from December 2011 which can be attributed to the growth across all products: Demand deposits by 10.96%, Savings deposits by 36.03% and time deposit accounts by 19.40%. The growth in deposits mainly funded the expansion in loan portfolio.

Total capital funds reached ₱42.29 billion, 7.64% higher than 2011. The Bank's capital is largely comprised of Tier 1 (core) capital, the increase in which was mainly due to current year profits. Net unrealized gains on available for sale financial assets declined by ₱524.46 million or 27.82% as gains were realized on AFS sales. The Bank's Tier 1 capital adequacy ratio (CAR) of 15.15% and total CAR of 16.00% remained substantially higher than the 10% regulatory minimum requirement.

## Disclosure on Capital Structure and Capital Adequacy

The Bank believes that it can only achieve sustainable growth by maintaining strong capital fundamentals. Major business initiatives are undertaken with the appropriate capital planning which also takes into consideration constraints and changes in the regulatory environment. This is necessary to ensure that the Bank's commercial objectives are equally aligned with its ability to maintain a capital position superior to the industry. The Board and Senior Management recognizes that a balance should be achieved with respect to its earnings outlook vis-à-vis capital fundamentals that can take advantage of growth opportunities while increasing the Bank's ability to absorb shocks.

Risk-based capital components, including deductions, on a parent and consolidated basis:

Qualifying Capital In PhP Million	Consolidated		Parent Company	
	2012	2011	2012	2011
Tier 1 Capital				
Paid-up common stock	12,978.74	11,798.77	12,978.74	11,798.77
Additional paid-in capital	671.50	671.50	671.50	671.50
Retained Earnings	23,968.99	21,657.17	23,976.91	21,657.17
Cumulative Foreign Currency Translation	(65.51)	25.34	(65.51)	25.34
Minority Interest	51.56	-	-	-
Less: Unsecured DOSRI	(258.69)	(1,164.18)	(258.26)	(1,164.01)
Less: Deferred income tax	(1,768.48)	(1,693.71)	(1,756.63)	(1,684.11)
Less: Goodwill	(241.31)	(222.84)	(222.84)	(222.84)
Total Tier 1 Capital	35,336.80	31,072.05	35,323.91	31,081.82
Less: Investment in Subsidiary—50%	(102.14)	(85.84)	(822.72)	(726.78)
Net Tier 1 Capital	35,234.66	30,986.21	34,501.19	30,355.04
Tier 2 Capital				
General Loan Loss Provisions (GLLP)	2,055.59	1,797.95	1,985.88	1,760.80
Unrealized Gain AFS Equity Securities	29.80	0.05	29.80	0.05
Total Tier 2 Capital	2,085.39	1,798.00	2,015.68	1,760.85
Less: Investment in Subsidiary—50%	(102.14)	(85.84)	(822.72)	(726.78)
Net Tier 2 Capital	1,983.25	1,712.17	1,192.96	1,034.07
Total Gross Qualifying Capital	37,422.19	32,870.05	37,339.59	32,842.67
Less: Total Investment in Subsidiary	(204.28)	(171.67)	(1,645.45)	(1,453.55)
Total Qualifying Capital	37,217.91	32,698.38	35,694.14	31,389.12

Risk-based capital ratios:

	Consolidated		Parent Company	
	2012	2011	2012	2011
(Amounts in PhP Million Pesos)				
Tier 1 capital	35,336.80	31,072.05	35,323.91	31,081.82
Tier 2 capital	2,085.39	1,798.00	2,015.68	1,760.85
Gross qualifying capital	37,422.19	32,870.05	37,339.59	32,842.67
Less required deductions	204.28	171.67	1,645.45	1,453.55
<b>Total qualifying capital</b>	<b>37,217.91</b>	<b>32,698.38</b>	<b>35,694.14</b>	<b>31,389.12</b>
<b>Risk weighted assets</b>	<b>232,552.93</b>	<b>200,163.25</b>	<b>225,145.24</b>	<b>196,154.27</b>
Tier 1 capital ratio	15.15%	15.48%	15.32%	15.48%
Total capital ratio	16.00%	16.34%	15.85%	16.00%

The regulatory qualifying capital of the Group consists of Tier 1 (core) capital, which comprises paid-up common stock, additional paid-in capital, surplus including current year profit, surplus reserves and minority interest less required deductions such as unsecured credit accommodations to DOSRI, deferred income tax, and goodwill. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes net unrealized gain on AFS equity securities (subject to a 55.00% discount) and general loan loss provision.

The capital requirements for Credit, Market and Operational Risk are listed below, on a parent and consolidated basis

Capital Requirement in PhP Million	Consolidated		Parent Company	
	2012	2011	2012	2011
Credit Risk	<b>20,487.93</b>	17,903.86	<b>19,787.83</b>	17,530.14
Market Risk	<b>693.30</b>	213.96	<b>693.30</b>	213.96
Operational Risk	<b>2,074.06</b>	1,898.51	<b>2,033.40</b>	1,871.33
Total Capital Requirements	<b>23,255.29</b>	20,016.33	<b>22,514.53</b>	19,615.43

## Operational, Legal, and Other Risks

For Operational Risk, the exposure of the Bank is profiled using a number of methodologies which also include a scenario analysis exercise as part of the internal capital adequacy assessment process to validate if the computed capital requirement using the Basic Indicator Approach or BIA is enough to cover estimated losses arising from very adverse operating conditions and major incidents. For 2013, the Bank allocated the amount of PhP2.06Bn as capital for Operational Risk which is more than adequate to cover the exposure from our scenario analysis exercise. In fact, the BIA provides a capital buffer of as much as PhP 923.80Mn.

Tools such as the Risks and Controls Self-Assessment, the analysis of historical Loss Reports and the monitoring of Key Risk Indicators further allow Risk Management to identify high risk areas, loss drivers, and trends which can be acted upon by Management to prevent material failures in our processes, people, systems, and resiliency measures against external events. These results are periodically reported to Management and cover all aspects of the business from core operating capabilities of the units, all products and services, outstanding legal cases, and even its sales and marketing practices.

## Credit Risk

Credit equivalent amount for off-balance sheet items, broken down by type of exposures (in PhP million):

Off-balance Sheet Assets	2012				2011			
	Consolidated		Parent		Consolidated		Parent	
	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent	Notional Principal	Credit Equivalent
Direct Credit Substitutes	<b>0.00</b>	<b>0.00</b>	<b>0.000</b>	<b>0.00</b>	0.00	0.00	0.00	0.000
Transaction-related contingencies	<b>7,374.39</b>	<b>3,687.20</b>	<b>7,374.38</b>	<b>3,687.20</b>	7,812.56	3,906.28	7,812.56	3,906.28
Trade-related contingencies arising from movement of goods	<b>4,320.16</b>	<b>864.03</b>	<b>4,320.16</b>	<b>864.03</b>	6,084.79	1,216.96	6,084.79	1,216.96
Other commitments (which can be unconditionally cancelled at any time by the bank without prior notice)	<b>182,100.31</b>	<b>0.00</b>	<b>176,713.92</b>	<b>0.00</b>	173,803.23	0.00	169,231.93	0.00
Total Notional Principal and Credit Equivalent Amount	<b>193,794.86</b>	<b>4,551.23</b>	<b>188,408.47</b>	<b>4,551.23</b>	187,700.58	5,123.24	183,129.29	5,123.24

## Disclosure on Capital Structure and Capital Adequacy

Total credit exposure after credit risk mitigation (CRM), broken down by type of exposures, risk buckets, as well as those that are deducted from capital (in PhP million):

Weight Band	2012							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty*	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	132,296.20	797.51	305.73	133,399.44	127,662.36	797.51	305.73	128,765.59
100% and Above	168,447.08	3,753.72	317.69	172,518.49	162,111.69	3,753.72	317.69	166,183.10
<b>Total</b>	<b>300,743.28</b>	<b>4,551.23</b>	<b>623.42</b>	<b>305,917.92</b>	<b>289,774.05</b>	<b>4,551.23</b>	<b>623.42</b>	<b>294,948.69</b>

Weight Band	2011							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty*	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	106,480.10	0.00	154.91	106,635.00	104,055.68	0.00	154.91	104,210.59
100% and Above	152,189.60	5,123.24	257.22	157,570.06	148,661.11	5,123.24	257.22	154,041.57
<b>Total</b>	<b>258,669.70</b>	<b>5,123.24</b>	<b>412.13</b>	<b>264,205.06</b>	<b>252,716.79</b>	<b>5,123.24</b>	<b>412.13</b>	<b>258,252.16</b>

Total credit risk-weighted assets, broken down by type of exposures (in PhP million):

Weight Band	2012							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty*	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	26,623.29	159.50	100.24	26,883.03	26,227.09	159.50	100.24	26,486.83
100% and Above	171,913.47	3,753.72	317.69	175,984.87	165,338.60	3,753.72	317.69	169,410.01
Covered by CRM	2,690.87	0.00	0.00	2,690.87	2,690.93	0.00	0.00	2,690.93
Excess GLLP				(679.50)				(709.50)
<b>Total</b>	<b>201,227.63</b>	<b>3,913.22</b>	<b>417.93</b>	<b>204,879.27</b>	<b>194,256.62</b>	<b>3,913.22</b>	<b>417.93</b>	<b>197,878.27</b>

Weight Band	2011							
	Consolidated				Parent Company			
	On-balance sheet	Off-balance sheet	Counterparty*	Total	On-balance sheet	Off-balance sheet	Counterparty	Total
Below 100%	19,720.42	0.00	70.78	19,791.20	19,631.74	0.00	70.78	19,702.52
100% and Above	154,541.10	5,123.24	257.22	159,921.56	150,914.66	5,123.24	257.22	156,295.12
Covered by CRM	82.12	0.00	0.00	82.12	82.12	0.00	0.00	82.12
Excess GLLP				(756.26)				(778.37)
<b>Total</b>	<b>174,343.64</b>	<b>5,123.24</b>	<b>328.00</b>	<b>179,038.62</b>	<b>170,628.52</b>	<b>5,123.24</b>	<b>328.00</b>	<b>175,301.39</b>

\*Counterparty RWA covering Derivatives & Repo-style Transactions

The credit ratings given by the following rating agencies were used to determine the credit risk weight of On-balance sheet, Off-balance sheet, and Counterparty exposures:

**For all rated credit exposures regardless of currency**

- Standard & Poor's (S&P)
- Moody's
- Fitch Ratings

**For PhP-denominated debts of rated domestic entities**

- Philratings

## Market Risk-Weighted Assets

The Bank uses the Standardized Approach in computing its market risk-weighted assets. The total market risk-weighted asset of the Bank as of end-December 2012 is PhP6.93Bn for both parent and consolidated basis. This is composed of Interest Rate exposures amounting to PhP6.30 Bn and Foreign Exposures amounting to PHP0.63Bn.

Interest Rate Exposures (in PHP Mn)	Consolidated and Parent Company	
	2012	2011
Specific Risk	169.61	53.55
General Market Risk		
PHP	249.15	57.23
USD	85.17	22.63
Total Capital Charge	503.93	133.41
Adjusted Capital Charge	629.92	166.77
<b>Subtotal Market Risk-Weighted Assets</b>	<b>6,299.17</b>	<b>1,667.66</b>
<b>Foreign Exchange Exposures</b>	<b>2012</b>	<b>2011</b>
Total Capital Charge	50.71	37.75
Adjusted Capital Charge	63.39	47.19
<b>Subtotal Market Risk-Weighted Assets</b>	<b>633.86</b>	<b>471.90</b>
<b>Total Market Risk-Weighted Assets</b>	<b>6,933.03</b>	<b>2,139.56</b>

## Operational Risk-Weighted Assets

The Bank uses the Basic Indicator Approach in computing its operational risk-weighted assets. On a parent basis, the Bank's Operational risk-weighted assets as of December 2012 is PhP20.33Bn while on a consolidated basis, the Bank's Operational risk-weighted assets is PhP20.74Bn. On a parent basis, the Bank's Operational risk-weighted assets as of December 2011 is PhP18.71Bn while on a consolidated basis, the Bank's Operational risk-weighted assets is PhP18.99Bn.

## Internal measurement of interest rate risk in the banking book

The Bank's interest rate risk (IRR) originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. Internally, the Bank uses the Earnings-at-Risk (EaR) method to determine the effects of adverse interest rate change on the Bank's interest earnings. Provided in the table below are the approximate reduction in annualized interest income of a 100bps adverse change across the PhP and USD yield curves.

Earnings-at-Risk in PhP Million	Consolidated		Parent Company	
	2012	2011	2012	2011
PhP IRR Exposures	(355)	(552)	(358)	(552)
USD IRR Exposures	(122)	(179)	(117)	(177)

## Report of the Audit Committee to the Board of Directors

For the Year Ended 31 December 2012

The Audit Committee, which has three (3) non-executive directors, two (2) of whom are independent directors including the Chairman, is responsible for assisting the Board of Directors in the performance of its oversight responsibility for the Bank's financial reporting and internal control, and monitoring compliance with laws and regulations. In addition, the Committee performs oversight function over the external and internal auditors, and over management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank.

The Committee operates under a charter identifying the Committee's purpose, objective and authority and the members' duties and responsibilities, describing the composition of members, meetings and access, and providing for the voting and quorum requirements, annual self-assessment, and charter review.

In accordance with the Charter, relevant laws and regulations, and international standards, we confirm that:

- We met twelve (12) times in 2012 and reported our findings and actions to the Board of Directors.
- We have reviewed the Audit Committee Charter on 19 September 2012 and assessed its adequacy in order to align existing Committee functions, duties and responsibilities with those set by the regulators and the Institute of Internal Auditors.
- We have conducted an annual assessment of performance of the Committee, with results which are consistent with Securities and Exchange Commission's Memorandum Circular No. 4, Series of 2012 (Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange), and with global standards and practices.
- Relative to our external auditors, we have performed the following:
  - Endorsed the re-engagement of Sycip Gorres Velayo & Co. (SGV & Co.) / Ernst & Young, as the Bank's external auditors;
  - Discussed and evaluated the matters concerning the 31 December 2012 audit of the Bank by our external auditors, including the Audit Deliverables, Shared Responsibility for the Financial Statements, Key Activities, Key Issues, Accounting Standards Update, and Engagement Timeline. Further to this, we have reviewed and endorsed the audited financial statements, and passed upon the fees of our auditors for the financial audit of the Bank.
- As to our internal auditors, we have:
  - Considered the results of their regular and special audit of branches and units of the Bank, review of other audit projects, summary of audit findings for the preceding year; and monitored any outstanding issues relating to their audit;
  - Discussed on a semestral basis, the accomplishments of the Branch Audit Department, Head Office and Subsidiaries Department, IT Audit Department, and Quality Assurance and Control Department, including any revisions or formulation of audit procedures to incorporate risk-based approach;
  - Favorably acted upon their proposed annual audit plans and budget, and audit rating systems for branches and various units; and been informed of any change or update in their audit plan, containing the internal audit function framework, processes and methodology, and internal audit charter;
  - Reviewed annually the performance of the Chief Audit Executive;
  - Reviewed and discussed with them the audited financial statements of the Bank and subsidiaries.
- We have discussed latest issuances from the regulators, and the latest development on global best practices.

Based on the reviews and discussions made by the Audit Committee, and subject to the limitations on our duties and responsibilities referred to in the Charter, we recommend to the Board of Directors that the audited financial statements be approved and included in the Annual Report for the year ended December 31, 2012.

20 February 2013

  
ALBERTO S. YAO  
Chairman

  
JOAQUIN T. DEE  
Member

  
DY TIONG  
Member

## Statement of Management's Responsibility for Financial Statements

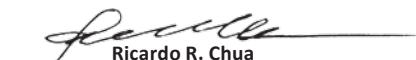
The Management of China Banking Corporation (the Bank) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



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




**Ricardo R. Chua**  
Senior Executive Vice President & COO



**Delia Marquez**  
Vice President – Controller



**Peter S. Dee**  
President & CEO



**Antonio E. Espedido, Jr.**  
Senior Vice President and Principal Financial Officer

Republic of the Philippines  
Makati City S.S

Signed this 7th day of March 2013, affiant exhibiting to me their identification documents as follows:

Name	Social Security Systems Nos.
Hans T. Sy	03-4301174-3
Peter S. Dee	03-1183011-8
Ricardo R. Chua	03-2416389-8
Antonio S. Espedido, Jr.	03-5696688-5
Delia Marquez	03-7205726-0



**BELETTE Y. CHING-TAN**  
Notary Public for Makati City  
Appt. No. M121 until 31 December 2013  
11/F China Bank Bldg.,  
8745 Paseo de Roxas, Makati City  
PTR No. 3676315; 01.08.13; Makati City  
BP No. 920678; 01.07.13; Makati City  
Roll of Attorney's No. 37110

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Page No: 43  
Book No: 82  
Series of: 2013

## Independent Auditors' Report

The Stockholders and the Board of Directors  
China Banking Corporation  
8745 Paseo de Roxas corner Villar Streets  
Makati City



### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of China Banking Corporation and Subsidiaries (the Group) and the parent company financial statements of China Banking Corporation (the Parent Company), which comprise the consolidated and parent company balance sheets as at December 31, 2012 and 2011, and the consolidated and parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated and the parent company financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

### Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and 19-2011

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 34 and 35 to the consolidated and the parent company financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of China Banking Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

A handwritten signature in black ink, appearing to read "Vicky B. Lee Salas".

Vicky B. Lee Salas  
Partner  
CPA Certificate No. 86838  
SEC Accreditation No. 0115-AR-3 (Group A),  
February 14, 2013, valid until February 13, 2016  
Tax Identification No. 129-434-735  
BIR Accreditation No. 08-001998-53-2012,  
April 11, 2012, valid until April 10, 2015  
PTR No. 3669690, January 2, 2013, Makati City

March 6, 2013

	Consolidated		Parent Company	
	December 31			
	2012	2011	2012	2011
<b>ASSETS</b>				
Cash and Other Cash Items (Note 15)	₱6,160,371,861	₱6,050,366,433	₱5,996,785,687	₱5,902,040,106
Due from Bangko Sentral ng Pilipinas (Note 15)	40,659,682,959	30,122,324,047	37,597,455,540	29,571,232,355
Due from Other Banks	4,527,376,998	2,745,404,931	4,289,620,222	2,729,474,436
Securities Purchased Under Resale Agreements	446,000,000	671,000,000	–	–
Financial Assets at Fair Value through Profit or Loss (Note 7)	12,166,678,192	2,446,064,218	12,166,678,192	2,446,064,218
Available-for-Sale Financial Assets (Note 7)	41,570,350,830	45,784,601,478	40,676,728,810	44,676,609,090
Held-to-Maturity Financial Assets (Note 7)	12,694,252,441	12,960,937,205	12,665,325,779	12,877,757,205
Loans and Receivables (Notes 8 and 27)	190,145,335,762	145,238,662,573	185,361,754,668	143,426,574,049
Accrued Interest Receivable (Note 14)	1,832,141,181	1,765,726,064	1,789,455,915	1,734,364,664
Investment in Subsidiaries (Note 9)	–	–	1,927,546,513	1,526,180,870
Investment in Associates (Note 9)	21,245,838	24,480,868	21,245,838	21,245,838
Bank Premises, Furniture, Fixtures and Equipment (Note 10)	4,760,466,634	4,922,208,392	4,240,859,684	4,226,814,198
Investment Properties (Note 11)	2,815,858,640	3,414,896,222	2,419,007,629	3,305,272,865
Deferred Tax Assets (Note 25)	719,185,579	899,146,127	872,452,234	894,051,431
Branch Licenses (Notes 9 and 12)	837,600,000	477,600,000	455,000,000	455,000,000
Goodwill (Note 12)	222,841,201	222,841,201	222,841,201	222,841,201
Other Assets (Note 13)	4,066,076,286	4,467,426,545	3,636,663,376	4,081,734,220
	<b>₱323,645,464,402</b>	<b>₱262,213,686,304</b>	<b>₱314,339,421,288</b>	<b>₱258,097,256,746</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Deposit Liabilities (Notes 15 and 27)</b>				
Demand	₱60,612,813,027	₱54,627,745,221	₱59,900,275,608	₱54,217,174,543
Savings	151,495,924,676	111,366,522,296	150,345,928,515	109,231,601,827
Time	59,868,502,167	50,139,445,784	52,827,905,234	48,524,077,921
	271,977,239,870	216,133,713,301	263,074,109,357	211,972,854,291
Bills Payable (Note 16)	3,526,807,973	1,641,473,347	3,526,807,973	1,641,473,347
Manager's Checks	801,208,565	487,057,846	736,088,844	445,940,641
Income Tax Payable	4,891,699	30,667,483	–	23,145,879
Accrued Interest and Other Expenses (Note 17)	1,615,547,655	1,446,533,180	1,556,838,090	1,417,595,676
Derivative Liabilities (Note 23)	570,575,771	146,616,341	570,575,771	146,616,341
Other Liabilities (Note 18)	2,857,798,437	3,038,300,110	2,610,579,224	3,228,833,471
	281,354,069,970	222,924,361,608	272,074,999,259	218,876,459,646
<b>Equity</b>				
<b>Equity Attributable to Equity Holders of the Parent Company</b>				
Capital stock (Note 21)	12,978,742,300	11,798,766,800	12,978,742,300	11,798,766,800
Capital paid in excess of par value	671,504,726	671,504,726	671,504,726	671,504,726
Surplus reserves (Notes 21 and 26)	733,440,119	678,182,490	733,440,119	678,182,490
Surplus (Notes 21 and 26)	26,603,776,718	24,205,703,726	26,601,279,907	24,186,694,908
Net unrealized gains on available-for-sale financial assets (Note 7)	1,360,625,140	1,885,084,757	1,344,965,592	1,860,311,032
Cumulative translation adjustment	(65,510,615)	25,337,144	(65,510,615)	25,337,144
	42,282,578,388	39,264,579,643	42,264,422,029	39,220,797,100
<b>Non-controlling Interest</b>				
	8,816,044	24,745,053	–	–
	42,291,394,432	39,289,324,696	42,264,422,029	39,220,797,100
	<b>₱323,645,464,402</b>	<b>₱262,213,686,304</b>	<b>₱314,339,421,288</b>	<b>₱258,097,256,746</b>

See accompanying Notes to Financial Statements.

## Statements of Income

	Consolidated			Parent Company		
	Years Ended December 31					
	2012	2011	2010	2012	2011	2010
<b>INTEREST INCOME</b>						
Loans and receivables (Notes 8 and 27)	₱9,522,024,446	₱8,158,228,327	₱8,128,917,815	₱9,245,295,416	₱7,986,157,528	₱8,014,136,140
Trading and investments (Note 7)	3,373,834,036	3,913,249,272	4,569,035,286	3,297,564,886	3,857,166,402	4,522,379,979
Due from Bangko Sentral ng Pilipinas and other banks	255,011,199	605,120,370	515,338,550	188,552,690	574,124,245	511,593,793
	<b>13,150,869,681</b>	<b>12,676,597,969</b>	<b>13,213,291,651</b>	<b>12,731,412,992</b>	<b>12,417,448,175</b>	<b>13,048,109,912</b>
<b>INTEREST EXPENSE</b>						
Deposit liabilities (Notes 15 and 27)	4,963,125,873	3,991,837,571	4,347,085,432	4,730,727,574	3,870,059,041	4,285,144,835
Bills payable and other borrowings (Note 16)	125,402,976	133,021,342	233,239,114	125,402,976	133,021,342	233,211,604
	<b>5,088,528,849</b>	<b>4,124,858,913</b>	<b>4,580,324,546</b>	<b>4,856,130,550</b>	<b>4,003,080,383</b>	<b>4,518,356,439</b>
<b>NET INTEREST INCOME</b>	<b>8,062,340,832</b>	<b>8,551,739,056</b>	<b>8,632,967,105</b>	<b>7,875,282,442</b>	<b>8,414,367,792</b>	<b>8,529,753,473</b>
Trading and securities gain - net (Notes 7 and 19)	2,916,299,207	1,468,637,209	1,751,292,148	2,787,172,905	1,453,123,700	1,714,887,281
Service charges, fees and commissions (Note 19)	1,046,352,293	985,257,308	1,121,278,949	949,167,096	849,127,833	1,002,896,244
Trust fee income (Note 26)	555,954,835	517,288,169	465,760,038	552,576,294	515,752,305	464,494,130
Gain on sale of investment properties	291,424,782	247,787,229	255,369,413	291,630,417	228,756,708	246,714,440
Foreign exchange gain - net (Notes 7 and 23)	259,100,974	107,063,636	544,979,438	260,605,044	106,956,091	545,145,362
Gain on asset foreclosure and dacion transactions (Note 11)	50,538,556	310,677,828	156,414,782	51,837,658	304,776,902	156,414,782
Miscellaneous (Notes 9 and 11)	777,791,197	555,087,095	391,260,304	499,813,658	510,292,275	413,182,090
<b>TOTAL OPERATING INCOME</b>	<b>13,959,802,676</b>	<b>12,743,537,530</b>	<b>13,319,322,177</b>	<b>13,268,085,514</b>	<b>12,383,153,606</b>	<b>13,073,487,802</b>
Compensation and fringe benefits (Notes 22 and 27)	2,923,480,796	2,511,109,999	2,624,307,309	2,675,678,704	2,347,787,949	2,505,995,746
Occupancy cost (Note 24)	1,065,386,034	901,711,635	829,346,895	949,205,463	837,412,398	791,154,722
Depreciation and amortization (Notes 10 and 11)	825,295,807	716,104,851	646,793,238	620,913,478	665,727,176	613,661,673
Taxes and licenses	819,755,015	750,210,547	721,781,710	784,434,373	715,120,851	706,119,794
Stationery, supplies and postage	605,316,347	489,649,771	467,838,465	598,933,969	477,540,719	455,294,161
Insurance	568,346,857	458,998,134	456,883,780	555,981,693	458,871,679	452,675,699
Transportation and traveling	316,530,142	215,824,972	244,492,828	292,606,142	200,829,432	236,247,210
Provision for impairment and credit losses (Note 14)	236,756,182	155,097,500	495,830,652	200,181,569	155,097,500	495,830,652
Entertainment, amusement and recreation	206,536,313	179,846,324	258,961,894	188,736,887	168,035,429	250,470,182
Repairs and maintenance	166,580,997	162,803,387	222,697,870	168,287,583	154,751,809	217,670,557
Professional fees, marketing and other related services	165,064,472	112,542,338	195,042,883	143,382,546	109,829,246	191,147,348
Miscellaneous (Note 19)	604,517,780	533,342,849	460,724,501	611,515,823	497,649,972	436,250,548
<b>TOTAL OPERATING EXPENSES</b>	<b>8,503,566,742</b>	<b>7,187,242,307</b>	<b>7,624,702,025</b>	<b>7,789,858,230</b>	<b>6,788,654,160</b>	<b>7,352,518,292</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>5,456,235,934</b>	<b>5,556,295,223</b>	<b>5,694,620,152</b>	<b>5,478,227,284</b>	<b>5,594,499,446</b>	<b>5,720,969,510</b>
<b>PROVISION FOR INCOME TAX</b> (Note 25)	<b>422,288,616</b>	<b>547,408,214</b>	<b>690,798,526</b>	<b>412,557,140</b>	<b>519,226,442</b>	<b>680,688,685</b>
<b>NET INCOME</b>	<b>₱5,033,947,318</b>	<b>₱5,008,887,009</b>	<b>₱5,003,821,626</b>	<b>₱5,065,670,144</b>	<b>₱5,075,273,004</b>	<b>₱5,040,280,825</b>
Attributable to:						
Equity holders of the parent (Note 30)	₱5,049,158,137	₱5,009,341,564	₱5,003,386,250	₱5,065,670,144	₱5,075,273,004	₱5,040,280,825
Non-controlling interest	(15,210,819)	(454,555)	435,376	—	—	—
	<b>₱5,033,947,318</b>	<b>₱5,008,887,009</b>	<b>₱5,003,821,626</b>	<b>₱5,065,670,144</b>	<b>₱5,075,273,004</b>	<b>₱5,040,280,825</b>
<b>Basic/Diluted Earnings Per Share</b> (Note 30)	<b>₱3.89</b>	<b>₱3.86*</b>	<b>₱3.86*</b>			

\*Restated to show the effects of stock split and stock dividends distributed in 2012 (Note 21).  
See accompanying Notes to Financial Statements.

## Statements of Comprehensive Income

	Consolidated			Parent Company		
	Years Ended December 31					
	2012	2011	2010	2012	2011	2010
<b>Net Income</b>	<b>₱5,033,947,318</b>	₱5,008,887,009	₱5,003,821,626	<b>₱5,065,670,144</b>	₱5,075,273,004	₱5,040,280,825
<b>Other Comprehensive Income (Loss):</b>						
Changes in net unrealized gain on available-for-sale financial assets:						
Fair value gain for the year, net of tax	2,177,977,312	1,678,024,992	2,832,533,479	2,057,470,675	1,636,189,520	2,799,775,800
Gains taken to profit or loss (Note 19)	(2,701,942,417)	(1,649,670,999)	(1,402,058,073)	(2,572,816,115)	(1,634,157,490)	(1,365,653,205)
Cumulative translation adjustment	(90,847,759)	87,610,861	(8,384,856)	(90,847,759)	87,610,861	(8,384,856)
<b>Other Comprehensive Income for the Year, net of tax</b>	<b>(614,812,864)</b>	115,964,854	1,422,090,550	<b>(606,193,199)</b>	89,642,891	1,425,737,739
<b>Total Comprehensive Income for the Year</b>	<b>₱4,419,134,454</b>	₱5,124,851,863	₱6,425,912,176	<b>₱4,459,476,945</b>	₱5,164,915,895	₱6,466,018,564
Total Comprehensive Income attributable to:						
Equity holders of the Parent Company	₱4,433,850,761	₱5,124,137,596	₱6,425,405,261			
Non-controlling interest	(14,716,307)	714,267	506,915			
	<b>₱4,419,134,454</b>	₱5,124,851,863	₱6,425,912,176			

See accompanying Notes to Financial Statements.

## Statements of Changes in Equity

	Capital Stock (Note 21)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 21 and 26)	Surplus (Notes 21 and 26)
Balance at January 1, 2012	₱11,798,766,800	₱671,504,726	₱678,182,490	₱24,205,703,726
Total comprehensive income for the year	–	–	–	5,049,158,137
Share of non-controlling interest in Unity Bank's net assets	–	–	–	–
Additional acquisition of non-controlling interest	–	–	–	–
Transfer from surplus to surplus reserves	–	–	55,257,629	(55,257,629)
Stock dividends - 10%	1,179,975,500	–	–	(1,179,975,500)
Cash dividends - ₱12 per share	–	–	–	(1,415,852,016)
<b>Balance at December 31, 2012</b>	<b>₱12,978,742,300</b>	<b>₱671,504,726</b>	<b>₱733,440,119</b>	<b>₱26,603,776,718</b>
Balance at January 1, 2011	₱10,726,061,700	₱671,504,726	₱626,607,259	₱21,607,769,897
Total comprehensive income for the year	–	–	–	5,009,341,564
Additional acquisition of non-controlling interest	–	–	–	–
Transfer from surplus to surplus reserves	–	–	51,575,231	(51,575,231)
Stock dividends - 10%	1,072,705,100	–	–	(1,072,705,100)
Cash dividends - ₱12 per share	–	–	–	(1,287,127,404)
<b>Balance at December 31, 2011</b>	<b>₱11,798,766,800</b>	<b>₱671,504,726</b>	<b>₱678,182,490</b>	<b>₱24,205,703,726</b>
Balance at January 1, 2010	₱9,750,877,200	₱671,504,726	₱580,157,846	₱18,796,122,824
Total comprehensive income for the year	–	–	–	5,003,386,250
Additional acquisition of non-controlling interest	–	–	–	–
Transfer from surplus to surplus reserves	–	–	46,449,413	(46,449,413)
Stock dividends - 10%	975,184,500	–	–	(975,184,500)
Cash dividends - ₱12 per share	–	–	–	(1,170,105,264)
<b>Balance at December 31, 2010</b>	<b>₱10,726,061,700</b>	<b>₱671,504,726</b>	<b>₱626,607,259</b>	<b>₱21,607,769,897</b>

See accompanying Notes to Financial Statements.

	Capital Stock (Note 21)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 21 and 26)
Balance at January 1, 2012	₱11,798,766,800	₱671,504,726	₱678,182,490
Total comprehensive income for the year	–	–	–
Transfer from surplus to surplus reserves	–	–	55,257,629
Stock dividends - 10%	1,179,975,500	–	–
Cash dividends - ₱12 per share	–	–	–
<b>Balance at December 31, 2012</b>	<b>₱12,978,742,300</b>	<b>₱671,504,726</b>	<b>₱733,440,119</b>
Balance at January 1, 2011	₱10,726,061,700	₱671,504,726	₱626,607,259
Total comprehensive income for the year	–	–	–
Transfer from surplus to surplus reserves	–	–	51,575,231
Stock dividends - 10%	1,072,705,100	–	–
Cash dividends - ₱12 per share	–	–	–
<b>Balance at December 31, 2011</b>	<b>₱11,798,766,800</b>	<b>₱671,504,726</b>	<b>₱678,182,490</b>
Balance at January 1, 2010	₱9,750,877,200	₱671,504,726	₱580,157,846
Total comprehensive income for the year	–	–	–
Transfer from surplus to surplus reserves	–	–	46,449,413
Stock dividends - 10%	975,184,500	–	–
Cash dividends - ₱12 per share	–	–	–
<b>Balance at December 31, 2010</b>	<b>₱10,726,061,700</b>	<b>₱671,504,726</b>	<b>₱626,607,259</b>

See accompanying Notes to Financial Statements.

Consolidated

Equity Attributable to Equity Holders of the Parent Company

Net Unrealized Gains/(Losses) on Available-for-Sale Financial Assets (Note 7)	Cumulative Translation Adjustment	Total	Non-controlling Interest (Note 9)	Total Equity
₱1,885,084,757	₱25,337,144	₱39,264,579,643	₱24,745,053	₱39,289,324,696
(524,459,617)	(90,847,759)	4,433,850,761	(14,716,307)	4,419,134,454
-	-	-	152,941	152,941
-	-	-	(1,365,643)	(1,365,643)
-	-	-	-	-
-	-	(1,415,852,016)	-	(1,415,852,016)
₱1,360,625,140	(₱65,510,615)	₱42,282,578,388	₱8,816,044	₱42,291,394,432
₱1,857,899,586	(₱62,273,717)	₱35,427,569,451	₱25,715,136	₱35,453,284,587
27,185,171	87,610,861	5,124,137,596	714,267	5,124,851,863
-	-	-	(1,684,350)	(1,684,350)
-	-	-	-	-
-	-	-	-	-
-	-	(1,287,127,404)	-	(1,287,127,404)
₱1,885,084,757	₱25,337,144	₱39,264,579,643	₱24,745,053	₱39,289,324,696
₱427,495,719	(₱53,888,861)	₱30,172,269,454	₱25,680,881	₱30,197,950,335
1,430,403,867	(8,384,856)	6,425,405,261	506,915	6,425,912,176
-	-	-	(472,660)	(472,660)
-	-	-	-	-
-	-	-	-	-
-	-	(1,170,105,264)	-	(1,170,105,264)
₱1,857,899,586	(₱62,273,717)	₱35,427,569,451	₱25,715,136	₱35,453,284,587

Parent Company

Surplus (Notes 21 and 26)	Net Unrealized Gains/(Losses) on Available-for-Sale Financial Assets (Note 7)	Cumulative Translation Adjustment	Total Equity
₱24,186,694,908	₱1,860,311,032	₱25,337,144	₱39,220,797,100
5,065,670,144	(515,345,440)	(90,847,759)	4,459,476,945
(55,257,629)	-	-	-
(1,179,975,500)	-	-	-
(1,415,852,016)	-	-	(1,415,852,016)
₱26,601,279,907	₱1,344,965,592	(₱65,510,615)	₱42,264,422,029
₱21,522,829,639	₱1,858,279,002	(₱62,273,717)	₱35,343,008,609
5,075,273,004	2,032,030	87,610,861	5,164,915,895
(51,575,231)	-	-	-
(1,072,705,100)	-	-	-
(1,287,127,404)	-	-	(1,287,127,404)
₱24,186,694,908	₱1,860,311,032	₱25,337,144	₱39,220,797,100
₱18,674,287,991	₱424,156,407	(₱53,888,861)	₱30,047,095,309
5,040,280,825	1,434,122,595	(8,384,856)	6,466,018,564
(46,449,413)	-	-	-
(975,184,500)	-	-	-
(1,170,105,264)	-	-	(1,170,105,264)
₱21,522,829,639	₱1,858,279,002	(₱62,273,717)	₱35,343,008,609

## Statements of Cash Flows

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income before income tax	<b>₱5,456,235,934</b>	₱5,556,295,223	₱5,694,620,152	<b>₱5,478,227,284</b>	₱5,594,499,446	₱5,720,969,510
Adjustments for:						
Trading and securities gain on available-for-sale financial assets (Note 19)	<b>(2,701,942,417)</b>	(1,649,670,999)	(1,402,058,073)	<b>(2,572,816,115)</b>	(1,634,157,490)	(1,365,653,205)
Depreciation and amortization (Notes 10 and 11)	<b>825,295,807</b>	716,104,851	646,793,238	<b>620,913,478</b>	665,727,176	613,661,673
Gain on sale of investment properties	<b>(291,424,782)</b>	(247,787,229)	(255,369,413)	<b>(291,630,417)</b>	(228,756,708)	(246,714,440)
Gain on bargain purchase (Note 9)	<b>(269,732,586)</b>	–	–	–	–	–
Provision for impairment and credit losses (Note 14)	<b>236,756,182</b>	155,097,500	495,830,652	<b>200,181,569</b>	155,097,500	495,830,652
Unrealized market valuation loss (gain) on derivative assets and liabilities (Note 23)	<b>202,790,964</b>	(906,927,956)	1,175,761,287	<b>202,790,964</b>	(906,927,956)	1,175,761,287
Gains on asset foreclosures and dacion transactions	<b>(50,538,556)</b>	(310,677,828)	(156,414,782)	<b>(51,837,658)</b>	(304,776,902)	(156,414,782)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial instruments at FVPL	<b>(9,499,445,508)</b>	4,401,756,875	(2,183,944,933)	<b>(9,499,445,508)</b>	4,401,756,875	(2,183,944,933)
Loans and receivables	<b>(44,314,185,546)</b>	(28,445,295,808)	(7,591,823,440)	<b>(41,675,493,491)</b>	(27,579,649,432)	(7,301,370,865)
Other assets	<b>143,660,575</b>	(1,493,091,335)	(247,633,744)	<b>(69,453,781)</b>	(1,457,402,731)	(201,135,555)
Increase (decrease) in the amounts of:						
Deposit liabilities	<b>54,863,508,126</b>	3,092,103,848	19,751,570,207	<b>51,101,255,066</b>	986,349,779	19,187,159,141
Manager's checks	<b>314,150,719</b>	146,541,782	(113,305,449)	<b>290,148,203</b>	141,502,533	(128,958,361)
Accrued interest and other expenses	<b>163,071,186</b>	(527,061,348)	110,476,366	<b>139,242,414</b>	(529,300,096)	112,171,106
Other liabilities	<b>(204,459,931)</b>	(313,630,112)	1,233,790,492	<b>(266,807,347)</b>	(362,167,682)	1,230,982,360
Net cash generated from (used in) operations	<b>4,873,740,167</b>	(19,826,242,536)	17,158,292,560	<b>3,605,274,661</b>	(21,058,205,688)	16,952,343,588
Income taxes paid	<b>(397,890,351)</b>	(518,041,465)	(686,992,256)	<b>(370,560,842)</b>	(497,381,297)	(676,882,415)
Net cash provided by (used in) operating activities	<b>4,475,849,816</b>	(20,344,284,001)	16,471,300,304	<b>3,234,713,819</b>	(21,555,586,985)	16,275,461,173
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions to bank premises, furniture, fixtures and equipment (Note 10)	<b>(672,250,956)</b>	(705,749,909)	(584,031,635)	<b>(559,705,134)</b>	(675,277,043)	(492,999,072)
Proceeds from disposal of bank premises, furniture, fixtures and equipment (Note 10)	<b>173,162,335</b>	50,759,378	19,796,429	<b>34,464,243</b>	46,263,014	19,288,220
Proceeds from sale of investment properties	<b>894,822,219</b>	632,372,288	1,047,066,217	<b>903,152,520</b>	556,996,574	1,011,115,059
Acquisition through business combination - net of cash acquired (Note 9)	<b>285,009,741</b>	–	–	–	–	–
Additions to equity investments (Note 9)	–	(3,750,000)	(3,750,000)	<b>(401,365,643)</b>	(5,434,350)	(4,222,659)
Purchases of:						
Held-to-maturity financial assets	<b>(919,066,409)</b>	–	(798,515,260)	<b>(919,066,409)</b>	–	(798,515,260)
Available-for-sale financial assets	<b>(67,188,900,188)</b>	(60,773,830,107)	(106,775,806,293)	<b>(62,145,836,118)</b>	(59,575,774,559)	(105,350,194,387)
Proceeds from sale/maturity of:						
Held-to-maturity financial assets	<b>1,214,677,836</b>	5,588,815,569	4,310,147,289	<b>1,131,497,835</b>	5,588,815,569	4,310,147,289
Available-for-sale financial assets	<b>73,472,915,046</b>	67,828,091,113	104,064,027,337	<b>68,186,241,260</b>	67,091,191,720	102,442,351,788
Net cash provided by investing activities	<b>7,260,369,624</b>	12,616,708,332	1,278,934,084	<b>6,229,382,554</b>	13,026,780,925	1,136,970,978
(Forward)						

	Consolidated			Parent Company		
	December 31					
	2012	2011	2010	2012	2011	2010
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payments of bills payable	<b>(P4,190,278,412)</b>	(P1,465,762,235)	(P11,765,855,891)	<b>(P4,190,278,412)</b>	(P1,465,762,235)	(P11,765,855,891)
Availments of bills payable	<b>6,075,613,038</b>	48,992,420	9,038,427,401	<b>6,075,613,038</b>	48,992,420	9,038,427,401
Acquisitions of non-controlling interest (Note 9)	<b>(1,365,643)</b>	(1,684,350)	(472,660)	–	–	–
Payments of cash dividends (Note 21)	<b>(1,415,852,016)</b>	(1,287,127,404)	(1,170,105,264)	<b>(1,415,852,016)</b>	(1,287,127,404)	(1,170,105,264)
Payment of subscription payable	–	–	–	<b>(252,464,431)</b>	–	–
Net cash provided by (used in) financing activities	<b>468,116,967</b>	(2,705,581,569)	(3,898,006,414)	<b>217,018,179</b>	(2,703,897,219)	(3,897,533,754)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,204,336,407</b>	(10,433,157,238)	13,852,227,974	<b>9,681,114,552</b>	(11,232,703,279)	13,514,898,397
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>						
Cash and other cash items	<b>6,050,366,433</b>	6,436,427,163	5,795,456,440	<b>5,902,040,106</b>	6,362,296,658	5,756,920,133
Due from Bangko Sentral ng Pilipinas	<b>30,122,324,047</b>	37,124,917,961	11,621,324,385	<b>29,571,232,355</b>	37,053,152,975	11,553,930,023
Due from other banks	<b>2,745,404,931</b>	5,918,907,525	6,770,243,850	<b>2,729,474,436</b>	5,970,000,543	6,761,701,623
Securities purchased under resale agreements	<b>671,000,000</b>	542,000,000	11,983,000,000	–	50,000,000	11,848,000,000
	<b>39,589,095,411</b>	50,022,252,649	36,170,024,675	<b>38,202,746,897</b>	49,435,450,176	35,920,551,779
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>						
Cash and other cash items	<b>6,160,371,861</b>	6,050,366,433	6,436,427,163	<b>5,996,785,687</b>	5,902,040,106	6,362,296,658
Due from Bangko Sentral ng Pilipinas	<b>40,659,682,959</b>	30,122,324,047	37,124,917,961	<b>37,597,455,540</b>	29,571,232,355	37,053,152,975
Due from other banks	<b>4,527,376,998</b>	2,745,404,931	5,918,907,525	<b>4,289,620,222</b>	2,729,474,436	5,970,000,543
Securities purchased under resale agreements	<b>446,000,000</b>	671,000,000	542,000,000	–	–	50,000,000
	<b>P51,793,431,818</b>	P39,589,095,411	P50,022,252,649	<b>P47,883,861,449</b>	P38,202,746,897	P49,435,450,176

#### OPERATING CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	December 31					
	2012	2011	2010	2012	2011	2010
Interest paid	<b>P4,923,244,739</b>	P4,240,779,972	P4,598,644,446	<b>P4,704,185,908</b>	P4,129,661,850	P4,534,805,223
Interest received	<b>13,087,624,009</b>	12,611,580,103	13,410,408,745	<b>12,679,491,185</b>	12,596,074,030	13,233,984,273

See accompanying Notes to Financial Statements.

### 1. Corporate Information

China Banking Corporation (the Parent Company) is a publicly listed commercial bank incorporated in the Philippines. The Parent Company acquired its universal banking license in 1991. It provides expanded commercial banking products and services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury products, trust products, foreign exchange, corporate finance and other investment banking services through a network of 283 and 268 local branches, as of December 31, 2012 and 2011, respectively.

The Parent Company has the following subsidiaries:

Subsidiary	Effective Percentages of Ownership		Country of Incorporation	Principal Activities
	2012	2011		
Chinabank Insurance Brokers, Inc. (CIBI)	100.00%	100.00%	Philippines	Insurance brokerage
CBC Properties and Computer Center, Inc. (CBC-PCCI)	100.00%	100.00%	Philippines	Computer services
CBC Forex Corporation	100.00%	100.00%	Philippines	Foreign exchange
China Bank Savings, Inc. (CBSI)	95.24%	95.17%	Philippines	Retail and consumer banking
Unity Bank, A Rural Bank, Inc. (Unity Bank)	99.95%	–	Philippines	Rural banking

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 20.63% and 20.27% as of December 31, 2012 and 2011.

The Parent Company's principal place of business is at 8745 Paseo de Roxas corner Villar Street, Makati City.

### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group").

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) financial assets, and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso, and all values are rounded to the nearest peso except when otherwise indicated.

The financial statements of the Parent Company reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements of these units are combined after eliminating inter-unit accounts.

#### Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Presentation of Financial Statements

The Group and the Parent Company presents its balance sheets in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and the Parent Company.

#### Basis of Consolidation and Investments in Subsidiaries

The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are all entities over which the Parent Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company. Consolidation of subsidiaries ceases when control is transferred out of the Group.

When a change in ownership interest in a subsidiary occurs which results in loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest

- Derecognizes the related other comprehensive income (OCI) recorded in equity and recycle the same to profit or loss or surplus
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes the remaining difference in profit or loss

The results of operations of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition up to the date of disposal, as appropriate. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.

In the separate or parent company financial statements, investments in subsidiaries are carried at cost, less accumulated impairment in value. Dividends earned on these investments are recognized in the Parent Company's statement of income as declared by the respective Board of Directors (BOD) of the investees.

#### Non-Controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted as equity transactions.

#### **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS adopted as of January 1, 2012, which did not have any impact on the accounting policies, financial position or performance of the Group:

##### *New and amended standards and interpretations*

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
- Philippine Accounting Standards (PAS) 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)

#### **Significant Accounting Policies**

##### Foreign Currency Translation

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company's subsidiaries is the Philippine peso.

##### *Transactions and balances*

The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States (US) dollars (USD), the FCDU's functional currency. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year, and foreign currency-denominated income and expenses, at the PDS weighted average rate (PDSWAR) for the year. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### *FCDU*

As at the reporting date, the assets and liabilities of the FCDU are translated into the Parent Company's presentation currency (the Philippine Peso) at the PDS closing rate prevailing at the balance sheet date, and its income and expenses are translated at the PDSWAR for the year. Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Cumulative translation adjustment'.

##### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from Bangko Sentral ng Pilipinas (BSP) and other banks, and securities purchased under resale agreements (SPURA) which have original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

##### Financial Instruments - Initial Recognition and Subsequent Measurement

###### *Date of recognition*

Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at FVPL, and in equity for assets classified as AFS investments. Derivatives are recognized on a trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

### *Determination of fair value*

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

### *'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group immediately recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

### *Financial assets and financial liabilities at FVPL*

Financial assets and financial liabilities at FVPL include financial assets and liabilities held for trading purposes, financial assets and financial liabilities designated upon initial recognition as at FVPL, and derivative instruments.

Financial assets and financial liabilities are classified as held for trading (HFT) if they are acquired for the purpose of selling and repurchasing in the near term. Included in this classification are debt and equity securities which have been acquired principally for trading purposes.

Financial assets and financial liabilities are designated as at FVPL by management on initial recognition when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Trading and securities gain - net' in the statement of income. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' when the right to receive payment has been established.

### *Derivatives recorded at FVPL*

The Parent Company is a party to derivative instruments, particularly, forward exchange contracts and warrants. These contracts are entered into as a service to customers and as a means of reducing and managing the Parent Company's foreign exchange risk, and interest rate risk as well as for trading purposes, but are not designated as hedges. Such derivative financial instruments are stated at fair value through profit or loss.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income under 'Foreign exchange gain - net' for forward exchange contracts and 'Trading and securities gain-net' for warrants.

Embedded derivatives that are bifurcated from the host financial and non-financial contracts are also accounted for at FVPL.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required.

#### *Held-to-maturity financial assets*

HTM financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group would sell other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in income when the HTM financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment and credit losses'. The effects of translation of foreign currency-denominated HTM financial assets are recognized in the statement of income.

#### *Loans and receivable*

This accounting policy relates to the balance sheet captions 'Due from BSP', 'Due from other banks', 'SPURA', 'Loans and receivables', and 'Accrued interest receivable'. It also applies to accounts receivable and other financial instruments shown under 'Other assets'. These are financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as FVPL;
- those that the Group, upon initial recognition, designates as AFS; and
- those for which the Group may not cover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, these are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included under 'Interest income' in the statement of income. The losses arising from impairment are recognized under 'Provision for impairment and credit losses' in the statement of income.

#### *Available-for-sale financial assets*

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of translation of foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as 'Net unrealized gain (loss) on AFS financial assets' under OCI.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain - net' in the statement of income. Interest earned on holding AFS debt securities are reported as 'Interest income' using the EIR. Dividends earned on holding AFS equity instruments are recognized in the statement of income as 'Miscellaneous income' when the right to the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for impairment and credit losses' in the statement of income.

#### *Other financial liabilities*

These are issued financial instruments or their components which are not designated as at FVPL and where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities not qualified and not designated as at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the balance sheet captions 'Deposit liabilities', 'Bills payable', 'Manager's checks', and financial liabilities presented under 'Accrued interest and other expenses' and 'Other liabilities'.

#### Reclassification of Financial Assets

The Group may reclassify, in certain circumstances, non-derivative financial assets out of the HFT investments category and into the AFS investments, Loans and Receivables or HTM investments categories. The Group may also reclassify, in certain circumstances, financial instruments out of the AFS investment to Loans and Receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

The Group may reclassify a non-derivative trading asset out of HFT investments and into the Loans and Receivable category if it meets the definition of loans and receivables, the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity and only in rare circumstances. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the AFS investments category, any previous gain or loss on that asset that has been recognized in OCI is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired then the amount recorded in OCI is recycled to the statement of income. Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the FVPL category after initial recognition. An analysis of reclassified financial assets is disclosed in Note 7.

### Derecognition of Financial Assets and Liabilities

#### *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 rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

### Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date (‘repos’) are not derecognized from the balance sheet. The corresponding cash received, including accrued interest, is recognized in the balance sheet as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date (‘reverse repos’) are not recognized in the balance sheet. The corresponding cash paid, including accrued interest, is recognized in the balance sheet as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

### Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less

costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type and past-due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for impairment and credit losses'.

#### *Financial assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *Available-for-sale financial assets*

For AFS financial assets, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

#### *Restructured loans*

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

#### *Investments in Associates*

Associates pertain to all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights. In the consolidated financial statements, investments in associates are accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate. Goodwill relating to an associate is included in the carrying value of the investments and is not

amortized. The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits or losses resulting from transactions between the Group and an associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the separate or parent company financial statements, investments in associates are carried at cost, less accumulated impairment in value. Dividends earned on these investments are recognized in the Parent Company's statement of income as declared by the respective BOD of the investees.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are charged to profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, either in profit or loss or as a charge to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment identified for segment reporting purposes.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment in value while depreciable properties including buildings, leasehold improvements, and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the bank premises, furniture, fixtures and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance costs.

Depreciation and amortization is calculated on the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

	EUL
Buildings	50 years
Furniture, fixtures and equipment	3 to 5 years
Leasehold improvements	Shorter of 6 years or the related lease terms

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of bank premises, furniture, fixtures and equipment and leasehold improvements.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

#### Investment Properties

Investment properties include real properties acquired in settlement of loans and receivables which are measured initially at cost including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the EUL of the building and improvement components of investment properties which ranged from 10 to 20 years from the time of acquisition of the investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on the derecognition of an investment property is recognized as 'Gain on sale of investment properties' in the statement of income in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

#### Intangible Assets

Intangible assets include branch licenses resulting from the Parent Company's acquisition of CBSI and Unity Bank (see Notes 9 and 12).

The branch licenses are initially measured at fair value as of the date of acquisition and are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Such intangible assets are not amortized, instead they are tested for impairment annually either individually or at the cash generating unit level. Impairment is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the intangible asset relates. Recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. Where the recoverable amount of the cash-generating units is less than its carrying amount, an impairment loss is recognized.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in earnings when the asset is derecognized.

#### Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., investment in associates, investment properties, bank premises, furniture, fixtures and equipment and intangible assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit).

An impairment loss is charged to operations in the year in which it arises.

For nonfinancial assets, excluding goodwill and branch licenses, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable

amount is estimated. A previously recognized impairment loss is reversed, except for goodwill, only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

### *Group as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

### *Group as lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### Non-current Assets Held for Sale

Non-current assets held for sale include repossessed vehicles acquired in settlement of loans and receivable. The Bank classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell (FVCTS).

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

After initial measurement, non-current assets held for sale are tested for impairment quarterly. Any impairment loss shall be recognized for any subsequent write-down of the asset to its FVCTS.

Gain for any subsequent increase in FVCTS of the asset shall be recognized, but not in excess of the cumulative impairment loss that has been recognized had it not been impaired in prior reporting periods.

### Capital Stock

Capital stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the balance sheets. Incremental costs incurred which is directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

### Surplus

Surplus represents the net accumulated profit of the Bank less cumulative dividends declared.

### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

### *Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL and AFS financial assets, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, as applicable, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

#### *Loan fees and service charges*

Loan commitment fees are recognized as earned over the terms of the credit lines granted to each borrower. Loan syndication fees are recognized upon completion of all syndication activities and where the Group does not have further obligations to perform under the syndication agreement.

Service charges and penalties are recognized only upon collection or accrued where there is a reasonable degree of certainty as to their collectibility.

#### *Dividend income*

Dividend income is recognized when the Group's right to receive payment is established.

#### *Trading and securities gain*

This represents results arising from trading activities including all gains and losses from changes in fair value of financial assets held for trading and designated at FVPL. It also includes gains and losses realized from sale of AFS financial assets.

#### *Rental income*

Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

#### Expense Recognition

Expense is recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

#### Interest Expense

Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

#### Retirement Benefits

The Group has a noncontributory defined benefit retirement plan.

The retirement cost of the Parent Company and its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The asset recognized in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets as at the balance sheet date less present value of the defined benefit obligation, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation or the fair value of plan assets at that date. These excess gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group nor can they be paid directly to the Group. Fair value is based on market price information and, the published bid price in the case of quoted securities. The value of any plan asset recognized is restricted to the sum of any past service costs not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions

## Notes to Financial Statements

are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

### Income Taxes

#### *Current Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

#### *Deferred Tax*

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

### Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock splits, stock dividends declared and stock rights exercised during the year, if any.

The Parent Company has no outstanding dilutive potential common shares.

### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries. Dividends declared during the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 29. The Group's revenue producing assets are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

### Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

### Events after the Reporting Period

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting event) are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

## Future Changes in Accounting Policies

The Group will adopt the Standards and Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

### *Effective 2013*

#### *PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the balance sheets;
- c) The net amounts presented in the balance sheets;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amounts presented in the balance sheets;

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendments only affect disclosures and have no impact on the Group's financial position or performance.

#### *PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) - 12, *Consolidation – Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

#### *PFRS 11, Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities: Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

#### *PFRS 12, Disclosure of Interests in Other Entities*

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. A number of new disclosures are also required.

#### *PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of January 1, 2013. Its disclosure requirements need not be applied in comparative information provided for periods before its initial application.

#### *PAS 1, Financial Statement Presentation: Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments only affect presentation and have no impact on the Group's financial position or performance. The amendments will be applied retrospectively and will result in the modification of the presentation of items of OCI.

#### *PAS 19, Employee Benefits (Revised)*

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

## Notes to Financial Statements

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group and the Parent Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	<b>Consolidated</b>	
	<b>As at 31 December 2012</b>	<b>As at 1 January 2012</b>
Increase (decrease) in:		
<u>Balance sheets</u>		
Defined benefit asset	<b>₱328,339,583</b>	₱355,915,475
Defined benefit liability	<b>(23,337,621)</b>	(17,816,009)
Deferred tax asset/liability	<b>91,500,589</b>	101,429,840
Other comprehensive income	<b>213,967,242</b>	61,958,507
Retained earnings	<b>427,468,615</b>	298,628,133

	<b>Parent Company</b>	
	<b>As at 31 December 2012</b>	<b>As at 1 January 2012</b>
Increase (decrease) in:		
<u>Balance sheets</u>		
Defined benefit asset	<b>₱328,339,583</b>	₱355,915,475
Deferred tax liability	<b>98,501,875</b>	106,774,643
Other comprehensive income	<b>225,648,891</b>	54,963,906
Retained earnings	<b>455,486,599</b>	304,104,739

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<u>Statement of income</u>				
Net benefit cost	<b>₱147,659,180</b>	₱173,381,801	<b>₱31,103,208</b>	₱157,704,306
Income tax expense	<b>(47,202,835)</b>	(49,415,300)	<b>(59,170,913)</b>	(59,463,351)
Profit for the year	<b>₱100,456,345</b>	₱123,966,501	<b>₱71,932,295</b>	₱98,240,955
Attributable to Equity holders of the Parent Company	<b>₱99,565,843</b>	₱123,212,976	<b>₱71,932,295</b>	₱98,240,955
Attributable to Non-controlling interest	<b>890,502</b>	753,525	-	-
	<b>₱100,456,345</b>	₱123,966,501	<b>₱71,932,295</b>	₱98,240,955

### PAS 27, *Separate Financial Statements* (as revised in 2011)

As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

### PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

### Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal stripping costs that are incurred in surface mining activity during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

### Effective 2014

#### PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

### Effective 2015

#### PFRS 9, *Financial Instruments: Classification and Measurement*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9,

including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

An evaluation was conducted to determine the impact of early adoption of PFRS and the accounts affected are 'Available-for-sale investments' and 'Loans and Receivables'. As at December 31, 2012, the Group opted not to early adopt PFRS 9.

#### Philippine Interpretation IFRIC-15, *Agreement for Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

#### Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS*, clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening balance sheets at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- PAS 1, *Presentation of Financial Statements*, clarifies the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- PAS 32, *Financial Instruments: Presentation*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.
- PAS 34, *Interim Financial Reporting* clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

### 3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

##### a. Functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment in determining the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

b. *Fair value of financial instruments*

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions conducted on an arm's length basis.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet or disclosed in the notes cannot be derived from active markets, they are determined using a variety of valuation techniques acceptable to the market as alternative valuation approaches that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

c. *HTM financial assets*

The classification to HTM financial assets requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire portfolio as part of AFS financial assets. The investments would therefore be measured at fair value and not at amortized cost.

d. *Operating leases*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating leases.

The Group has also entered into leases on premises it uses for its operations. The Group has determined, based on the evaluation of the lease agreement, that all significant risks and rewards of ownership of the properties it leases are not transferrable to the Group.

e. *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

### Estimates

a. *Going Concern*

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

b. *Fair value of financial instruments*

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (e.g., financial models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All financial models are certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, the financial models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments (see Note 5).

c. *Impairment losses on loans and receivables*

The Group reviews its loans and receivables at each reporting date to assess whether an allowance for credit losses should be recorded in the balance sheet and any changes thereto in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment assessment on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. The resulting collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The carrying values of loans and receivables and the related allowance for credit losses of the Group and the Parent Company are disclosed in Notes 8 and 14.

*d. Impairment of AFS equity investments*

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair values below their costs or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the original cost of investment, and 'prolonged' as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and discount factors for unquoted equities.

The carrying values of AFS equity investments and the related allowance for impairment of the Group and the Parent Company are disclosed in Notes 7 and 14.

*e. Impairment of HTM and AFS debt investments*

The Group determines that AFS debt investments are impaired based on the same criteria as loans and receivables.

As of December 31, 2012 and 2011, HTM and AFS debt investments were unimpaired. The carrying values of HTM and AFS debt investments are disclosed in Note 7.

*f. Estimated useful lives of bank premises, furniture, fixture and equipment, and investment properties*

The Group estimates the useful lives of its bank premises, furniture, fixture and equipment, and investment properties. These estimates are reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of bank premises, furniture, fixture and equipment, and investment properties. A reduction in the estimated useful lives of bank premises, furniture, fixture and equipment, and investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets. The estimated useful lives of bank premises, furniture, fixture and equipment, and investment properties are disclosed in Note 2.

*g. Impairment on investments in subsidiaries and associates and other nonfinancial assets*

The Parent Company assesses impairment on its investments in subsidiaries and associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries and associate include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary operates.

The Group also assesses impairment on its nonfinancial assets (e.g., investment properties and bank premises, furniture, fixtures and equipment) and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the Group's investments in subsidiaries and associate and other nonfinancial assets are disclosed in Notes 9, 10 and 11, respectively.

*h. Impairment of Goodwill and Branch Licenses*

The Group conducts an annual review for any impairment in value of the goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the cash generating units. Average growth rate is derived from the average increase in annual income during the last 5 years. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 11.89% and 12.19% in 2012 and 2011, respectively. Key assumptions in value-in-use calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

As of December 31, 2012 and 2011, goodwill amounted to ₱222.84 million for the Group and Parent Company (see Note 12).

*i. Net plan assets and retirement expense*

The determination of the Group's net plan assets and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates, expected rates of return on plan assets and salary increase.

## Notes to Financial Statements

The expected rates of return on plan assets of the Group were based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the balance sheets date. Refer to Note 22 for the details on the assumptions used in the calculation.

The present value of the retirement obligation and fair value of plan assets are disclosed in Note 22.

*j. Recognition of deferred income taxes*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management discretion is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its recorded deferred tax assets. Taxable income is sourced mainly from interest income from lending activities and earnings from service charge, fees, commissions and trust activities.

The recognized and unrecognized deferred tax assets are disclosed in Note 25.

#### 4. Financial Instrument Categories

The following table presents the total carrying amount of the Group's and Parent Company's financial instruments per category:

	Consolidated		Parent Company	
	2012	2011	2012	2011
<b>Financial assets</b>				
Cash and other cash items	₱6,160,371,861	₱6,050,366,433	₱5,996,785,687	₱5,902,040,106
Financial assets at FVPL	12,166,678,192	2,446,064,218	12,166,678,192	2,446,064,218
AFS financial assets	41,570,350,830	45,784,601,478	40,676,728,810	44,676,609,090
HTM financial assets	12,694,252,441	12,960,937,205	12,665,325,779	12,877,757,205
Loans and receivables:				
Due from BSP	40,659,682,959	30,122,324,047	37,597,455,540	29,571,232,355
Due from other banks	4,527,376,998	2,745,404,931	4,289,620,222	2,729,474,436
SPURA	446,000,000	671,000,000	–	–
Loans and receivables - net	190,145,335,762	145,238,662,573	185,361,754,668	143,426,574,049
Accrued interest receivable	1,832,141,181	1,765,726,064	1,789,455,915	1,734,364,664
Other assets*	3,173,529,699	3,914,670,031	2,851,211,793	3,529,271,713
	240,784,066,599	184,457,787,646	231,889,498,138	180,990,917,217
Total financial assets	₱313,375,719,923	₱251,699,756,980	₱303,395,016,606	₱246,893,387,836

\* Other assets exclude net plan assets and creditable withholding taxes (see Note 13).

	Consolidated		Parent Company	
	2012	2011	2012	2011
<b>Financial liabilities</b>				
Other financial liabilities:				
Deposit liabilities	₱271,977,239,870	₱216,133,713,301	₱263,074,109,357	₱211,972,854,291
Bills payable	3,526,807,973	1,641,473,347	3,526,807,973	1,641,473,347
Manager's checks	801,208,565	487,057,846	736,088,844	445,940,641
Accrued interest and other expenses	1,615,547,655	1,446,533,180	1,556,838,090	1,417,595,676
Other liabilities*	2,693,980,833	2,935,405,552	2,489,648,909	3,151,374,803
	280,614,784,896	222,644,183,226	271,383,493,173	218,629,238,758
Financial liabilities at FVPL:				
Derivative liabilities	570,575,771	146,616,341	570,575,771	146,616,341
Total financial liabilities	₱281,185,360,667	₱222,790,799,567	₱271,954,068,944	₱218,775,855,099

\* Other liabilities exclude withholding taxes payable and retirement liabilities (see Note 18).

## 5. Fair Value Measurement

As of December 31, 2012 and 2011, except for the following financial instruments, the carrying values of the Group's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	Consolidated			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Held-to-maturity financial assets				
Government bonds	₱12,372,515,703	₱15,063,146,651	₱12,537,787,260	₱15,345,648,714
Private bonds	321,736,738	392,250,692	423,149,945	489,218,777
Loans and receivables:				
Corporate and commercial loans	157,348,768,096	162,082,056,112	117,854,460,053	123,127,542,193
Consumer loans	21,932,450,347	23,370,224,410	16,327,786,635	17,945,044,599
Trade-related loans	10,762,158,498	11,396,294,324	10,944,737,600	11,908,720,745
Others	101,958,821	103,218,919	111,678,285	110,025,402
Sales contracts receivable	491,591,000	508,129,730	404,965,587	414,032,692
<b>Financial Liabilities</b>				
Deposit liabilities	271,977,239,870	265,067,286,621	216,133,713,301	216,728,454,818
Bills payable	3,526,807,973	3,795,770,851	1,641,473,347	1,595,162,850
	Parent Company			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Held-to-maturity financial assets				
Government bonds	₱12,344,589,041	₱15,032,793,188	₱12,537,787,260	₱15,345,648,714
Private bonds	320,736,738	391,250,692	339,969,945	405,197,536
Loans and receivables:				
Corporate and commercial loans	155,255,349,771	159,914,081,512	117,134,479,454	122,243,868,694
Consumer loans	19,251,841,266	21,136,973,623	15,247,385,580	16,850,499,779
Trade-related loans	10,762,158,498	11,396,294,324	10,944,737,600	11,908,720,745
Others	92,405,133	93,676,338	99,971,415	98,318,559
Sales contracts receivable	394,826,052	411,364,781	256,463,325	265,530,430
<b>Financial Liabilities</b>				
Deposit liabilities	263,074,109,357	256,169,281,721	211,972,854,291	212,567,595,808
Bills payable	3,526,807,973	3,795,770,851	1,641,473,347	1,595,162,850

The methods and assumptions used by the Group and Parent Company in estimating the fair values of the financial instruments follow:

*Cash and other cash items, due from BSP and other banks, SPURA and accrued interest receivable* - The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

*Debt securities* - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

*Equity securities* - For publicly traded equity securities, fair values are based on quoted prices published in the Philippine equity markets. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

*Loans and receivables and sales contract receivable (SCR) included in other assets* - Fair values of loans and receivables and SCR are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental lending rates for similar types of loans and receivables.

*Accounts receivable, returned checks and other cash items (RCOCI) and other financial assets included in other assets* - Quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities.

*Derivative instruments (included under FVPL)* - Fair values are estimated based on quoted market prices provided by independent parties or accepted valuation models (either based on discounted cash flow techniques or option pricing models, as applicable).

*Bifurcated embedded derivatives (included under Derivative assets)* - Fair values are estimated based on a valuation model from Bloomberg using inputs provided by counterparty banks.

## Notes to Financial Statements

*Deposit liabilities (time, demand and savings deposits)* - Fair values of time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

*Bills payable* - Fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued.

*Manager's checks and accrued interest and other expenses* - Carrying amounts approximate fair values due to the short-term nature of the accounts.

*Other liabilities* - Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

*Level 1:* quoted prices in active markets for identical assets or liabilities;

*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

*Level 3:* inputs that are not based on observable market data or unobservable inputs.

As of December 31, 2012 and 2011, the fair value hierarchy of the Group's and Parent Company's financial instruments measured at fair values are presented below:

	Consolidated		
	2012		
	Level 1	Level 2	Total
Financial assets at FVPL			
Held-for-trading:			
Treasury notes	₱3,943,476,439	₱-	₱3,943,476,439
Government bonds	2,486,034,631	-	2,486,034,631
Treasury bills	107,585	-	107,585
Private bonds and commercial papers	484,724,705	-	484,724,705
Derivative assets	-	252,339,832	252,339,832
Financial assets designated at FVPL	4,999,995,000	-	4,999,995,000
AFS financial assets			
Government bonds	35,661,272,547	-	35,661,272,547
Quoted equity shares	120,660,984	-	120,660,984
Credit-linked notes (host)	-	4,130,600,504	4,130,600,504
Private bonds and commercial papers	432,554,427	1,198,372,269	1,630,926,696
	₱48,128,826,318	₱5,581,312,605	₱53,710,138,923
Financial liabilities at FVPL			
Derivative liabilities	₱-	₱570,575,771	₱570,575,771

	Consolidated		
	2011		
	Level 1	Level 2	Total
Financial assets at FVPL			
Held-for-trading:			
Treasury notes	₱1,016,047,753	₱-	₱1,016,047,753
Government bonds	820,631,783	-	820,631,783
Treasury bills	11,364,803	-	11,364,803
Private bonds and commercial papers	379,995,818	-	379,995,818
Derivative assets	-	218,024,061	218,024,061
AFS financial assets			
Government bonds	39,300,379,188	-	39,300,379,188
Quoted equity shares	114,523,809	-	114,523,809
Credit-linked notes (host)	-	4,343,028,942	4,343,028,942
Private bonds and commercial papers	880,342,597	1,119,631,842	1,999,974,439
	₱42,523,285,751	₱5,680,684,845	₱48,203,970,596
Financial liabilities at FVPL			
Derivative liabilities	₱-	₱146,616,341	₱146,616,341

	Parent Company		
	2012		
	Level 1	Level 2	Total
Financial assets at FVPL			
Held-for-trading:			
Treasury notes	₱3,943,476,439	₱–	₱3,943,476,439
Government bonds	2,486,034,631	–	2,486,034,631
Treasury bills	107,585	–	107,585
Private bonds and commercial papers	484,724,705	–	484,724,705
Derivative assets		252,339,832	252,339,832
Financial assets designated at FVPL	4,999,995,000	–	4,999,995,000
AFS financial assets			
Government bonds	34,921,094,182	–	34,921,094,182
Quoted equity shares	120,660,984	–	120,660,984
Credit-linked notes (host)	–	4,130,600,504	4,130,600,504
Private bonds and commercial papers	286,588,166	1,198,372,269	1,484,960,435
	₱47,242,681,692	₱5,581,312,605	₱52,823,994,297
Financial liabilities at FVPL			
Derivative liabilities	₱–	₱570,575,771	₱570,575,771

	Parent Company		
	2011		
	Level 1	Level 2	Total
Financial assets at FVPL			
Held-for-trading:			
Treasury notes	₱1,016,047,753	₱–	₱1,016,047,753
Government bonds	820,631,783	–	820,631,783
Treasury bills	11,364,803	–	11,364,803
Private bonds and commercial papers	379,995,818	–	379,995,818
Derivative assets	–	218,024,061	218,024,061
AFS financial assets			
Government bonds	38,199,866,695	–	38,199,866,695
Quoted equity shares	114,326,309	–	114,326,309
Credit-linked notes (host)	–	4,343,028,942	4,343,028,942
Private bonds and commercial papers	880,342,597	1,119,631,842	1,999,974,439
	₱41,422,575,758	₱5,680,684,845	₱47,103,260,603
Financial liabilities at FVPL			
Derivative liabilities	₱–	₱146,616,341	₱146,616,341

As of December 31, 2012 and 2011, there were no financial instruments measured based on Level 3 inputs.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2012 and 2011.

## 6. Financial Risk Management Objectives and Policies

The Group's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Group through a rigorous, comprehensive and continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. As reflected in its corporate actions and organizational improvements, the Group has placed due importance on expanding and strengthening its risk management process and considers it as a vital component to the Group's continuing profitability and financial stability. Central to the Group's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business viability and good financial position in the market.

The key financial risks that the Group faces are: credit risk, market risk (i.e. interest rate risk, foreign currency risk and equity price risk) and liquidity risk. The Group's risk management objective is primarily focused on controlling and mitigating these risks. The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries, particularly CBSI, have their own risk management processes but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group. The gravity of the risks, the magnitude of the financial instruments involved, and regulatory requirements are primary considerations to the scope and extent of the risk management processes put in place for the subsidiaries.

### **Risk Management Structure**

The BOD of the Parent Company is ultimately responsible for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BODs. The BOD of the Parent Company created a separate board-level independent committee with explicit authority and responsibility for managing and monitoring risks.

The BOD has delegated to the Risk Management Committee (RMC) the implementation of the risk management process which includes, among others, the development of various risk strategies and principles, control guidelines policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits. The RMC is composed of four members of the BOD.

The Risk Management Group (RMG) is the direct support of the RMC in the day-to-day risk management and the implementation of the risk management strategies approved by the RMC. The implementation cuts across all departments of the Parent Company and involves all of the Parent Company's financial instruments, whether "on-books" or "off-books." The RMG is likewise responsible for monitoring the implementation of specific risk control procedures and enforcing compliance thereto. The RMG is also directly involved in the day-to-day risk measurement and monitoring to make sure that the Parent Company, in its transactions and dealings, engages only in acceptable and manageable financial risks. The RMG also ensures that risk measurements are accurately and completely captured on a timely basis in the management reporting system of the Parent Company. The RMG regularly reports the results of the risk measurements to the RMC. The RMG is headed by the Chief Risk Officer (CRO).

Apart from RMG, each business unit has created and put in place various process controls which ensure that all the external and internal transactions and dealings of the unit are in compliance with the unit's risk management objectives.

The Internal Audit Division also plays a crucial role in risk management primarily because it is independent of the business units and reports exclusively to the Audit Committee which, in turn, is comprised of independent directors. The Internal Audit Division focuses on ensuring that adequate controls are in place and on monitoring compliance to controls. The regular audit covers all processes and controls, including those under the risk management framework handled by the RMG. The audit of these processes and controls is undertaken at least annually. The audit results and exceptions, including recommendations for their resolution or improvement, are discussed initially with the business units concerned before these are presented to the Audit Committee.

### **Risk Management Reporting**

The CRO and other members of the RMG report to the RMC and are a resource to the Management Committee (ManCom) on a monthly and a weekly basis, respectively. The CRO reports on key risk indicators and specific risk management issues that would need resolution from top management. This is undertaken after the risk issues and key risk indicators have been discussed with the business units concerned.

The key risk indicators were formulated on the basis of the financial risks faced by the Parent Company. The key risk indicators contain information from all business units that provide measurements on the level of the risks taken by the Parent Company in its products, transactions and financial structure. Among others, the report on key risk indicators includes information on the Parent Company's aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR analysis, utilization of market and credit limits, liquidity ratios, overall loan loss provisioning and risk profile changes. Loan loss provisioning and credit limit utilization are, however, discussed in more detail in the Credit Committee. On a monthly basis, detailed reporting of industry, customer and geographic risks is included in the discussion with the RMC and ManCom. A comprehensive risk report is submitted to the BOD every quarter for an overall assessment of the level of risks taken by the Parent Company. On the other hand, the Chief Internal Auditor reports to the Audit Committee on a monthly basis on the results of branch or business unit audits and for the resolution of pending but important internal audit issues.

The Parent Company has acquired a new risk management system which, for market and liquidity risk, will greatly improve its risk measurement and reporting, particularly those related to treasury products. To date, the Parent Company is still in the process of testing and implementation.

### **Risk Mitigation**

The Parent Company uses derivatives, structured products and other financial instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity prices, credit valuations, and exposures arising from forecast transactions. However, the nature and extent of use of these financial instruments to mitigate risks are limited to those allowed by the BSP for the Parent Company and its subsidiaries.

To further mitigate risks throughout its different business units, the Parent Company created new risk management policies and made vast improvements to existing policies (e.g., The Risk Management Manual, Operational Risk Management Policy Manual, Product Approval and Review Policy, and Market Risk and Liquidity Risk Management Policies). These policies further serve as the framework and set of guidelines in the creation or revisions of operating policies and manuals for each business unit. In the process design and implementation, preventive controls are preferred over detection controls. Clear delineation of responsibilities and separation of incompatible duties among officers and staff, as well as, among business units are reiterated in these policies. To the extent possible, reporting and accounting responsibilities are segregated from units directly involved in operations and front line activities (i.e., players must not be scorers). This is to improve the credibility and accuracy of management information. Any inconsistencies in the operating policies and manuals with the risk framework created by the RMG are taken up and resolved in the RMC and ManCom.

Based on the approved Operational Risk Assessment Program, RMG spearheaded the bankwide (all Head Office units and branches) risk identification and self-assessment process. This would enable determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure a controlled operating environment. RMG was also mandated to maintain

and update the Parent Company's Centralized Loss Database wherein all reported incidents of losses shall be encoded to enable assessment of weaknesses in the processes and come up with viable improvements to avoid recurrence.

Monitoring and controlling risks are primarily performed based on various limits established by the top management covering the Group's transactions and dealings. These limits reflect the Group's business strategies and market environment, as well as, the levels of risks that the Group is willing to tolerate, with additional emphasis on selected industries. In addition, the Parent Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The Group's Management identified the need for an asset-liability management (ALM) application to strategically manage risks arising from mismatches between the Parent Company's assets and liabilities, particularly in the areas of interest rate risk and liquidity risk. An ALM would support high-level decisions with regard to funds pricing and resource allocation.

Implementation of the ALM system began in 2011 and the User Acceptance Testing (UAT) of the Static (phase 1) and Liquidity (phase 2) modules were completed in 2012. Still on-going are the UATs for the Dynamic (phase 3) and Funds Transfer Pricing modules (phase 4) with target completion on the first half of 2013. Full implementation and production will commence after acceptance of all the ALM system modules. This new ALM system will become a significant part of the Bank's risk management processes.

BSP issued Circular No. 639 dated January 15, 2009 which mandated the use of the Internal Capital Adequacy Assessment Process (ICAAP) by all universal and commercial banks to determine their minimum required capital relative to their business risk exposures. In this regard, the Board approved the engagement of the services of a consultant to assist in the bank-wide implementation and embedding of the ICAAP, as provided for under Pillar 2 of Basel II and BSP Circular No. 639.

As of December 31, 2009, the Parent Company has completed its top-down risk prioritization and has finalized the top risks of the Parent Company based on the results of the Risk Self-assessment Survey and the voting conducted among selected members of the BOD and Senior Management. In addition, ICAAP Technical Committees have been designated per risk area and meets on a regular basis.

The Parent Company had submitted its 2011 and 2012 ICAAP documents, in compliance with BSP requirements, on January 31, 2012 and January 30, 2013, respectively. The documents disclosed that the Parent Company has an appropriate level of internal capital relative to the Group's risk profile. The Bank had already developed the product programs for derivative instruments it will be dealing. It is currently testing a new market risk system module to support its derivative activities with target completion on the first half of 2013. This module is also currently being validated by a third-party reviewer with target completion also on the first half of 2013.

#### ***Credit Risk***

##### ***Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items***

Credit risk is the risk of financial loss on account of a counterparty to a financial product failing to honor its obligation. The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (i.e., investment securities issued by either sovereign or corporate entities) or enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements (i.e., on or off-balance sheet exposures). The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction).

The Group has risk limits setting for purposes of monitoring and managing credit risk from individual counterparties and groups of counterparties. It also conducts periodical assessment of the creditworthiness of its counterparties. In addition, the Group obtains collateral where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

In compliance with BSP requirements, the Group established an internal Credit Risk Rating System (CRRS) for the purpose of measuring credit risk for corporate borrowers in a consistent manner, as accurately as possible, and thereafter uses the risk information for business and financial decision making. The CRRS covers corporate borrowers with total assets, total facilities, or total credit exposures amounting to ₱15.00 million and above.

Further, the CRRS was designed within the technical requirements defined under BSP Circular No. 439. It has two components, namely: a) Borrower Risk Rating (BRR) which provides an assessment of the creditworthiness of the borrower, without considering the proposed facility and security arrangements, and b) Loan Exposure Rating (LER) which provides an assessment of the proposed facilities as mitigated or enhanced by security arrangements. The CRRS rating scale consists of ten grades, six of which fall under unclassified accounts, with the remaining four falling under classified accounts in accordance with regulatory provisioning guidelines.

In 2011, the Parent Company launched the Borrower Credit Score (BCS), a credit scoring system designed for retail small and medium entities and individual loan accounts. The BCS is currently implemented on a test run basis.

##### ***Excessive Risk Concentration***

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

## Notes to Financial Statements

The distribution of the Group's and Parent Company's assets, liabilities, and credit commitment items (see Note 29) by geographic region as of December 31, 2012 and 2011 (in millions) follows:

Geographic Region:	Consolidated					
	2012			2011		
	Assets	Liabilities	Credit Commitments	Assets	Liabilities	Credit Commitments
Philippines	₱296,724	₱280,523	₱7,308	₱235,703	₱221,517	₱10,663
Asia	7,041	226	3,212	6,836	409	2,988
Europe	533	72	490	1,376	115	344
United States	8,293	360	621	7,096	749	547
Others	785	4	64	689	1	47
	<b>₱313,376</b>	<b>₱281,185</b>	<b>₱11,695</b>	<b>₱251,700</b>	<b>₱222,791</b>	<b>₱14,589</b>

Geographic Region:	Parent Company					
	2012			2011		
	Assets	Liabilities	Credit Commitments	Assets	Liabilities	Credit Commitments
Philippines	₱286,745	₱271,292	₱7,308	₱231,020	₱217,502	₱10,663
Asia	7,041	226	3,212	6,836	409	2,988
Europe	533	72	490	1,376	115	344
United States	8,290	360	621	6,972	749	547
Others	786	4	64	689	1	47
	<b>₱303,395</b>	<b>₱271,954</b>	<b>₱11,695</b>	<b>₱246,893</b>	<b>₱218,776</b>	<b>₱14,589</b>

Information on credit concentration as to industry of loans and receivables is presented in Note 8 to the financial statements.

### Maximum exposure to credit risk

The table below provides the analysis of the maximum exposure to credit risk of the Parent Company's financial instruments (the maximum exposure to credit risk of subsidiaries were no longer disclosed as they are not material to the Group), excluding those where the carrying values as reflected in the balance sheets and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements:

Credit risk exposure relating to on-balance sheet items are as follows:	Parent Company		
	2012		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Loans and receivables			
Corporate and commercial lending	₱155,255,349,771	₱133,905,287,543	₱23,701,198,502
Consumer lending	19,251,841,266	12,155,413,201	8,208,663,977
Trade-related lending	10,762,158,498	10,162,599,881	1,141,624,131
Others	92,405,133	89,309,365	70,888,401
	<b>185,361,754,668</b>	<b>156,312,609,990</b>	<b>33,122,375,011</b>
Sales contracts receivable	394,826,052	–	394,826,052
	<b>₱185,756,580,720</b>	<b>₱156,312,609,990</b>	<b>₱33,517,201,063</b>

Credit risk exposure relating to on-balance sheet items are as follows:	Parent Company		
	2011		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Loans and receivables			
Corporate and commercial lending	₱117,134,479,454	₱99,976,229,279	₱19,919,311,732
Consumer lending	15,247,385,580	8,808,982,315	7,480,586,017
Trade-related lending	10,944,737,600	10,483,876,747	1,366,007,259
Others	99,971,415	18,413,670	82,738,147
	<b>143,426,574,049</b>	<b>119,287,502,011</b>	<b>28,848,643,155</b>
Sales contracts receivable	256,463,325	–	256,463,325
	<b>₱143,683,037,374</b>	<b>₱119,287,502,011</b>	<b>₱29,105,106,480</b>

Credit risk, in respect of derivative financial products, is limited to those with positive fair values, which are included under Financial Assets at FVPL (see Note 7). As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the balance sheet plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 28 to the financial statements.

**Collateral and other credit enhancements**

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented with regard to the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities
- For consumer lending - real estate and chattel over vehicle
- For corporate lending and commercial lending- real estate, chattel over properties, assignment of deposits, shares of stocks, bonds, and guarantees

Management requests additional collateral in accordance with the underlying agreement and takes into consideration the market value of collateral during its review of the adequacy of allowance for credit losses.

It is the Group’s policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In most cases, the Parent Company does not occupy repossessed properties for business use.

Collaterals foreclosed in 2012 and 2011 and are still held by the Group as of December 31, 2012 and 2011 amounted to ₱119.14 million and ₱571.70 million, respectively. These collaterals comprised of real estate properties.

**Credit quality per class of financial assets**

The credit quality of financial assets is managed by the Group using an internal credit rating system for the purpose of measuring credit risk in a consistent manner as accurately as possible. The model on risk ratings is assessed and updated regularly because the Group uses this information as a tool for business and financial decision making.

It is the Parent Company’s policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company’s rating policy. The attributable risk ratings are assessed and monitored regularly. The standard credit rating equivalent grades are relevant only for certain exposures in each risk rating class.

The following table shows the description of the internal CRRS grade:

CRRS Grade	Description
1	Excellent
2	Strong
3	Good
4	Satisfactory
5	Acceptable
6	Watchlist
7	Especially Mentioned
8	Substandard
9	Doubtful
10	Loss

The credit grades are defined as follows:

**Excellent and Strong** – This category applies to a borrower with a very low probability of going into default in the coming year. The borrower has a high degree of stability, substance and diversity. It has access to raise substantial amounts of funds through the public markets at any time. The borrower has a strong market and financial position with a history of successful performance. The critical balance sheet ratios are conservative. The borrower has a very strong debt service capacity and a conservative use of balance sheet leverage. The track record in profit terms is very good. The borrower is of highest quality under virtually all economic conditions.

**Good** – This category covers the smaller corporations with limited access to public capital markets or access to alternative financial markets. This access is however limited to favorable economic and/or market conditions. Typical for this type of borrower is the combination of comfortable asset protection and acceptable balance sheet structure. The debt service capacity, as measured based on cash flows, is strong.

**Satisfactory** – This category represents those borrowers where clear risk elements exist and the probability of default is somewhat greater. This probability is reflected in volatility of earnings and overall performance. Borrowers in this category normally have limited access to public financial markets. Borrowers should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. Typical for this kind of borrower is the combination of reasonably sound asset and cash flow protection. The debt service capacity, as measured by cash flow, is deemed adequate. The borrower has reported profits for the past fiscal year and is expected to report a profit in the current year.

## Notes to Financial Statements

**Acceptable** – The risk elements for the Parent Company are sufficiently pronounced, although borrowers should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

**Watchlist** – This represents borrowers for which unfavorable industry or company-specific risk factors represent a concern. Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. The borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility. This category includes those borrowers where the credit exposure is not a risk of loss at the moment, but the performance of the borrower has weakened, and unless present trends are reversed, could lead to losses.

**Especially Mentioned**– In this category, the borrowers are characterized by a reasonable probability of default, manifested by some or all the following: (a) evidence of weakness in the borrower's financial condition or creditworthiness; (b) the borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized; (c) the borrower is expected to have financial difficulties and exposure may be at risk. Closer account management attention is warranted. Concerted efforts should be made to improve lender's position (e.g., demanding additional collateral or reduction of account exposure). These potential weaknesses, if left uncorrected or unmitigated, would affect the repayment of the loan and, thus, increase credit risk to the Parent Company.

**Substandard** – Under this category, the collection of principal or interest becomes questionable regardless of scheduled payment date, by reason of adverse developments on account of a financial, managerial, economic, or political nature, or by important weaknesses in cover. The probability of default is assessed at up to 50%. Substandard loans are loans or portions thereof that appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics. There exists in such loans the possibility of future loss to the Parent Company unless given closer supervision.

**Doubtful** – This category includes all borrowers with "non-performing loan" status or an account with any portion of interest and/or principal payment that has become in arrears for more than ninety (90) days. The borrower is unable or unwilling to service debt over an extended period of time. Future prospects of orderly debt service are considered doubtful. Existing facts or conditions make collection or liquidation in full highly improbable and, thus, substantial loss is probable.

**Loss** – This category represents borrowers whose prospect for re-establishment of creditworthiness and debt service is remote. This category also applies where the Parent Company will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or liquidation of the borrower's business. The loans are considered uncollectible or worthless and of such little value.

The credit quality of the Group's loans and receivables from customers, which is based on the internal CRRS grade, is grouped as follows:

Credit Quality Rating	Criteria
Neither Past Due Nor Impaired	
High	Loans with risk rating of 1 and 2
Standard	Loans with risk rating of 3 to 5
Sub-Standard	Generally, loans with risk rating of 6 to 8
Past Due or Impaired	
Past Due but not Impaired	Those that were classified as Past Due per BSP guidelines or those that are still in current status but have objective evidence of impairment; Generally, loans with risk rating of 9 to 10
Impaired	

The table below shows the credit quality by class of loans and receivables as of December 31, 2012 and 2011, excluding other receivables (gross of allowance for credit losses and unearned discount).

	Consolidated						
	2012						
	Neither Past Due nor Impaired				Past Due But Not Impaired	Past Due or Impaired	Total
High Grade	Standard Grade	Substandard Grade	Unrated				
Corporate and commercial lending	₱30,292,483,624	₱94,399,189,831	₱17,930,372,729	₱15,038,363,209	₱1,076,779,118	₱4,337,912,908	₱163,075,101,419
Consumer lending	2,026,708,257	6,210,743,263	2,017,819,612	11,525,168,922	819,865,679	683,195,902	23,283,501,635
Trade-related lending	376,886,724	8,951,140,910	1,108,573,430	53,340,362	235,150,770	633,121,957	11,358,214,153
Others	9,487,772	–	–	91,113,885	1,452,837	65,917	102,120,411
<b>Total</b>	<b>₱32,705,566,377</b>	<b>₱109,561,074,004</b>	<b>₱21,056,765,771</b>	<b>₱26,707,986,378</b>	<b>₱2,133,248,404</b>	<b>₱5,654,296,684</b>	<b>₱197,818,937,618</b>

	Consolidated						
	2011						
	Neither Past Due nor Impaired				Past Due But Not Impaired	Past Due or Impaired	Total
High Grade	Standard Grade	Substandard Grade	Unrated				
Corporate and commercial lending	₱19,902,278,616	₱69,229,852,558	₱19,064,930,727	₱11,970,360,282	₱583,113,269	₱3,404,166,515	₱124,154,701,967
Consumer lending	1,080,724,409	4,968,386,766	720,318,356	8,832,432,920	1,578,644,650	203,606,023	17,384,113,124
Trade-related lending	356,024,024	9,716,797,255	976,147,264	37,645,020	155,275,136	616,769,854	11,858,658,553
Others	11,651,706	–	–	100,362,812	788,975	55,164	112,858,657
<b>Total</b>	<b>₱21,350,678,755</b>	<b>₱83,915,036,579</b>	<b>₱20,761,396,347</b>	<b>₱20,940,801,034</b>	<b>₱2,317,822,030</b>	<b>₱4,224,597,556</b>	<b>₱153,510,332,301</b>

Parent Company							
2012							
	Neither Past Due nor Impaired				Past Due But Not Impaired	Past Due or Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated			
Corporate and commercial lending	₱28,750,194,152	₱94,214,740,697	₱17,885,020,075	₱14,545,792,934	₱1,076,531,615	₱4,332,777,595	₱160,805,057,068
Consumer lending	40,474,402	5,924,610,742	1,514,427,522	11,525,168,922	794,919,818	544,739,128	20,344,340,534
Trade-related lending	376,886,724	8,951,140,910	1,108,573,430	53,340,362	235,150,770	633,121,957	11,358,214,153
Others	-	-	-	91,113,885	1,452,837	-	92,566,722
<b>Total</b>	<b>₱29,167,555,278</b>	<b>₱109,090,492,349</b>	<b>₱20,508,021,027</b>	<b>₱26,215,416,103</b>	<b>₱2,108,055,040</b>	<b>₱5,510,638,680</b>	<b>₱192,600,178,477</b>

Parent Company							
2011							
	Neither Past Due nor Impaired				Past Due But Not Impaired	Past Due or Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated			
Corporate and commercial lending	₱19,668,232,132	₱69,140,232,750	₱19,064,930,727	₱11,477,366,777	₱534,313,269	₱3,385,952,813	₱123,271,028,468
Consumer lending	22,811,783	4,967,995,176	720,318,356	8,832,432,920	1,578,644,650	167,365,447	16,289,568,332
Trade-related lending	356,024,024	9,716,797,255	976,147,264	37,645,020	155,275,136	616,769,854	11,858,658,553
Others	-	-	-	100,362,812	788,975	-	101,151,787
<b>Total</b>	<b>₱20,047,067,939</b>	<b>₱83,825,025,181</b>	<b>₱20,761,396,347</b>	<b>₱20,447,807,529</b>	<b>₱2,269,022,030</b>	<b>₱4,170,088,114</b>	<b>₱151,520,407,140</b>

#### Depository accounts with the BSP and counterparty banks, Trading and Investment Securities

For these financial assets, outstanding exposure is rated primarily based on external risk rating (i.e. Standard and Poor's (S&P), otherwise, rating is based on risk grades by a local rating agency or included under "Unrated", when the counterparty has no available risk grade.

The external risk rating of the Group's depository accounts with the BSP and counterparty banks, trading and investment securities, is grouped as follows:

Credit Quality Rating	External Credit Risk Rating	Credit Rating Agency
High grade	AAA, AA+, AA and AA-,	S&P
	Aaa, Aa1, Aa2 and Aa3	Moody's
	AAA, AA+, AA and AA-	Fitch
Standard grade	A+, A, A- and BBB+	S&P
	A1, A2, A3 and Baa1	Moody's
	A+, A, A- and BBB+	Fitch
Substandard grade	BBB, BBB-, BB+ and BB	S&P
	Baa2, Baa3, Ba1 and Ba2,	Moody's
	BBB, BBB-, BB+ and BB	Fitch

Following is the credit rating scale applicable for foreign banks, and government securities (aligned with S&P ratings):

AAA - Obligor's capacity to meet its financial commitment is extremely strong.

AA - Obligor's capacity to meet its financial commitment is very strong. It differs from the highest-rated obligors at a minimal degree.

A - Obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors rated in higher-rated categories.

BBB and below:

BBB - Obligation rated has adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB - Obligation is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B - Obligation rated is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC - Obligation is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

## Notes to Financial Statements

CC - Obligation is currently highly vulnerable to nonpayment.

C - Obligations are currently highly vulnerable to nonpayment, payment arrearages allowed by the terms of the documents, and subject of a bankruptcy petition or similar action which have not experienced a payment default.

D - Obligation is in payment default. Payments on an obligation are not made on the date due even if the applicable grace period has not expired.

The table below shows the credit quality of deposits and investments as of December 31, 2012 and 2011, based on external risk ratings (gross of allowance for credit losses).

Consolidated				
2012				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	₱—	₱—	₱40,659,682,959	₱40,659,682,959
Due from other banks	1,363,768,111	2,367,754,420	738,166,151	4,469,688,682
SPURA	—	—	446,000,000	446,000,000
Financial assets at FVPL	50,084,415	6,342,764,487	295,139,332	6,687,988,234
AFS financial assets	4,523,766,552	7,665,548,627	28,910,656,034	41,099,971,213
HTM financial assets	—	—	12,694,252,441	12,694,252,441
	₱5,937,619,078	₱16,376,067,534	₱83,743,896,917	₱106,057,583,529

Consolidated				
2011				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	₱—	₱—	₱30,122,324,047	₱30,122,324,047
Due from other banks	1,174,639,218	1,266,379,471	287,454,486	2,728,473,175
SPURA	—	—	671,000,000	671,000,000
Financial assets at FVPL	85,134,354	1,949,364,984	178,166,976	2,212,666,314
AFS financial assets	1,077,646,208	7,542,782,091	37,021,420,167	45,641,848,466
HTM financial assets	—	—	12,960,937,205	12,960,937,205
	₱2,337,419,780	₱10,758,526,546	₱81,241,302,881	₱94,337,249,207

Parent Company				
2012				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	₱—	₱—	₱37,597,455,540	₱37,597,455,540
Due from other banks	1,338,324,970	2,330,241,902	614,751,992	4,283,318,864
Financial assets at FVPL	50,084,415	6,342,764,487	295,139,332	6,687,988,234
AFS financial assets	4,523,766,552	7,665,548,627	28,169,378,169	40,358,693,348
HTM financial assets	—	—	12,665,325,779	12,665,325,779
	₱5,912,175,937	₱16,338,555,016	₱79,342,050,812	₱101,592,781,765

Parent Company				
2011				
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	₱—	₱—	₱29,571,232,355	₱29,571,232,355
Due from other banks	1,174,639,218	1,266,379,471	287,454,486	2,728,473,175
Financial assets at FVPL	85,134,354	1,949,364,985	178,166,976	2,212,666,315
AFS financial assets	1,077,646,208	7,542,782,091	35,912,554,762	44,532,983,061
HTM financial assets	—	—	12,877,757,205	12,877,757,205
	₱2,337,419,780	₱10,758,526,547	₱78,827,165,784	₱91,923,112,111

### Due from other banks and government securities

The external risk rating of the Group's depository accounts with counterparty banks, trading and investment securities, is grouped as follows (aligned with the Philippine Ratings System):

Credit Quality Rating	External Credit Risk Rating
High grade	AAA, Aa+, Aa and Aa-
Standard grade	A+, A, A- and Baa+
Substandard grade	Baa, Baa-, Ba+, Ba and Ba-

PRS Aaa - The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

PRS Aa - The obligor's capacity to meet its financial commitment on the obligation is very strong.

PRS A - With favorable investment attributes and are considered as upper-medium grade obligations. Although obligations rated 'PRS A' are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong.

PRS Baa - An obligation rated 'PRS Baa' exhibits adequate protection parameters. However, adverse economic conditions and changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. PRS Baa-rated issues may possess certain speculative characteristics.

PRS Ba - An obligation rated 'PRS Ba' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties relating to business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

PRS B - An obligation rated 'PRS B' is more vulnerable to nonpayment than obligations rated 'PRS Ba', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse economic conditions will likely impair the obligor's capacity to meet its financial commitment on the obligation. The issue is characterized by high credit risk.

PRS Caa - An obligation rated 'PRS Caa' is presently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The issue is considered to be of poor standing and is subject to very high credit risk

PRS Ca - Likely already in or very near default with some prospect for partial recovery of principal or interest.

PRS C - An obligation is already in default with very little prospect for any recovery of principal or interest.

The table below shows the credit quality of deposits and investments, by class, as of December 31, 2012 and 2011, based on risk grades of a local rating agency (gross of allowance for credit losses).

	Consolidated			
	2012			
	High Grade	Standard Grade	Substandard Grade	Total
Due from other banks	₱-	₱50,906,947	₱-	₱50,906,947
Financial assets at FVPL	5,219,385,422	-	-	5,219,385,422
AFS financial assets	438,474,268	-	-	438,474,268
<b>Total</b>	<b>₱5,657,859,690</b>	<b>₱50,906,947</b>	<b>₱-</b>	<b>₱5,708,766,637</b>

	Consolidated			
	2011			
	High Grade	Standard Grade	Substandard Grade	Total
Financial assets at FVPL	₱162,689,137	₱-	₱-	₱162,689,137
AFS financial assets	108,444,728	-	-	108,444,728
<b>Total</b>	<b>₱271,133,865</b>	<b>₱-</b>	<b>₱-</b>	<b>₱271,133,865</b>

	Parent Company			
	2012			
	High Grade	Standard Grade	Substandard Grade	Total
Financial assets at FVPL	₱5,219,385,421	₱-	₱-	₱5,219,385,421
AFS financial assets	292,508,007	-	-	292,508,007
<b>Total</b>	<b>₱5,511,893,428</b>	<b>₱-</b>	<b>₱-</b>	<b>₱5,511,893,428</b>

	Parent Company			
	2011			
	High Grade	Standard Grade	Substandard Grade	Total
Financial assets at FVPL	₱162,689,137	₱-	₱-	₱162,689,137
AFS financial assets	108,444,728	-	-	108,444,728
<b>Total</b>	<b>₱271,133,865</b>	<b>₱-</b>	<b>₱-</b>	<b>₱271,133,865</b>

The table below shows the breakdown of unrated deposits and investments as of December 31, 2012 and 2011 (gross of allowance):

	Consolidated		Parent Company	
	2012	2011	2012	2011
Due from other banks	₱6,781,369	₱16,931,756	₱6,301,358	₱1,001,261
Financial assets at FVPL	259,304,536	70,708,766	259,304,536	70,708,766
AFS financial assets	71,531,270	67,706,019	31,860,853	36,385,979
Other assets*	3,806,022,633	4,264,382,396	3,464,946,062	3,866,397,869
<b>Total</b>	<b>₱4,143,639,808</b>	<b>₱4,419,728,937</b>	<b>₱3,762,412,809</b>	<b>₱3,974,493,875</b>

\* Other assets exclude net plan assets and creditable withholding taxes (see Note 13).

## Notes to Financial Statements

The table below shows the aging analysis of gross past due but not impaired loans and receivables that the Group and Parent Company held as of December 31, 2012 and December 31, 2011. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

December 31, 2012	Consolidated				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial					
lending	₱447,557,769	₱12,954,892	₱3,581,478	₱612,684,979	₱1,076,779,118
Consumer lending	301,060,084	46,249,032	49,420,003	423,136,560	819,865,679
Trade-related lending	113,711,843	–	–	121,438,927	235,150,770
Others	970,409	42,904	172,364	267,160	1,452,837
<b>Total</b>	<b>₱863,300,105</b>	<b>₱59,246,828</b>	<b>₱53,173,845</b>	<b>₱1,157,527,626</b>	<b>₱2,133,248,404</b>

December 31, 2011	Consolidated				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial					
lending	₱159,859,949	₱17,457,356	₱25,900,000	₱379,895,964	₱583,113,269
Consumer lending	572,356,439	37,960,456	45,895,016	922,432,739	1,578,644,650
Trade-related lending	3,920,820	–	7,036,274	144,318,042	155,275,136
Others	439,607	–	–	349,368	788,975
<b>Total</b>	<b>₱736,576,815</b>	<b>₱55,417,812</b>	<b>₱78,831,290</b>	<b>₱1,446,996,113</b>	<b>₱2,317,822,030</b>

December 31, 2012	Parent Company				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial					
lending	₱447,557,769	₱12,954,892	₱3,333,975	₱612,684,979	₱1,076,531,615
Consumer lending	299,844,540	45,852,940	38,756,938	410,465,400	794,919,818
Trade-related lending	113,711,843	–	–	121,438,927	235,150,770
Others	970,409	42,904	172,364	267,160	1,452,837
<b>Total</b>	<b>₱862,084,561</b>	<b>₱58,850,736</b>	<b>₱42,263,277</b>	<b>₱1,144,856,466</b>	<b>₱2,108,055,040</b>

December 31, 2011	Parent Company				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and receivables					
Corporate and commercial					
lending	₱111,059,949	₱17,457,356	₱25,900,000	₱379,895,964	₱534,313,269
Consumer lending	572,356,439	37,960,456	45,895,016	922,432,739	1,578,644,650
Trade-related lending	3,920,820	–	7,036,274	144,318,042	155,275,136
Others	439,607	–	–	349,368	788,975
<b>Total</b>	<b>₱687,776,815</b>	<b>₱55,417,812</b>	<b>₱78,831,290</b>	<b>₱1,446,996,113</b>	<b>₱2,269,022,030</b>

The following table presents the carrying amount of financial assets of the Group and Parent Company as of December 31, 2012 and 2011 that would have been considered past due or impaired if not renegotiated:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Loans and advances to customers:				
Corporate and commercial lending	₱862,159,498	₱455,624,046	₱862,159,498	₱455,624,046
Consumer lending	227,852	322,121	227,852	322,121
<b>Total renegotiated financial assets</b>	<b>₱862,387,350</b>	<b>₱455,946,167</b>	<b>₱862,387,350</b>	<b>₱455,946,167</b>

### Impairment assessment

The main considerations for the loan impairment assessment include whether any payment of principal or interest is overdue by more than 90 days, or there are known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

#### Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

### **Collectively assessed allowances**

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is no objective evidence of individual impairment yet. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment yet per an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

### **Market Risk**

Market risk is the risk of loss that may result from changes in the value of a financial product. The Parent Company's market risk originates from its holdings of domestic and foreign-denominated debt securities, foreign exchange instruments and equities.

The RMG of the Parent Company is responsible for assisting the RMC with its responsibility for identifying, measuring, managing and controlling market risk. Market risk management is implemented under the Value-at-Risk (VaR) method. VaR is a statistical measure that estimates the maximum potential loss from a portfolio over a holding period, within a given confidence level.

### **VaR assumptions**

The Parent Company calculates the Bankwide VaR in certain trading activities. The Parent Company uses the Parametric Variance-Covariance and Duration-Based approach to VaR, using a 99.00% confidence level and a 1-day holding period for interest rate, foreign exchange risk and equity risk. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days. The validity of the VaR model is verified through back testing, which examines how frequently actual and hypothetical daily losses exceeds daily VaR. The Parent Company measures and monitors the VaR and profit and loss on a daily basis.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management. Further, stress testing is performed in monitoring extreme events.

### **Limitations of the VaR Methodology**

The VaR models are designed to measure market risk in a normal market environment. The models assume that changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated by using equally weighted historical data. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Group would withstand an extreme market event.

A summary of the VaR position of the trading portfolio of the Parent Company is as follows:

	Interest Rate <sup>1</sup>	Foreign Exchange <sup>2</sup>	Equity
	(In Millions)		
<b>2012</b>			
31 December	<b>₱66.21</b>	<b>₱8.44</b>	<b>₱86.57</b>
Average daily	<b>41.50</b>	<b>12.15</b>	<b>90.88</b>
Highest	<b>80.93</b>	<b>26.70</b>	<b>95.04</b>
Lowest	<b>18.71</b>	<b>3.42</b>	<b>86.57</b>
<b>2011</b>			
31 December	₱20.04	₱7.43	₱0.00
Average daily	13.81	9.03	2.32
Highest	57.3	21.48	2.63
Lowest	9.03	2.19	1.84

<sup>1</sup> Interest rate VaR for foreign currency-denominated debt securities are translated to PHP using prior month's closing rate

<sup>2</sup> FX VaR is the bankwide foreign exchange risk

## Notes to Financial Statements

### Interest Rate Risk

The Group's interest rate risk originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. The Parent Company follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors its assets and liabilities.

As of December 31, 2012 and 2011, 77.12% and 74.01% of the Group's total loan portfolio, respectively, comprised of floating rate loans which are repriced periodically by reference to the transfer pool rate which reflects the Group's internal cost of funds. In keeping with banking industry practice, the Group aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers.

Interest is paid on demand accounts, which constituted 22.77% and 25.58% of total deposits of the Parent Company as of December 31, 2012 and 2011, respectively.

Interest is paid on savings accounts and time deposits accounts, which constitute 57.15% and 20.08%, respectively, of total deposits of the Parent Company as of December 31, 2012, and 51.54% and 22.88%, respectively, as of December 31, 2011.

Savings account interest rates are set by reference to prevailing market rates, while interest rates on time deposits and special savings accounts are usually priced by reference to prevailing rates of short-term government bonds and other money market instruments, or, in the case of foreign currency deposits, inter-bank deposit rates and other benchmark deposit rates in international money markets with similar maturities.

The Group is likewise exposed to fair value interest rate risk due to its holdings of fixed rate government bonds as part of its AFS and FVPL portfolios. Market values of these investments are sensitive to fluctuations in interest rates.

The following table provides for the average effective interest rates by period of repricing of the Group and of the Parent Company as of December 31, 2012 and 2011:

	Consolidated					
	2012			2011		
	Less than 3 months	3 months to 1 year	Greater than 1 year	Less than 3 months	3 months to 1 year	Greater than 1 year
<b>Peso</b>						
<b>Assets</b>						
Due from BSP	0.63%	–	–	2.44%	–	–
Due from banks	0.40%	–	–	0.48%	–	–
Investment securities*	4.91%	5.59%	7.28%	2.09%	1.57%	5.39%
Loans and receivables	5.34%	6.54%	6.97%	5.14%	6.13%	6.47%
<b>Liabilities</b>						
Deposit liabilities	2.00%	4.85%	4.93%	2.02%	3.95%	7.09%
Bills payable	4.35%	5.06%	5.86%	0.00%	0.00%	6.15%
<b>USD</b>						
<b>Assets</b>						
Investment securities*	3.11%	3.85%	4.74%	–	–	4.84%
Loans and receivables	3.02%	3.03%	3.00%	3.20%	2.52%	3.94%
<b>Liabilities</b>						
Deposit liabilities	1.13%	1.47%	–	1.31%	1.44%	–
Bills payable	0.09%	–	–	2.75%	2.82%	–

\* Consisting of financial assets at FVPL, AFS financial assets and HTM financial assets.

	Parent Company					
	2012			2011		
	Less than 3 months	3 months to 1 year	Greater than 1 year	Less than 3 months	3 months to 1 year	Greater than 1 year
<b>Peso</b>						
<b>Assets</b>						
Due from BSP	0.52%	–	–	2.44%	–	–
Due from banks	0.41%	–	–	0.48%	–	–
Investment securities*	4.89%	5.94%	7.39%	2.09%	1.57%	5.36%
Loans and receivables	5.34%	6.39%	6.78%	5.15%	6.08%	6.37%
<b>Liabilities</b>						
Deposit liabilities	2.01%	5.11%	4.64%	2.03%	4.05%	7.27%
Bills payable	4.35%	5.06%	5.86%	0.00%	0.00%	6.15%
<b>USD</b>						
<b>Assets</b>						
Investment securities*	3.11%	3.85%	4.78%	–	–	4.84%
Loans and receivables	3.02%	3.03%	3.00%	3.20%	2.52%	3.94%
<b>Liabilities</b>						
Deposit liabilities	1.13%	1.45%	–	1.31%	1.44%	–
Bills payable	0.09%	–	–	2.75%	2.82%	–

\* Consisting of financial assets at FVPL, AFS financial assets and HTM financial assets.

The asset-liability gap analysis method is used by the Group to measure the sensitivity of its assets and liabilities to interest rate fluctuations. This analysis measures the Group's susceptibility to changes in interest rates. The repricing gap is calculated by first distributing the assets and liabilities contained in the Group's balance sheet into tenor buckets according to the time remaining to the next repricing date (or the time remaining to maturity if there is no repricing), and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and the total of repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, restraining the growth of its net income or resulting in a decline in net interest income.

The following table sets forth the repricing gap position of the Group and Parent Company as of December 31, 2012 and 2011 (in millions):

	Consolidated			
	2012			Total
	Up to 3 Month	>3 to 12 Months	>12 Months	
<b>Financial Assets</b>				
Due from BSP	₱40,226	₱–	₱–	₱40,226
Due from banks	4,342	–	–	4,342
Investment securities	6,667	2,457	44,911	54,035
Loans and receivables	161,654	21,704	6,311	189,669
<b>Total financial assets</b>	<b>212,889</b>	<b>24,161</b>	<b>51,222</b>	<b>288,272</b>
<b>Financial Liabilities</b>				
Deposit liabilities	149,872	16,976	104,644	271,492
Bills payable	1,380	718	1,429	3,527
<b>Total financial liabilities</b>	<b>151,252</b>	<b>17,694</b>	<b>106,073</b>	<b>275,019</b>
<b>Repricing gap</b>	<b>₱61,637</b>	<b>₱6,467</b>	<b>(₱54,851)</b>	<b>₱13,253</b>

	Consolidated			
	2011			
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
<b>Financial Assets</b>				
Due from BSP	₱30,102	₱–	₱–	₱30,102
Due from banks	2,876	–	–	2,876
Investment securities*	3,816	1,682	52,910	58,408
Loans and receivables	119,058	22,074	5,025	146,157
<b>Total financial assets</b>	<b>155,852</b>	<b>23,756</b>	<b>57,935</b>	<b>237,543</b>
<b>Financial Liabilities</b>				
Deposit liabilities	109,013	6,651	100,745	216,409
Bills payable	337	33	1,272	1,642
Total financial liabilities	109,350	6,684	102,017	218,051
<b>Repricing gap</b>	<b>₱46,502</b>	<b>₱17,072</b>	<b>(₱44,082)</b>	<b>₱19,492</b>

	Parent Company			
	2012			
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
<b>Financial Assets</b>				
Due from BSP	₱37,565	₱–	₱–	₱37,565
Due from banks	4,151	–	–	4,151
Investment securities	6,652	2,428	44,266	53,346
Loans and receivables	160,360	20,134	4,205	184,699
Total financial assets	208,728	22,562	48,471	279,761
<b>Financial Liabilities</b>				
Deposit liabilities	143,500	16,789	102,786	263,075
Bills payable	1,380	718	1,429	3,527
Total financial liabilities	144,880	17,507	104,215	266,602
<b>Repricing gap</b>	<b>₱63,848</b>	<b>₱5,055</b>	<b>(₱55,744)</b>	<b>₱13,159</b>

	Parent Company			
	2011			
	Up to 3 Month	>3 to 12 Months	>12 Months	Total
<b>Financial Assets</b>				
Due from BSP	₱29,551	₱–	₱–	₱29,551
Due from banks	2,696	–	–	2,696
Investment securities*	3,816	1,599	51,987	57,402
Loans and receivables	118,075	21,103	3,858	143,036
Total financial assets	154,138	22,702	55,845	232,685
<b>Financial Liabilities</b>				
Deposit liabilities	108,284	6,502	97,186	211,972
Bills payable	337	33	1,272	1,642
Total financial liabilities	108,621	6,535	98,458	213,614
<b>Repricing gap</b>	<b>₱45,517</b>	<b>₱16,167</b>	<b>(₱42,613)</b>	<b>₱19,071</b>

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses to parallel changes in the interest rate curve in a given 12-month period.

The following table sets forth the estimated change in the Group's and Parent Company's annualized net interest income due to a parallel change in the interest rate curve as of December 31, 2012 and 2011:

	Consolidated			
	2012			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱664,875,937	₱332,437,969	(₱332,437,969)	(₱664,875,937)
As a percentage of the Group's net interest income for the year ended December 31, 2012	7.99%	4.00%	(4.00%)	(7.99%)

Consolidated				
2011				
Change in interest rates (in basis points)				
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱510,428,064	₱255,214,032	(₱255,214,032)	(₱510,428,064)
As a percentage of the Group's net interest income for the year ended December 31, 2011	5.97%	2.98%	(2.98%)	(5.97%)
Parent Company				
2012				
Change in interest rates (in basis points)				
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱676,394,648	₱338,197,324	(₱338,197,324)	(₱676,394,648)
As a percentage of the Group's net interest income for the year ended December 31, 2012	8.58%	4.29%	(4.29%)	(8.58%)
Parent Company				
2011				
Change in interest rates (in basis points)				
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱496,518,858	₱248,259,429	(₱248,259,429)	(₱496,518,858)
As a percentage of the Group's net interest income for the year ended December 31, 2011	5.90%	2.95%	(2.95%)	(5.90%)

In 2011, the Demand and Savings Account deposits were reflected in the longer term bucket (5 years) instead of the 1-month bucket as these deposits are generally not interest rate sensitive. There is no other impact on the Group's and Parent Company's equity other than those already affecting the profit or loss.

The following table sets forth the estimated change in the Group's and Parent Company's income before tax and equity due to a reasonably possible change in the market prices of quoted bonds classified under financial assets at FVPL and AFS financial assets, brought about by movement in the interest rate curve as of December 31, 2012 and 2011:

Consolidated				
2012				
Change in interest rates (in basis points)				
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱134,352,828)	(₱54,333,122)	₱54,860,292	₱138,681,509
Change in equity	(685,402,798)	(276,973,633)	280,755,683	709,139,680
Consolidated				
2011				
Change in interest rates (in basis points)				
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱29,668,040)	(₱11,995,429)	₱12,074,965	₱30,415,212
Change in equity	(600,226,722)	(241,721,782)	243,876,959	613,697,633
Parent Company				
2012				
Change in interest rates (in basis points)				
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱134,352,828)	(₱54,333,122)	₱54,860,292	₱138,681,509
Change in equity	(683,578,810)	(276,236,636)	277,796,178	701,700,847
Parent Company				
2011				
Change in interest rates (in basis points)				
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱29,668,040)	(₱11,995,429)	₱12,074,965	₱30,415,212
Change in equity	(585,646,851)	(235,852,126)	238,007,303	599,117,762

## Notes to Financial Statements

### Foreign Currency Risk

The Group's foreign exchange risk originates from its holdings of foreign currency-denominated assets (foreign exchange assets) and foreign currency-denominated liabilities (foreign exchange liabilities).

Foreign exchange liabilities generally consist of foreign currency-denominated deposits in the Group's FCDU account made in the Philippines or generated from remittances to the Philippines by persons overseas who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Group.

Foreign currency liabilities are generally used to fund the Group's foreign exchange assets which generally consist of foreign currency-denominated loans and investments in the FCDU. Banks are required by the BSP to match the foreign currency-denominated assets with liabilities held in the FCDU that are denominated in the same foreign currency. In addition, the BSP requires a 30% liquidity reserve on all foreign currency-denominated liabilities held in the FCDU.

The Group's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Group believes in ensuring its foreign currency is at all times within limits prescribed for financial institutions who are engaged in the same types of businesses in which the Group and its subsidiaries are engaged.

The table below summarizes the Group's and Parent Company's exposure to foreign exchange risk. Included in the table are the Group's and Parent Company's assets and liabilities at carrying amounts (stated in US Dollars), categorized by currency (in thousands):

	Consolidated							
	2012				2011			
	USD	Other Currencies	Total	PHP	USD	Other Currencies	Total	PHP
<b>Assets</b>								
Cash and other cash items	\$11,465	\$2,885	\$14,350	₱589,051	\$11,174	\$2,908	\$14,082	₱617,462
Due from other banks	71,650	18,663	90,313	3,707,348	45,088	13,767	58,855	2,580,198
SPURA	–	–	–	–	520	–	520	22,797
Financial assets at FVPL	44,911	2,059	46,970	1,928,136	12,839	1,681	14,520	636,559
AFS financial assets	470,575	1,508	472,083	19,379,019	563,932	1,362	565,294	24,722,773
HTM financial assets	404,123	3,397	407,520	16,728,710	290,458	3,286	293,744	12,960,937
Loans and receivables	588,936	–	588,936	24,175,822	431,440	870	432,310	18,952,459
Accrued interest receivable	19,585	335	19,920	817,702	2,137	–	2,137	93,699
Other assets	21,472	–	21,472	850,859	87,090	361	87,451	3,833,868
	<b>\$1,632,717</b>	<b>\$28,847</b>	<b>\$1,661,564</b>	<b>₱68,176,647</b>	<b>\$1,444,678</b>	<b>\$24,235</b>	<b>\$1,468,913</b>	<b>₱64,420,752</b>
<b>Liabilities</b>								
Deposit liabilities	\$1,302,189	\$13,530	\$1,315,719	₱54,010,287	\$1,112,463	\$13,180	\$1,125,643	₱49,348,178
Bills payables	6,312	–	6,312	259,102	2,288	–	2,288	100,297
Accrued interest and other expenses	1,722	11	1,733	71,138	1,673	16	1,689	74,136
Other liabilities	28,219	539	28,758	1,180,568	85,044	362	85,406	3,743,246
	<b>\$1,338,442</b>	<b>\$14,080</b>	<b>\$1,352,522</b>	<b>₱55,521,095</b>	<b>\$1,201,468</b>	<b>\$13,558</b>	<b>\$1,215,026</b>	<b>₱53,265,857</b>
Currency spot	\$13,500	\$–	\$13,500	₱554,055	\$19,000	\$1	\$19,001	₱791,095
Currency forwards	(321,127)	–	(321,127)	(12,793,583)	(266,270)	–	(266,270)	(11,638,633)
Net Exposure	<b>(\$13,352)</b>	<b>\$14,767</b>	<b>\$1,415</b>	<b>₱416,024</b>	<b>(\$4,060)</b>	<b>\$10,678</b>	<b>\$6,618</b>	<b>₱307,357</b>

	Parent Company							
	2012				2011			
	USD	Other Currencies	Total	PHP	USD	Other Currencies	Total	PHP
<b>Assets</b>								
Cash and other cash items	\$11,275	\$2,885	\$14,160	₱581,251	\$11,033	\$2,908	\$13,941	₱611,279
Due from other banks	67,691	18,663	86,354	3,544,843	41,402	13,767	55,169	2,418,609
SPURA	–	–	–	–	520	–	520	22,797
Financial assets at FVPL	44,911	2,059	46,970	1,928,136	12,839	1,681	14,520	636,559
AFS financial assets	455,765	1,508	457,273	18,771,054	560,370	1,362	561,732	24,566,633
HTM financial assets	404,123	3,397	407,520	16,728,710	290,458	3,286	293,744	12,960,937
Loans and receivables	588,936	–	588,936	24,175,822	431,440	870	432,310	18,952,459
Accrued interest receivable	19,180	335	19,515	801,089	2,021	–	2,021	88,608
Other assets	21,471	–	21,471	850,831	87,089	361	87,450	3,833,839
	<b>\$1,613,352</b>	<b>\$28,847</b>	<b>\$1,642,199</b>	<b>₱67,381,736</b>	<b>\$1,437,172</b>	<b>\$24,235</b>	<b>\$1,461,407</b>	<b>₱64,091,720</b>

(Forward)

	Parent Company							
	2012				2011			
	USD	Other Currencies	Total	PHP	USD	Other Currencies	Total	PHP
<b>Liabilities</b>								
Deposit liabilities	\$1,284,351	\$13,530	\$1,297,881	₱53,278,029	\$1,105,118	\$13,180	\$1,118,298	₱49,026,183
Bills payables	6,312	–	6,312	259,102	2,288	–	2,288	100,297
Accrued interest and other expenses	1,677	11	1,688	69,273	1,669	16	1,685	73,982
Other liabilities	27,020	539	27,559	1,131,351	84,906	362	85,268	3,737,188
	<b>\$1,319,360</b>	<b>\$14,080</b>	<b>\$1,333,440</b>	<b>₱54,737,755</b>	<b>\$1,193,981</b>	<b>\$13,558</b>	<b>\$1,207,539</b>	<b>₱52,937,650</b>
Currency spot	\$13,500	\$–	\$13,500	₱554,055	\$19,000	\$1	\$19,001	₱791,095
Currency forwards	(321,127)	–	(321,127)	(12,793,583)	(266,270)	–	(266,270)	(11,638,633)
Net Exposure	<b>(\$13,635)</b>	<b>\$14,767</b>	<b>\$1,132</b>	<b>₱404,453</b>	<b>(\$4,079)</b>	<b>\$10,678</b>	<b>\$6,599</b>	<b>₱306,532</b>

The following table sets forth, for the period indicated, the impact of the range of reasonably possible changes in the US\$ exchange rate and other currencies per Philippine peso on the pre-tax income and equity (in millions).

	Consolidated		
	Change in foreign exchange rate	Sensitivity of pretax income	Sensitivity of equity
<b>2012</b>			
USD	2%	₱36	₱422
Other	1%	1	1
USD	(2%)	(36)	(422)
Other	(1%)	(1)	(1)
<b>2011</b>			
USD	2%	₱11	₱501
Other	1%	1	1
USD	(2%)	(11)	(501)
Other	(1%)	(1)	(1)
	Parent Company		
	Change in foreign exchange rate	Sensitivity of pretax income	Sensitivity of equity
<b>2012</b>			
USD	2%	₱36	₱410
Other	1%	1	1
USD	(2%)	(36)	(410)
Other	(1%)	(1)	(1)
<b>2011</b>			
USD	2%	₱11	₱498
Other	1%	1	1
USD	(2%)	(11)	(498)
Other	(1%)	(1)	(1)

The impact in equity is due to the effect of FCDU's behaviour to Philippine peso.

#### Equity Price Risk

Equity price risk is the risk that the fair values of equities change as a result of movements in both the level of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on the Group and Parent Company's equity as a result of a change in the fair value of equity instruments held as available-for-sale due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (in millions):

	Consolidated	
	Change in equity index	Effect on Equity
<b>2012</b>	<b>+10%</b>	<b>₱9.0</b>
	<b>-10%</b>	<b>(9.0)</b>
2011	+10%	₱9.5
	-10%	(9.5)
	Parent Company	
	Change in equity index	Effect on Equity
<b>2012</b>	<b>+10%</b>	<b>₱9.0</b>
	<b>-10%</b>	<b>(9.0)</b>
2011	+10%	₱9.5
	-10%	(9.5)

**Liquidity Risk and Funding Management**

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, the securing of money market lines, and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as, an analysis of available liquid assets. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is managed by the Parent and subsidiaries on a daily basis, while scenario stress tests are conducted periodically. The table below shows the maturity profile of the Parent Company's assets and liabilities, based on contractual undiscounted cash flows:

December 31, 2012						
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
(In Millions)						
<b>Financial Assets</b>						
Cash and other cash items	₱5,997	₱—	₱—	₱—	₱—	₱5,997
Due from BSP	37,597	—	—	—	—	37,597
Due from other banks	4,290	—	—	—	—	4,290
Financial assets at FVPL	—	7,542	375	375	5,375	13,667
AFS financial assets	—	5,546	5,410	3,865	42,857	57,678
Loans and receivables	—	110,031	14,862	9,708	76,327	210,928
	47,884	123,119	20,647	13,948	124,559	330,157
<b>Financial Liabilities</b>						
Deposit liabilities						
Demand	60,084	—	—	—	—	60,084
Savings	—	113,539	164	37,986	—	151,689
Time	—	49,445	512	410	4,432	54,799
Bills payable	—	2,696	54	46	1,294	4,090
Manager's checks	—	736	—	—	—	736
Accrued interest and other expenses	—	1,557	—	—	—	1,557
Derivative liabilities	—	571	—	—	—	571
Other liabilities:						
Accounts payable	—	805	—	—	—	805
Acceptances payable	—	271	—	—	—	271
Due to PDIC	—	234	—	—	—	234
Margin deposits	—	3	—	—	—	3
Miscellaneous	—	1,176	—	—	—	1,176
Total liabilities	60,084	171,033	730	38,442	5,726	276,015
Net Position	(₱12,200)	(₱47,914)	₱19,917	(₱24,494)	₱118,833	₱54,142

December 31, 2011						
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
(In Millions)						
<b>Financial Assets</b>						
Cash and other cash items	₱5,902	₱—	₱—	₱—	₱—	₱5,902
Due from BSP	29,571	—	—	—	—	29,571
Due from other banks	2,729	—	—	—	—	2,729
Financial assets at FVPL	—	2,347	99	—	—	2,446
AFS financial assets	—	1,261	8,417	4,555	35,134	49,367
Loans and receivables	—	80,242	9,356	7,089	66,155	162,842
	38,202	83,850	17,872	11,644	101,289	252,857

	December 31, 2011					Total
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	
<b>Financial Liabilities</b>						
Deposit liabilities						
Demand	54,624	–	–	–	–	54,624
Savings	36,888	75,161	–	–	–	112,049
Time	–	41,095	5,425	–	3,240	49,760
Bills payable						
BSP rediscounting	–	103	–	–	–	103
Government lending program	–	16	347	67	1,212	1,642
Others	–	–	–	–	–	–
Manager's checks	–	446	–	–	–	446
Accrued interest and other expenses	–	1,418	–	–	–	1,418
Derivative liabilities	–	147	–	–	–	147
Other liabilities:						
Accounts payable	₱–	₱956	₱–	₱–	₱–	₱956
Acceptances payable	–	568	–	–	–	568
Due to PDIC	–	204	–	–	–	204
Due to BSP	–	–	–	–	–	–
Margin deposits	–	3	–	–	–	3
Miscellaneous	–	1,515	–	–	–	1,515
<b>Total liabilities</b>	<b>91,512</b>	<b>121,632</b>	<b>5,772</b>	<b>67</b>	<b>4,452</b>	<b>223,435</b>
<b>Net Position</b>	<b>(₱53,310)</b>	<b>(₱37,782)</b>	<b>₱12,100</b>	<b>₱11,577</b>	<b>₱96,837</b>	<b>₱29,422</b>

Starting mid-2011, the Parent Company revised its liquidity risk management policies, methodologies, assumptions, stress scenarios limits structure, monitoring and reporting process to Behavioral MCO to strengthen the management of liquidity risk.

## 7. Derivatives, Trading and Investment Securities

### Financial assets at FVPL

This account consists of:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Held-for-trading:				
Treasury notes	₱3,943,476,439	₱1,016,047,753	₱3,943,476,439	₱1,016,047,753
Government bonds	2,486,034,631	820,631,783	2,486,034,631	820,631,783
Treasury bills	107,585	11,364,803	107,585	11,364,803
Private bonds and commercial papers	484,724,705	379,995,818	484,724,705	379,995,818
	6,914,343,360	2,228,040,157	6,914,343,360	2,228,040,157
Financial assets designated at FVPL	4,999,995,000	–	4,999,995,000	–
Derivative assets (Note 23)	252,339,832	218,024,061	252,339,832	218,024,061
	₱12,166,678,192	₱2,446,064,218	₱12,166,678,192	₱2,446,064,218

The financial assets designated at FVPL pertain to the Parent Company's investments in preferred shares. The preferred shares are redeemable at the option of the issuer, at a price equivalent to the issue price of ₱75.00 per share plus cumulative and unpaid dividend, starting on the third anniversary from the listing date (September 28, 2012) or any dividend payment date thereafter.

The preferred shares also contain dividend rate step-up which is the higher of the dividend rate of 7.50% or the 10-year PDST-F plus 300 bps. The dividend rate step-up will apply if the issuer does not redeem the preferred shares on the fifth year of issuance.

The preferred shares have an embedded derivative in the form of the optional redemption feature, which is deemed not clearly and closely related to its equity host. In this regard, PAS 39 provides that if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid contract at FVPL unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited. On this basis, Management has determined that the preferred shares shall be designated as at FVPL. As of December 31, 2012 and 2011, HFT securities include fair value loss of ₱56.91 million and fair value gain of ₱97.99 million, respectively.

Both realized and unrealized gains and losses on HFT and financial assets designated at FVPL are included under 'Trading and securities gain – net' while gains and losses on derivative assets are included under 'Foreign exchange gain – net' in the statements of income (see Note 19).

## Notes to Financial Statements

### AFS financial assets

This account consists of:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Quoted:				
Government bonds (Note 26)	<b>₱35,661,272,547</b>	₱39,300,379,188	<b>₱34,921,094,182</b>	₱38,199,866,695
Private bonds	<b>432,554,427</b>	880,342,597	<b>286,588,166</b>	859,641,537
Equities	<b>120,660,984</b>	114,523,809	<b>120,660,984</b>	114,326,309
	<b>36,214,487,958</b>	40,295,245,594	<b>35,328,343,332</b>	39,173,834,541
Unquoted:				
Credit-linked notes (host)	<b>4,130,600,504</b>	4,343,028,942	<b>4,130,600,504</b>	4,343,028,942
Private bonds and commercial papers - net	<b>1,198,372,269</b>	1,119,631,842	<b>1,198,372,269</b>	1,140,332,902
Equities - net *	<b>26,890,099</b>	26,695,100	<b>19,412,705</b>	19,412,705
	<b>5,355,862,872</b>	5,489,355,884	<b>5,348,385,478</b>	5,502,774,549
Total	<b>₱41,570,350,830</b>	₱45,784,601,478	<b>₱40,676,728,810</b>	₱44,676,609,090

\* Includes fully impaired equity investments with acquisition cost of ₱39.63 million for the Group and ₱6.33 million for the Parent Company in 2012 and ₱33.40 million for the Group and ₱1.20 million for the Parent Company in 2011

### Credit-linked notes

Via the approval of its BOD on August 6, 2008, the Parent Company invested US\$100,000,000, in five separate agreements of US\$20,000,000 each, in CLNs with tenor of five years. The CLNs are linked to the performance of a specific Republic of the Philippines (ROP) bond, the underlying bond collateral, and London Interbank Offer Rate (LIBOR). In the event of a credit event or a default event on the specific ROP bond or the bond collateral, the investment will unwind and the Parent Company will receive the deliverable obligation as defined under the contract. If no credit event or default event occurs, the Parent Company will receive the maturity value of the CLNs, which is the face amount. The CLNs bear floating interest based on 6 month USD LIBOR plus an agreed spread, payable semi-annually, and will mature in 2013.

The embedded credit derivatives on the above CLNs have been bifurcated (see Note 23) and the host contracts were classified under AFS financial assets.

### Unquoted equity securities

This account comprise of stocks of private corporations that are carried at cost since fair value cannot be reliably estimated due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is currently no market for these investments and the Group intends to hold them for the long term.

### Net unrealized gain

AFS financial assets include fair value gain of ₱1.36 billion and ₱1.34 billion for the Group and Parent Company, respectively, as of December 31, 2012, and fair value gain of ₱1.89 billion and ₱1.86 billion for the Group and Parent Company, respectively, as of December 31, 2011. The fair value gains are recognized under OCI. The deferred tax liabilities recognized on net unrealized gains amounted to ₱1.84 million and ₱13.66 million as of December 31, 2012 and 2011, respectively, for both the Group and Parent Company. Impairment loss on AFS financial assets of ₱5.13 million was charged to operations in 2012 and nil in 2011 and 2010.

### HTM financial assets

This account consists of:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Government bonds	<b>₱12,204,354,573</b>	₱12,322,800,775	<b>₱12,245,970,013</b>	₱12,322,800,775
Private bonds	<b>360,815,912</b>	437,626,400	<b>331,889,250</b>	354,446,400
	<b>12,565,170,485</b>	12,760,427,175	<b>12,577,859,263</b>	12,677,247,175
Unamortized premium - net	<b>129,081,956</b>	200,510,030	<b>87,466,516</b>	200,510,030
	<b>₱12,694,252,441</b>	₱12,960,937,205	<b>₱12,665,325,779</b>	₱12,877,757,205

### Reclassification of Financial Assets

In 2008, as approved by its BOD, the Parent Company identified assets for which it had a clear change of intent to hold the investments to maturity rather than to exit or trade these investments in the foreseeable future and reclassified those investments from AFS financial assets to HTM financial assets effective October 2, 2008.

As of October 2, 2008, the total carrying value of AFS financial assets reclassified to HTM financial assets amounted to ₱9.04 billion, with unrealized losses of ₱47.44 million deferred under 'Net unrealized gains (losses) on AFS financial assets' under OCI.

In 2011, HTM financial assets reclassified from AFS financial assets with total face amount of ₱2.17 billion matured.

As of December 31, 2012 and 2011, HTM financial assets reclassified from AFS financial assets have the following balances:

	Face Value	Original Cost	Carrying Value	Fair Value	Unamortized Net Unrealized Loss Deferred in Equity	Amortization
(In Thousands)						
<b>2012</b>						
Government bonds*	₱2,346,064	₱2,637,471	₱2,509,729	₱3,020,900	₱9,388	(₱18,654)
Private bonds**	330,042	330,026	319,108	389,073	(10,925)	8,861
	<b>₱2,676,106</b>	<b>₱2,967,497</b>	<b>₱2,828,837</b>	<b>₱3,409,973</b>	<b>(₱1,537)</b>	<b>(₱9,793)</b>
<b>2011</b>						
Government bonds*	₱2,502,499	₱2,813,731	₱2,713,558	₱3,191,496	₱13,575	(₱18,350)
Private bonds**	352,474	352,456	338,278	402,942	(14,184)	6,947
	<b>₱2,854,973</b>	<b>₱3,166,187</b>	<b>₱3,051,836</b>	<b>₱3,594,438</b>	<b>(₱609)</b>	<b>(₱11,403)</b>

\* Consist of US dollar-denominated bonds with face value of \$53.58 million and euro-denominated bonds with face value of €2.71 million

\*\* Consist of US dollar-denominated bonds with face value of \$8.04 million

Had these securities not been reclassified to HTM financial assets, additional mark-to-market gain that would have been credited to the statement of comprehensive income amounted to ₱581.14 million, ₱542.60 million and ₱584.52 million in 2012, 2011 and 2010, respectively.

Effective interest rates on the reclassified securities range from 5.51% to 8.99%. The Parent Company expects to recover 100.00% of the principal and interest due on the reclassified investments totaling ₱3.69 billion and ₱4.18 billion, as of December 31, 2012 and 2011, respectively. No impairment loss was recognized on these securities in 2012, 2011 and 2010.

#### Interest Income on Trading and Investment Securities

This account consists of:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Financial assets at FVPL	₱298,948,370	₱326,059,117	₱656,100,256	₱298,948,370	₱326,059,117	₱656,100,256
AFS financial assets	2,078,764,841	2,341,486,771	2,288,554,677	1,818,703,205	2,292,266,252	2,241,899,370
HTM financial assets	996,120,825	1,245,703,384	1,624,380,353	1,179,913,311	1,238,841,033	1,624,380,353
	<b>₱3,373,834,036</b>	<b>₱3,913,249,272</b>	<b>₱4,569,035,286</b>	<b>₱3,297,564,886</b>	<b>₱3,857,166,402</b>	<b>₱4,522,379,979</b>

#### 8. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Loans and discounts				
Corporate and commercial lending	₱163,075,101,419	₱124,154,701,966	₱160,805,057,068	₱123,271,028,466
Consumer lending	23,283,501,635	17,384,113,123	20,344,340,534	16,289,568,332
Trade-related lending	11,358,214,153	11,858,658,553	11,358,214,153	11,858,658,553
Others	102,120,411	112,858,659	92,566,722	101,151,789
	<b>197,818,937,618</b>	<b>153,510,332,301</b>	<b>192,600,178,477</b>	<b>151,520,407,140</b>
Unearned discounts	(894,151,834)	(702,426,426)	(671,973,994)	(690,714,511)
	<b>196,924,785,784</b>	<b>152,807,905,875</b>	<b>191,928,204,483</b>	<b>150,829,692,629</b>
Allowance for impairment and credit losses (Note 14)	(6,779,450,022)	(7,569,243,302)	(6,566,449,815)	(7,403,118,580)
	<b>₱190,145,335,762</b>	<b>₱145,238,662,573</b>	<b>₱185,361,754,668</b>	<b>₱143,426,574,049</b>

The Group's and Parent Company's loans and discounts under corporate lending include unquoted debt securities with carrying amount of ₱2.77 billion and ₱2.43 billion as of December 31, 2012, respectively, and ₱2.93 billion and ₱2.59 billion as of December 31, 2011, respectively.

## Notes to Financial Statements

### BSP Reporting

Information on the amounts of secured and unsecured loans and receivables (gross of unearned discounts and allowance for impairment and credit losses) of the Group and Parent Company are as follows:

	Consolidated				Parent Company			
	2012		2011		2012		2011	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Loans secured by:								
Real estate	₱33,306,153,339	16.84	₱28,181,316,815	18.36	₱31,772,993,920	16.50	₱27,564,147,671	18.19
Chattel mortgage	6,000,801,794	3.03	5,493,921,994	3.58	4,317,209,252	2.24	4,072,112,952	2.69
Shares of stock of other banks	640,965,000	0.32	5,082,283,206	3.31	640,965,000	0.33	5,082,283,206	3.36
Deposit hold out	13,482,758,223	6.82	4,674,622,655	3.05	13,432,382,805	6.98	4,656,973,054	3.07
Others	39,467,176,399	19.95	31,384,083,526	20.44	38,679,273,894	20.08	31,456,123,558	20.76
	92,897,854,755	46.97	74,816,228,196	48.74	88,842,824,871	46.13	72,831,640,441	48.07
Unsecured loans	104,921,082,863	53.03	78,694,104,105	51.26	103,757,353,606	53.87	78,688,766,699	51.93
	₱197,818,937,618	100.00	₱153,510,332,301	100.00	₱192,600,178,477	100.00	₱151,520,407,140	100.00

Loans and receivables of the Group amounting to ₱2.06 billion and ₱0.10 billion as of December 31, 2012 and 2011, respectively, are pledged to secure certain bills payable to the BSP under the Parent Company's rediscounting privileges (see Note 16).

Information on the concentration of credit as to industry of the Group and Parent Company follows:

	Consolidated			
	2012		2011	
	Amounts	%	Amounts	%
Real estate, renting and business services	₱51,420,258,996	25.99	₱28,745,306,289	18.73
Manufacturing	34,101,622,193	17.24	26,805,984,841	17.46
Wholesale and retail trade	29,062,114,156	14.69	23,163,210,155	15.09
Financial intermediaries	24,740,818,791	12.51	5,327,968,764	3.47
Transportation, storage and communication	14,888,821,275	7.53	11,911,560,748	7.76
Electricity, gas and water	11,246,076,837	5.68	10,281,598,596	6.70
Agriculture	4,965,847,953	2.51	4,542,443,251	2.96
Construction	3,945,972,540	1.99	2,136,633,895	1.39
Mining and quarrying	1,534,003,882	0.78	1,732,875,330	1.13
Others	21,913,400,995	11.08	38,862,750,432	25.31
	₱197,818,937,618	100.00	₱153,510,332,301	100.00

	Parent Company			
	2012		2011	
	Amounts	%	Amounts	%
Real estate, renting and business services	₱50,067,613,011	26.00	₱28,489,295,167	18.80
Manufacturing	33,981,574,046	17.64	26,794,555,833	17.68
Wholesale and retail trade	28,282,448,431	14.68	23,118,055,858	15.26
Financial intermediaries	24,671,627,406	12.81	11,851,819,404	7.82
Transportation, storage and communication	14,518,224,558	7.54	10,281,598,596	6.79
Electricity, gas and water	11,245,143,731	5.84	5,327,968,764	3.52
Agriculture	4,945,980,599	2.57	4,433,587,281	2.93
Construction	3,751,352,625	1.95	2,092,233,906	1.38
Mining and quarrying	1,534,003,882	0.80	1,732,875,330	1.14
Others	19,602,210,188	10.17	37,398,417,001	24.68
	₱192,600,178,477	100.00	₱151,520,407,140	100.00

The BSP considers that loan concentration exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. As of December 31, 2012 and 2011, the Group does not have credit concentration in any particular industry.

As of December 31, 2012 and 2011, the NPLs of the Group and Parent Company not fully covered by allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Total NPLs	₱5,026,239,764	₱5,617,674,817	₱4,802,631,858	₱5,563,165,375
Less NPLs fully covered by allowance for impairment and credit losses	967,240,962	1,172,650,883	963,354,186	1,169,725,744
	₱4,058,998,802	₱4,445,023,934	₱3,839,277,672	₱4,393,439,631

On January 1, 2013, the BSP issued amendments to the regulations on NPLs through Circular No. 772. Under the Circular, loans previously classified as loss by the BSP which are fully covered by allowance for credit losses were removed as exclusions from nonperforming classifications.

As of December 31, 2012 and 2011, secured and unsecured NPLs of the Group and Parent Company follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Secured	<b>₱3,231,205,467</b>	₱3,621,579,174	<b>₱3,085,572,847</b>	₱3,567,657,304
Unsecured	<b>1,727,264,805</b>	1,996,095,643	<b>1,717,059,011</b>	1,995,508,071
	<b>₱4,958,470,272</b>	₱5,617,674,817	<b>₱4,802,631,858</b>	₱5,563,165,375

#### Interest Income on Impaired Loans

Accretion of individually impaired loans and receivables of the Parent Company included as part of interest income amounted to nil, ₱63.18 million and ₱49.52 million in 2012, 2011 and 2010, respectively.

## 9. Equity Investments

The Parent Company's investments consist of:

	2012	2011
Subsidiaries:		
CBSI (Notes 12 and 18)	<b>₱1,473,607,513</b>	₱1,472,241,870
CBC Forex Corporation	<b>50,000,000</b>	50,000,000
CBC-PCCI	<b>2,439,000</b>	2,439,000
CIBI	<b>1,500,000</b>	1,500,000
Unity Bank	<b>400,000,000</b>	—
	<b>1,927,546,513</b>	1,526,180,870
Associate:		
Manulife China Bank Life Assurance Corporation (MCB Life)	<b>21,245,838</b>	21,245,838
	<b>₱1,948,792,351</b>	₱1,547,426,708

The foregoing balances represent the acquisition cost of the Parent Company's subsidiaries and associate.

#### CBSI

Cost of investment includes the original amount incurred by the Parent Company from its acquisition of CBSI in 2007 amounting to ₱1.07 billion (net of goodwill and branch licenses transferred to the Parent Company amounting to ₱0.66 million) and additional acquisition of non-controlling interest in 2012 and 2011 of ₱1.37 million and ₱1.68 million, respectively. The additional acquisition brought up the Parent Company's interest on CBSI to 95.24% and 95.17% as of December 31, 2012 and 2011, respectively.

#### CBC Forex

On May 5, 2009 the BOD approved to dissolve the operations of the Company by shortening its corporate life until December 31, 2009. The Company is still in the process of liquidation and awaiting clearance from regulatory bodies to effect dissolution.

#### Unity Bank

On September 7, 2012, in line with the BSP's Strengthening Program for Rural Banks Plus (SPRB Plus), the Parent Company and the majority shareholders of Unity Bank (the Parties) entered into a memorandum of agreement (MOA), whereby the Parent Company agreed to buy and the majority shareholders agreed to sell 2,998,454 shares representing the latter's 99.949% ownership in Unity Bank.

The purchase price of the acquisition of Unity Bank, net of the unpaid subscription, amounted to ₱30.0 million which is payable as follows:

- ₱20.0 million – within 24 hours from receipt of the approval by the BSP of the sale/purchase for incentives under the BSP's SPRB Plus;
- ₱10.0 million – upon the execution of Deed of Assignment of Shares but no earlier than the approval required of the BSP, which amount shall be earmarked to pay off all Unity Bank's employee's separation pay.

In accordance with the MOA, the Parties entered into an Escrow Agreement with CBSI on September 20, 2012. As escrow agent, CBSI held in trust the purchase price in favor of the Parties pending the approval of the BSP of the acquisition of Unity Bank. Under the Escrow Agreement, the Parties further agreed for an additional purchase price of ₱10.0 million which will be contingent on the outcome of the valuation of the investment properties of Unity Bank. The investment properties subject of valuation is enumerated in the List of Foreclosed & Acquired Properties as of July 17, 2012 ("Contingent Accounts"), which Unity Bank provided to the Parent Company. The contingent amount will be released to the majority shareholders ninety (90) calendar days from the approval of the BSP of the acquisition of Unity Bank and when the appraised values of the investment properties, which are determined by appraisers mutually agreed upon by the Parties, shall be at least 60% of the investment properties' book value of ₱261.0 million. The book value is based on the June 30, 2012 unaudited balance sheet and income statement of Unity Bank.

## Notes to Financial Statements

If the appraised value of the investment properties fall below 60% of the book value, no additional purchase price shall be paid to the majority shareholders and the contingent amount will be released to the Parent Company.

On November 20, 2012, the BSP approved the acquisition by the Parent Company of the 99.949% outstanding shares of Unity Bank. As of this date, the Parent Company effectively obtained control of Unity Bank.

The Parent Company accounted for the transaction under the acquisition method of PFRS 3. In accordance with PFRS 3, the Parent Company determined the cost of the acquisition to be ₱30.0 million, which excludes the ₱10.0 million purchase price that is earmarked as payment for the separation pay of Unity Bank's employees. The Parent Company accounted for such amount as additional capital infusion to Unity Bank.

The Parent Company also determined the assets acquired and liabilities assumed from the acquisition of Unity Bank and provisionally made an assessment of their fair values. Comparison of the fair values and carrying values of the identifiable assets acquired and liabilities assumed from the acquisition as of November 20, 2012 (date of acquisition) are as follows:

	Fair Value Recognized on Acquisition 2012	Carrying Value 2012
<b>ASSETS</b>		
Cash and other cash items	₱23,233,626	₱23,233,626
Due from BSP	24,535,196	24,535,196
Due from other banks	267,240,919	267,240,919
HTM financial assets	28,926,663	28,926,663
Loans and receivables	394,098,838	364,251,621
Bank premises, furniture, fixtures and equipment	36,706,515	36,706,515
Investment properties	274,097,900	209,335,487
Branch licenses	360,000,000	–
Other assets	40,583,780	40,583,780
<b>Total</b>	<b>1,449,423,437</b>	<b>994,813,807</b>
<b>LIABILITIES</b>		
Deposit liabilities	980,018,443	980,018,443
Accrued expenses	5,943,289	5,943,289
Deferred tax liabilities (Note 25)	136,382,889	–
Other liabilities	27,193,289	27,193,289
<b>Total</b>	<b>1,149,537,910</b>	<b>1,013,155,021</b>
<b>NET ASSETS</b>	<b>₱299,885,527</b>	<b>(₱18,341,214)</b>
Share in the fair value of the net assets acquired (99.949%)	₱299,732,586	

Part of the identifiable assets the Parent Company recognized from the acquisition is the 24 branch licenses on restricted areas which the BSP provided as incentive under the SPRB Plus program. The branch licenses are granted under the SPRB Plus program to make up for the expected shortfall in the net assets of acquiree banks.

The acquisition of the Parent Company of Unity Bank resulted in recognition of gain on bargain purchase which is determined as follows:

Cost of acquisition	₱30,000,000
<u>Less fair value of net assets acquired</u>	<u>299,732,586</u>
<b>Gain on bargain purchase</b>	<b>₱269,732,586</b>

Gain on bargain purchase is included under 'Miscellaneous income' in the statements of income.

Cash flow on acquisition follows:

Cash and cash equivalents acquired from Unity Bank*	₱315,009,741
<u>Cash paid</u>	<u>(30,000,000)</u>
<b>Net cash inflow</b>	<b>₱285,009,741</b>

\* Includes Cash and other cash items, Due from BSP and Due from other banks.

From the date of acquisition, Unity Bank's operating losses and net losses included in the consolidated statement of comprehensive income amounted to ₱7.93 million. If the combination had taken place at the beginning of the year, the Group's total operating income and net income would have decreased by ₱35.22 million.

On December 12, 2012, the Parent Company made additional capital infusion to Unity Bank of ₱360.00 million to maintain the latter's capital adequacy ratio (CAR) at a minimum of 10.00% in light of recording additional loan loss provisioning required by the BSP.

### Investment in associates

Investment in associates in the consolidated financial statements pertain to the Parent Company's investment in MCB Life and CBC-PCCI's investment in Urban Shelters amounting to nil and ₱3.24 million (accounted for by CBC-PCCI in its financial statements as an investment in an associate) as of December 31, 2012 and 2011, respectively. The equity in net earnings of these investments is not significant to the Group.

### MCB Life

On August 2, 2006, the BOD approved the joint project proposal of the Parent Company with Manufacturers Life Insurance Company (Manulife). Under the proposal, the Parent Company will invest in a life insurance company owned by Manulife, and such company will be offering innovative insurance and financial products for health, wealth and education through the Parent Company's branches nationwide. The life insurance company was incorporated as The Pramerica Life Insurance Company Inc. in 1998 but the name was changed to Manulife China Bank Life Assurance Corporation on March 23, 2007. The Parent Company acquired 5.00% interest of MCB Life on August 8, 2007. This investment is accounted for as an investment in an associate by virtue of the Bancassurance Alliance Agreement which provides the Parent Company to be represented in MCB Life's BOD and, thus, exercise significant influence over the latter.

The Parent Company contributed nil and ₱3.75 million in 2012 and 2011 to maintain the minimum 5.00% ownership required by the BSP in order for MCB Life to be allowed to continue distributing its insurance products through the Parent Company's branches.

Commission income earned by the Parent Company from its bancassurance agreement amounting to ₱214.57 million, ₱178.27 million and ₱82.19 million in 2012, 2011 and 2010, respectively, is included under 'Miscellaneous income' in the statements of income.

## 10. Bank Premises, Furniture, Fixtures and Equipment

The composition of and movements in this account follow:

	Consolidated					2012 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
<b>Cost</b>						
Balance at beginning of year	₱2,450,749,930	₱4,235,059,123	₱1,564,868,018	₱763,255,613	₱-	₱9,013,932,684
Additions	-	516,247,974	43,778,146	112,224,836	-	672,250,956
Acquisition of Unity Bank	15,697,500	4,093,759	12,519,248	4,396,008	-	36,706,515
Disposals/Reclassification	-	(137,691,212)	(93,437,656)	(26,011,250)	-	(257,140,118)
Balance at end of year	2,466,447,430	4,617,709,644	1,527,727,756	853,865,207	-	9,465,750,037
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	-	3,262,664,839	422,562,028	391,294,477	-	4,076,521,344
Depreciation and amortization	-	431,391,533	174,796,525	91,348,836	-	697,536,894
Disposals/Reclassification	-	(110,192,426)	53,670,020	(12,252,429)	-	(68,774,835)
Balance at end of year	-	3,583,863,946	651,028,573	470,390,884	-	4,705,283,403
<b>Accumulated Impairment (Note 14)</b>						
Balance at beginning of year	-	-	15,202,948	-	-	15,202,948
Reclassification	-	-	(15,202,948)	-	-	(15,202,948)
Balance at end of year	-	-	-	-	-	-
<b>Net Book Value at End of Year</b>	<b>₱2,466,447,430</b>	<b>₱1,033,845,698</b>	<b>₱876,699,183</b>	<b>₱383,474,323</b>	<b>₱-</b>	<b>₱4,760,466,634</b>

	Consolidated					2011 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
<b>Cost</b>						
Balance at beginning of year	₱2,454,267,430	₱3,840,177,369	₱1,515,067,709	₱652,745,138	₱972,134	₱8,463,229,780
Additions	-	514,324,116	77,676,217	110,510,475	3,239,101	705,749,909
Disposals/Reclassification	(3,517,500)	(119,442,362)	(27,875,908)	-	(4,211,235)	(155,047,005)
Balance at end of year	2,450,749,930	4,235,059,123	1,564,868,018	763,255,613	-	9,013,932,684
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	-	2,908,789,774	405,571,565	311,288,861	-	3,625,650,200
Depreciation and amortization	-	435,646,884	39,506,271	80,005,616	-	555,158,771
Disposals	-	(81,771,819)	(22,515,808)	-	-	(104,287,627)
Balance at end of year	-	3,262,664,839	422,562,028	391,294,477	-	4,076,521,344
<b>Accumulated Impairment (Note 14)</b>						
Balance at beginning of year	-	-	-	-	-	-
Reclassification	-	-	15,202,948	-	-	15,202,948
Balance at end of year	-	-	15,202,948	-	-	15,202,948
<b>Net Book Value at End of Year</b>	<b>₱2,450,749,930</b>	<b>₱972,394,284</b>	<b>₱1,127,103,042</b>	<b>₱371,961,136</b>	<b>₱-</b>	<b>₱4,922,208,392</b>

	Parent Company					2012 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
<b>Cost</b>						
Balance at beginning of year	₱2,321,830,036	₱4,007,963,944	₱1,090,509,612	₱673,579,473	₱-	₱8,093,883,065
Additions	-	465,308,732	21,596,345	72,800,057	-	559,705,134
Disposals/Reclassification	-	(130,222,607)	(12,241,207)	(6,417,034)	-	(148,880,848)
Balance at end of year	2,321,830,036	4,343,050,069	1,099,864,750	739,962,496	-	8,504,707,351
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	-	3,136,651,713	353,201,165	377,215,989	-	3,867,068,867
Depreciation and amortization	-	395,981,040	36,841,933	78,372,432	-	511,195,405
Disposals/Reclassification	-	(109,497,008)	(4,919,597)	-	-	(114,416,605)
Balance at end of year	-	3,423,135,745	385,123,501	455,588,421	-	4,263,847,667
<b>Net Book Value at End of Year</b>	<b>₱2,321,830,036</b>	<b>₱919,914,324</b>	<b>₱714,741,249</b>	<b>₱284,374,075</b>	<b>₱-</b>	<b>₱4,240,859,684</b>

	Parent Company					2011 Total
	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction- in-Progress	
<b>Cost</b>						
Balance at beginning of year	₱2,325,347,536	₱3,669,665,409	₱961,816,503	₱595,997,825	₱972,134	₱7,553,799,407
Additions	-	456,848,040	137,608,254	77,581,648	3,239,101	675,277,043
Disposals/Reclassification	(3,517,500)	(118,549,505)	(8,915,145)	-	(4,211,235)	(135,193,385)
Balance at end of year	2,321,830,036	4,007,963,944	1,090,509,612	673,579,473	-	₱8,093,883,065
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	-	2,811,464,175	327,646,060	307,082,668	-	3,446,192,903
Depreciation and amortization	-	406,773,834	32,899,180	70,133,321	-	509,806,335
Disposals	-	(81,586,296)	(7,344,075)	-	-	(88,930,371)
Balance at end of year	-	3,136,651,713	353,201,165	377,215,989	-	3,867,068,867
<b>Net Book Value at End of Year</b>	<b>₱2,321,830,036</b>	<b>₱871,312,231</b>	<b>₱737,308,447</b>	<b>₱296,363,484</b>	<b>₱-</b>	<b>₱4,226,814,198</b>

The Group adopted the deemed cost model as of January 1, 2004 and considered the carrying value of the land determined under its previous accounting method (revaluation method) as the deemed cost of the asset as of January 1, 2005. Accordingly, revaluation increment amounting to ₱1.28 billion was closed to surplus (Note 21) in 2011.

In 2010, depreciation and amortization amounting to ₱515.62 million and ₱489.30 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

## 11. Investment Properties

The composition of and movements in this account follow:

	Consolidated		2012 Total
	Land	Buildings and Improvements	
<b>Cost</b>			
Balance at beginning of year	₱3,801,810,369	₱1,417,489,369	₱5,219,299,738
Additions	49,106,437	85,784,051	134,890,488
Acquisition of Unity Bank	218,067,433	56,030,467	274,097,900
Disposals/Write-off	(536,083,059)	(176,537,234)	(712,620,293)
Balance at end of year	3,532,901,180	1,382,766,653	4,915,667,833
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	-	637,719,163	637,719,163
Depreciation and amortization	-	127,758,913	127,758,913
Disposals/Write-off	-	(104,828,505)	(104,828,505)
Balance at end of year	-	660,649,571	660,649,571
<b>Accumulated Impairment Loss</b>			
(Note 14)			
Balance at beginning of year	1,026,121,765	140,562,588	1,166,684,353
Disposals/Write-off	(4,110,750)	(283,601)	(4,394,351)
Reclassification	212,841,753	64,027,867	276,869,620
Balance at end of year	1,234,852,768	204,306,854	1,439,159,622
<b>Net Book Value at End of Year</b>	<b>₱2,298,048,412</b>	<b>₱517,810,228</b>	<b>₱2,815,858,640</b>

	Consolidated		
	Land	Buildings and Improvements	2011 Total
<b>Cost</b>			
Balance at beginning of year	₱3,702,921,904	₱1,481,701,014	₱5,184,622,918
Additions	504,844,401	122,860,638	627,705,039
Disposals	(424,277,600)	(194,703,571)	(618,981,171)
Reclassification/Others	18,321,664	7,631,288	25,952,952
<b>Balance at end of year</b>	<b>3,801,810,369</b>	<b>1,417,489,369</b>	<b>5,219,299,738</b>
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	–	515,091,610	515,091,610
Depreciation and amortization	–	160,946,080	160,946,080
Disposals	–	(64,876,746)	(64,876,746)
Reclassification/Others	–	26,558,219	26,558,219
<b>Balance at end of year</b>	<b>–</b>	<b>637,719,163</b>	<b>637,719,163</b>
<b>Accumulated Impairment Loss</b> (Note 14)			
Balance at beginning of year	1,186,502,729	157,956,491	1,344,459,220
Reversal of impairment loss	(92,950)	(1,193,900)	(1,286,850)
Disposals	(160,288,014)	(9,231,352)	(169,519,366)
Reclassification	–	(6,968,651)	(6,968,651)
<b>Balance at end of year</b>	<b>1,026,121,765</b>	<b>140,562,588</b>	<b>1,166,684,353</b>
<b>Net Book Value at End of Year</b>	<b>₱2,775,688,604</b>	<b>₱639,207,618</b>	<b>₱3,414,896,222</b>

	Parent Company		
	Land	Buildings and Improvements	2012 Total
<b>Cost</b>			
Balance at beginning of year	₱3,741,717,431	₱1,330,504,819	₱5,072,222,250
Additions	48,826,192	73,842,200	122,668,392
Disposals/Write-off	(534,756,161)	(172,005,892)	(706,762,053)
<b>Balance at end of year</b>	<b>3,255,787,462</b>	<b>1,232,341,127</b>	<b>4,488,128,589</b>
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	–	617,149,727	617,149,727
Depreciation and amortization	–	109,718,073	109,718,073
Disposals/Write-off	–	(90,845,599)	(90,845,599)
<b>Balance at end of year</b>	<b>–</b>	<b>636,022,201</b>	<b>636,022,201</b>
<b>Accumulated Impairment Loss</b> (Note 14)			
Balance at beginning of year	1,026,121,765	123,677,893	1,149,799,658
Disposals/Write-off	(4,110,750)	(283,601)	(4,394,351)
Transfer	208,699,178	78,994,274	287,693,452
<b>Balance at end of year</b>	<b>1,230,710,193</b>	<b>202,388,566</b>	<b>1,433,098,759</b>
<b>Net Book Value at End of Year</b>	<b>₱2,025,077,269</b>	<b>₱393,930,360</b>	<b>₱2,419,007,629</b>

	Parent Company		
	Land	Buildings and Improvements	2011 Total
<b>Cost</b>			
Balance at beginning of year	₱3,624,184,582	₱1,385,597,985	₱5,009,782,567
Additions	502,217,117	111,181,012	613,398,129
Disposals	(390,612,739)	(160,345,707)	(550,958,446)
Reclassification/Others	5,928,471	(5,928,471)	–
<b>Balance at end of year</b>	<b>3,741,717,431</b>	<b>1,330,504,819</b>	<b>5,072,222,250</b>
<b>Accumulated Depreciation and Amortization</b>			
Balance at beginning of year	–	507,098,527	507,098,527
Depreciation and amortization	–	155,920,841	155,920,841
Disposals	–	(53,199,214)	(53,199,214)
Reclassification/Others	–	7,329,573	7,329,573
<b>Balance at end of year</b>	<b>–</b>	<b>617,149,727</b>	<b>617,149,727</b>
<b>Accumulated Impairment Loss</b> (Note 14)			
Balance at beginning of year	1,186,502,729	134,103,145	1,320,605,874
Reversal of impairment loss	(92,950)	(1,193,900)	(1,286,850)
Disposals	(160,288,014)	(9,231,352)	(169,519,366)
<b>Balance at end of year</b>	<b>1,026,121,765</b>	<b>123,677,893</b>	<b>1,149,799,658</b>
<b>Net Book Value at End of Year</b>	<b>₱2,715,595,666</b>	<b>₱589,677,199</b>	<b>₱3,305,272,865</b>

The Group's investment properties consist entirely of real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain on asset foreclosure and dacion transactions' in the statements of income.

The aggregate fair value of investment properties as of December 31, 2012 and 2011 amounted to ₱7.16 billion and ₱6.08 billion, respectively, for the Group and ₱6.40 billion and ₱5.95 billion, respectively, for the Parent Company. The fair values of the Group's and Parent Company's

## Notes to Financial Statements

investment properties have been determined by the appraisal method by independent external and in-house appraisers on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

In 2010, depreciation and amortization amounting to ₱131.17 million and ₱124.36 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

Details of rent income earned and direct operating expenses incurred on investment properties follow:

	Consolidated		
	2012	2011	2010
Rent income on investment properties	<b>₱36,590,737</b>	₱60,901,894	₱58,002,590
Direct operating expenses on investment properties generating rent income	<b>5,298,199</b>	9,290,776	2,966,028
Direct operating expenses on investment properties not generating rent income	<b>47,874,641</b>	33,765,717	28,959,307
		Parent Company	
	2012	2011	2010
Rent income on investment properties	<b>₱16,058,824</b>	₱34,305,415	₱29,068,291
Direct operating expenses on investment properties generating rent income	<b>5,298,199</b>	9,290,776	2,966,028
Direct operating expenses on investment properties not generating rent income	<b>41,107,203</b>	32,084,887	25,918,581

Rent income earned from leasing out investment properties is included under 'Miscellaneous income' in the statements of income.

### 12. Goodwill and Branch Licenses

Branch licenses and goodwill in the Parent Company's balance sheet amounting to ₱455.00 million and ₱222.84 million, respectively, arose from the Parent Company's acquisition of CBSI in 2007.

On June 21, 2007, the Parent Company and the majority shareholders of CBSI entered into a MOA whereby the former agreed to buy and the latter agreed to sell 87.52% of their equity interest in CBSI for ₱1.65 billion.

On September 3, 2007, the Parent Company's officers were appointed as members of CBSI's BOD. As of this date, the Parent Company effectively obtained control of CBSI. Subsequent thereto, a tender offer was made to all remaining shareholders of CBSI at the price of ₱214.65 per share. A total of 4.30% of CBSI's common shares were subsequently acquired through a tender offer, which expired on January 15, 2008.

The acquisition resulted in recognition of goodwill determined as follows:

Total cost of acquisition:	
Cost to acquire 87.52%	₱1,650,283,292
Cost to acquire 4.30%	84,689,943
	<u>1,734,973,235</u>
Less: Fair value of net assets acquired	<u>1,512,132,034</u>
<b>Goodwill</b>	<b>₱222,841,201</b>

The Parent Company attributed the goodwill to factors such as increase in geographical presence and customer base due to the branches acquired. On November 21, 2007, the BOD approved the transfer of certain assets and liabilities (including certain branches) of CBSI to the Parent Company. As the economic value of goodwill arising from the CBSI acquisition can be attributed to the branches transferred, such goodwill was transferred to the books of the Parent Company.

The branch licenses pertaining to the branches transferred were also transferred to the Parent Company. The transfers resulted in a reduction of the investment account of the Parent Company by ₱0.66 billion as of December 31, 2007.

Since goodwill is attributed to the branches transferred, the Parent Company's Branch Banking Group (BBG) has been identified as the cash generating unit (CGU) for impairment testing of the goodwill. The BBG has also been identified as the CGU for impairment testing of the branch licenses.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period and which do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The discount rate applied to cash flow projections is 11.89% in 2012 and 12.19% in 2011 and cash flows beyond the five year-period are extrapolated using a steady growth rate of 3.00% in 2012 and in 2011, which does not exceed the long-term average growth rate for the industry.

The calculation of the value-in-use of the CGU is most sensitive to the following assumptions:

- Interest margin
- Discount rates
- Market share during the budget period
- Steady growth rate used to extrapolate cash flows beyond the budget period
- Local inflation rates

With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill and branch licenses to materially exceed its recoverable amount as of December 31, 2012 and 2011.

### 13. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Accounts receivable	₱2,316,561,783	₱3,087,567,267	₱2,145,561,124	₱2,846,759,398
SCR	506,369,501	419,188,478	409,168,484	270,686,216
RCOCI	110,891,261	35,432,943	108,656,681	35,432,943
Due from an affiliate (Notes 18 and 27)	—	—	—	99,607,599
Miscellaneous				
Sundry debit	287,510,298	99,269,791	287,287,949	99,038,154
Deficiency judgment receivable	83,869,455	83,519,455	83,869,455	83,519,455
Prepaid expenses	56,203,903	122,114,156	53,486,464	66,180,860
Others	443,645,049	417,290,306	376,915,905	365,173,244
	<b>871,228,705</b>	<b>722,193,708</b>	<b>801,559,773</b>	<b>613,911,713</b>
<b>Total</b>	<b>3,805,051,250</b>	<b>4,264,382,396</b>	<b>3,464,946,062</b>	<b>3,866,397,869</b>
<b>Nonfinancial Assets</b>				
Creditable withholding taxes (CWT)	614,680,146	306,304,489	507,585,142	306,010,482
Net plan assets (Note 22)	277,866,441	246,452,025	277,866,441	246,452,025
<b>Total</b>	<b>892,546,587</b>	<b>552,756,514</b>	<b>785,451,583</b>	<b>552,462,507</b>
Allowance for impairment and credit losses (Note 14)	4,697,597,837	4,817,138,910	4,250,397,645	4,418,860,376
	<b>(631,521,551)</b>	<b>(349,712,365)</b>	<b>(613,734,269)</b>	<b>(337,126,156)</b>
	<b>₱4,066,076,286</b>	<b>₱4,467,426,545</b>	<b>₱3,636,663,376</b>	<b>₱4,081,734,220</b>

#### Accounts Receivable

About seventy five (75) percent of accounts receivable of the Parent Company represents final withholding taxes (FWT) imposed on by the Bureau of Internal Revenue (BIR) and withheld by the Bureau of Treasury from the proceeds collected by the Parent Company upon maturity of the Poverty Eradication and Alleviation Certificates (PEACE bonds) on October 18, 2011.

On October 17, 2011, the Parent Company together with seven other banks filed a joint petition against the BIR's decision to impose 20% FWT on PEACE bonds. The high court issued a temporary restraining order in favor of these banks on the same day and ordered these banks to place in escrow an amount equivalent to the disputed withholding tax until final decision is rendered. However, the government withheld the 20% FWT from the proceeds of the PEACE bonds and held it in an escrow account with the Land Bank of the Philippines.

As discussed in more detail in Note 2, the Parent Company considers several factors in determining whether a financial asset is impaired, including the present value of the expected future cash flows discounted at the asset's original contractual effective rate. As of December 31, 2012 and 2011, the Parent Company, in consultation with its legal counsel has determined that the said accounts receivable is collectible.

Accounts receivable also includes noninterest bearing advances to officers and employees, with terms ranging from 1 to 30 days.

#### Miscellaneous Assets

Miscellaneous assets - others consist mainly of documentary stamps, unissued stationary and supplies, inter-office float items, security deposits and deposits for various services.

In the consolidated financial statements, miscellaneous assets - others include non-current assets held for sale which comprised of foreclosed vehicles amounting to ₱9.40 million and nil as of December 31, 2012 and 2011, respectively, for which management assessed that sale of such asset to be highly probable.

The following tables present the reconciliation of the movement of the allowance for impairment and credit losses for Other assets:

Consolidated				
	Accounts Receivable	SCR	Miscellaneous	Total
At January 1, 2012	₱134,029,733	₱14,222,891	₱201,459,741	₱349,712,365
Provisions during the year (Note 14)	27,026,356	119,541	(26,587)	27,119,310
Transfers/others	261,027,410	436,069	(6,773,603)	254,689,876
At December 31, 2012	<b>₱422,083,499</b>	<b>₱14,778,501</b>	<b>₱194,659,551</b>	<b>₱631,521,551</b>
At January 1, 2011	₱135,382,596	₱28,222,891	₱201,226,578	₱364,832,065
Reversals of impairment losses (Note 14)	(110,451)	-	-	(110,451)
Transfers/others	(1,242,412)	(14,000,000)	233,163	(15,009,249)
At December 31, 2011	₱134,029,733	₱14,222,891	₱201,459,741	₱349,712,365

Parent Company				
	Accounts Receivable	SCR	Miscellaneous	Total
At January 1, 2012	₱133,849,332	₱14,222,891	₱189,053,933	₱337,126,156
Provisions during the year (Note 14)	16,054,584	119,541	-	16,174,125
Transfers/others	260,508,604	-	(74,616)	260,433,988
At December 31, 2012	<b>₱410,412,520</b>	<b>₱14,342,432</b>	<b>₱188,979,317</b>	<b>₱613,734,269</b>
At January 1, 2011	₱135,202,195	₱28,222,891	₱186,468,472	₱349,893,558
Reversals of impairment losses (Note 14)	(110,451)	-	-	(110,451)
Transfers/others	(1,242,412)	(14,000,000)	2,585,461	(12,656,951)
At December 31, 2011	₱133,849,332	₱14,222,891	₱189,053,933	₱337,126,156

#### 14. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses are as follows:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Balances at beginning of year:				
Loans and receivables	₱7,569,243,302	₱7,763,993,788	₱7,403,118,580	₱7,579,766,028
Investment properties	1,166,684,353	1,344,459,220	1,149,799,658	1,320,605,874
Accrued interest receivable	84,282,814	69,901,196	83,737,263	68,707,897
Bank premises, furniture, fixtures and equipment	15,202,948	-	-	-
AFS financial assets	33,397,735	34,568,541	1,204,678	2,149,001
Other assets	349,712,365	364,832,065	337,126,156	349,893,558
	<b>9,218,523,517</b>	<b>9,577,754,810</b>	<b>8,974,986,335</b>	<b>9,321,122,358</b>
Provisions charged to operations	236,756,182	155,097,500	200,181,569	155,097,500
Accounts charged off and others	(484,409,214)	(514,328,793)	(474,983,844)	(501,233,523)
	<b>(247,653,032)</b>	<b>(359,231,293)</b>	<b>(274,802,275)</b>	<b>(346,136,023)</b>
Balances at end of year:				
Loans and receivables	6,779,450,022	7,569,243,302	6,566,449,815	7,403,118,580
Investment properties	1,439,159,622	1,166,684,353	1,433,098,759	1,149,799,658
Accrued interest receivable	81,113,369	84,282,814	80,567,819	83,737,263
Bank premises, furniture, fixtures and equipment	-	15,202,948	-	-
AFS financial assets	39,625,921	33,397,735	6,333,398	1,204,678
Other assets	631,521,551	349,712,365	613,734,269	337,126,156
	<b>₱8,970,870,485</b>	<b>₱9,218,523,517</b>	<b>₱8,700,184,060</b>	<b>₱8,974,986,335</b>

At the current level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its loans and receivables and other risk assets.

A reconciliation of the allowance for credit losses on loans and receivables from customers, AFS financial assets and accrued interest receivable follows:

Consolidated 2012							
	Loans and Receivables					AFS Financial Assets	Accrued Interest Receivable
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	
At January 1, 2012	₱6,300,241,913	₱353,900,062	₱913,920,953	₱1,180,374	₱7,569,243,302	₱33,397,735	₱84,282,814
Provisions during the year	193,164,620	12,256,608	(915,413)	–	204,505,815	5,128,720	2,336
Transfers/others	(768,815,168)	92,484,743	(316,949,885)	(1,018,785)	(994,299,095)	1,099,466	(3,171,781)
At December 31, 2012	₱5,724,591,365	₱458,641,413	₱596,055,655	₱161,589	₱6,779,450,022	₱39,625,921	₱81,113,369
Individual impairment	₱3,215,606,866	₱240,948,770	₱596,055,655	₱161,589	₱4,052,772,880	₱39,625,921	₱81,113,369
Collective impairment	2,508,984,499	217,692,643	–	–	2,726,677,142	–	–
	₱5,724,591,365	₱458,641,413	₱596,055,655	₱161,589	₱6,779,450,022	₱39,625,921	₱81,113,369

Consolidated 2011							
	Loans and Receivables					AFS Financial Assets	Accrued Interest Receivable
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	
At January 1, 2011	₱6,274,476,603	₱360,371,642	₱1,127,936,761	₱1,208,782	₱7,763,993,788	₱34,568,541	₱69,901,196
Provisions during the year	119,395,050	37,827,881	(720,545)	–	156,502,386	–	(7,585)
Transfers/others	(93,629,740)	(44,299,461)	(213,295,263)	(28,408)	(351,252,872)	(1,170,806)	14,389,203
At December 31, 2011	₱6,300,241,913	₱353,900,062	₱913,920,953	₱1,180,374	₱7,569,243,302	₱33,397,735	₱84,282,814
Individual impairment	₱3,845,361,004	₱257,991,737	₱913,920,953	₱1,180,374	₱5,018,454,068	₱33,397,735	₱84,282,814
Collective impairment	2,454,880,909	95,908,325	–	–	2,550,789,234	–	–
	₱6,300,241,913	₱353,900,062	₱913,920,953	₱1,180,374	₱7,569,243,302	₱33,397,735	₱84,282,814

Parent Company 2012							
	Loans and Receivables					AFS Financial Assets	Accrued Interest Receivable
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	
At January 1, 2012	₱6,136,549,012	₱351,468,241	₱913,920,953	₱1,180,374	₱7,403,118,580	₱1,204,678	₱83,737,263
Provisions during the year	180,018,358	(226,557)	(915,413)	–	178,876,388	5,128,720	2,336
Transfers/others	(766,860,073)	69,283,590	(316,949,885)	(1,018,785)	(1,015,545,153)	–	(3,171,780)
At December 31, 2012	₱5,549,707,297	₱420,525,274	₱596,055,655	₱161,589	₱6,566,449,815	₱6,333,398	₱80,567,819
Individual impairment	₱3,055,759,242	₱219,092,934	₱596,055,655	₱161,589	₱3,871,069,420	₱6,333,398	₱80,567,819
Collective impairment	2,493,948,055	201,432,340	–	–	2,695,380,395	–	–
	₱5,549,707,297	₱420,525,274	₱596,055,655	₱161,589	₱6,566,449,815	₱6,333,398	₱80,567,819

Parent Company 2011							
	Loans and Receivables					AFS Financial Assets	Accrued Interest Receivable
	Corporate Lending	Consumer Lending	Trade-related Lending	Others	Total	Unquoted Securities	
At January 1, 2011	₱6,090,693,446	₱359,927,039	₱1,127,936,761	₱1,208,782	₱7,579,766,028	₱2,149,001	₱68,707,897
Provisions during the year	119,395,050	37,827,881	(720,545)	–	156,502,386	–	(7,585)
Transfers/others	(73,539,484)	(46,286,679)	(213,295,263)	(28,408)	(333,149,834)	(944,323)	15,036,951
At December 31, 2011	₱6,136,549,012	₱351,468,241	₱913,920,953	₱1,180,374	₱7,403,118,580	₱1,204,678	₱83,737,263
Individual impairment	₱3,693,286,535	₱255,559,916	₱913,920,953	₱1,180,374	₱4,863,947,778	₱1,204,678	₱83,737,263
Collective impairment	2,443,262,477	95,908,325	–	–	2,539,170,802	–	–
	₱6,136,549,012	₱351,468,241	₱913,920,953	₱1,180,374	₱7,403,118,580	₱1,204,678	₱83,737,263

The gross amount of loans and receivables that were individually determined to be impaired as of December 31, 2012 and 2011 amounted to ₱4.05 billion and ₱5.02 billion, respectively, for the Group and ₱3.87 billion and ₱4.86 billion, respectively, for the Parent Company.

#### 15. Deposit Liabilities

As of December 31, 2012 and 2011, 60.54% and 55.42% respectively, of the total deposit liabilities of the Group are subject to periodic interest repricing. The remaining deposit liabilities earn annual fixed interest rates ranging from 0.13% to 8.50% in 2012 and 0.25% to 8.25% in 2011.

On April 2, 2008, the Parent Company's BOD authorized the issuance of Long-Term Negotiable Certificates of Deposit (LTNCDs) to expand its asset base. On August 8, 2008, the Parent Company issued 5-year LTNCDs with aggregate principal amount of ₱5.0 billion at par and which will mature on August 9, 2013. The LTNCDs are included under the 'Time deposit liabilities' account. The LTNCDs bear a coupon rate of 8.25% per annum, payable quarterly at the end of each 3-month period. The statutory reserve for LTNCD is 2.00%. It is not subject to liquidity reserve in accordance with the Deposit Substitutes section of the MORB.

BSP Circular No. 753 which took effect on April 6, 2012, promulgated the unification of the statutory/legal and liquidity reserve requirement on non-FCDU deposit liabilities from 21.00% to 18.00%. Previously, there was a separate reserve requirement percentage for liquidity

## Notes to Financial Statements

and statutory reserves equivalent to 11.00% and 10.00%, respectively. Also, under the existing regulations, only demand deposit accounts maintained by banks with the BSP are eligible for compliance with reserve requirements. This was tantamount to the exclusion of government securities and cash in vault as eligible reserves. As of December 31, 2012 and 2011, the Group is in compliance with such regulation.

As of December 31, 2012 and 2011, the following assets were set aside as reserves for deposit liabilities per latest report submitted by the Parent Company to the BSP:

	2012	2011
Cash and other cash items	₱—	₱5,984,039,540
Due from BSP	<b>37,565,815,876</b>	9,772,712,488
Loans and receivables	—	17,035,505,269
	<b>₱37,565,815,876</b>	<b>₱32,792,257,297</b>

Available reserves of CBSI follow:

	2012	2011
Cash and other cash items	₱—	₱107,556,575
Due from BSP	<b>462,692,223</b>	551,091,692
	<b>₱462,692,223</b>	<b>₱658,648,267</b>

### 16. Bills Payable

The Group's and the Parent Company's bills payable consist of:

	2012	2011
BSP - rediscounting (Note 8)	<b>₱2,060,527,961</b>	₱100,297,152
Government lending programs	<b>1,207,178,185</b>	1,541,176,195
Others	<b>259,101,827</b>	—
	<b>₱3,526,807,973</b>	<b>₱1,641,473,347</b>

Details of the government lending programs follow:

Counterparty	Average term	Rates	2012	2011
Development Bank of the Philippines	6 years	4.00% to 8.25%	<b>₱781,349,950</b>	₱1,018,474,275
Land Bank of the Philippines	7 years	5.02% to 5.89%	<b>425,819,366</b>	522,557,369
Social Security Services	15 years	12.00%	<b>8,869</b>	144,551
			<b>₱1,207,178,185</b>	<b>₱1,541,176,195</b>

### 17. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Accrued payable for employee benefits	<b>₱642,125,261</b>	₱716,436,424	<b>₱642,125,261</b>	₱716,436,424
Accrued interest payable	<b>558,128,732</b>	392,844,622	<b>534,128,856</b>	382,184,214
Accrued taxes and other licenses	<b>72,402,968</b>	90,291,841	<b>72,347,367</b>	79,902,972
Accrued lease payable	<b>60,914,579</b>	60,914,579	<b>60,914,579</b>	60,914,579
Accrued other expenses payable	<b>281,976,115</b>	186,045,714	<b>247,322,027</b>	178,157,487
	<b>₱1,615,547,655</b>	₱1,446,533,180	<b>₱1,556,838,090</b>	₱1,417,595,676

## 18. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2012	2011	2012	2011
<b>Financial liabilities</b>				
Accounts payable (Note 27)	₱977,638,028	₱1,055,934,772	₱804,649,279	₱955,810,757
Due to the Treasurer of the Philippines	659,049,344	215,282,532	659,049,344	215,282,532
Acceptances payable	271,316,801	204,050,184	271,316,801	204,050,184
Due to PDIC*	234,442,155	568,287,750	234,442,155	568,287,750
Margin deposits	3,015,493	3,423,357	3,015,493	3,423,357
Miscellaneous	548,519,012	888,426,957	517,175,837	1,204,520,223
<b>Total</b>	<b>2,693,980,833</b>	<b>2,935,405,552</b>	<b>2,489,648,909</b>	<b>3,151,374,803</b>
<b>Nonfinancial liabilities</b>				
Withholding taxes payable	128,664,585	81,030,709	120,930,315	77,458,668
Retirement liabilities (Note 22)	35,153,019	21,863,849	–	–
<b>Total</b>	<b>163,817,604</b>	<b>102,894,558</b>	<b>120,930,315</b>	<b>77,458,668</b>
	₱2,857,798,437	₱3,038,300,110	₱2,610,579,224	₱3,228,833,471

\*Philippine Deposit Insurance Corporation

Accounts payable includes payables to suppliers and service providers, and loan payments and other charges received from customers in advance.

Miscellaneous liabilities mainly include sundry credits, inter-office float items, and dormant deposit accounts. As of December 31, 2011, miscellaneous liabilities of the Parent Company also include subscription payable to CBSI amounting to ₱351.76 million. The Parent Company settled this payable in 2012, net of due from CBSI (Note 27) amounting to ₱98.98 million.

## 19. Other Operating Income and Miscellaneous Expenses

### Trading and Securities Gain

This account consists of:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Financial assets at FVPL:						
Held-for-trading	₱247,651,111	(₱94,145,027)	₱304,524,739	₱247,651,111	(₱94,145,027)	₱303,696,985
Designated at FVPL	–	–	(1,288,639)	–	–	(1,288,639)
Derivatives assets (Note 23)	(33,294,321)	(86,888,763)	45,997,975	(33,294,321)	(86,888,763)	46,825,730
AFS financial assets	2,701,942,417	1,649,670,999	1,402,058,073	2,572,816,115	1,634,157,490	1,365,653,205
	₱2,916,299,207	₱1,468,637,209	₱1,751,292,148	₱2,787,172,905	₱1,453,123,700	₱1,714,887,281

### Service Charges, Fees and Commissions

Details of this account are as follows:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Service and collection charges						
Deposits	₱591,106,429	₱620,201,649	₱790,590,953	₱578,003,661	₱610,997,297	₱785,489,108
Loans	23,839,053	101,647,865	77,371,988	23,527,821	100,969,628	77,363,912
Others	43,193,556	65,975,502	65,311,131	42,294,399	478,694	181,978
Fees and commissions	388,213,255	197,432,292	188,004,877	305,341,215	136,682,214	139,861,246
	₱1,046,352,293	₱985,257,308	₱1,121,278,949	₱949,167,096	₱849,127,833	₱1,002,896,244

## Notes to Financial Statements

### Miscellaneous Expenses

Details of this account are as follows:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Information technology	₱144,114,368	₱144,722,221	₱155,047,597	₱212,599,285	₱142,551,712	₱146,811,379
Freight	46,067,749	40,683,834	37,710,618	45,306,771	39,683,719	35,707,408
Litigations	29,061,855	65,488,608	67,189,424	28,716,149	64,611,129	63,620,283
Miscellaneous expenses	385,273,808	282,448,186	200,776,862	324,893,618	250,803,412	190,111,478
	₱604,517,780	₱533,342,849	₱460,724,501	₱611,515,823	₱497,649,972	₱436,250,548

## 20. Maturity Analysis of Assets and Liabilities

The following tables present both the Group's and Parent Company's assets and liabilities as of December 31, 2012 and 2011 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the respective balance sheet date:

	Consolidated					
	2012			2011		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
<b>Financial assets</b>						
Cash and other cash items	₱6,160,371,861	₱-	₱6,160,371,861	₱6,050,366,433	₱-	₱6,050,366,433
Due from BSP	40,659,682,959	-	40,659,682,959	30,122,324,047	-	30,122,324,047
Due from other banks	4,527,376,998	-	4,527,376,998	2,745,404,931	-	2,745,404,931
SPURA	446,000,000	-	446,000,000	671,000,000	-	671,000,000
Financial assets at FVPL	7,158,666,538	5,008,011,654	12,166,678,192	2,347,368,931	98,695,287	2,446,064,218
AFS financial assets - gross	7,911,020,936	33,698,955,815	41,609,976,751	1,140,974,349	44,677,024,864	45,817,999,213
HTM financial assets	1,442,944,344	11,251,308,097	12,694,252,441	423,149,945	12,537,787,260	12,960,937,205
Loans and receivables - gross	97,820,097,072	99,998,840,546	197,818,937,618	80,819,963,000	72,690,369,301	153,510,332,301
Accrued interest receivable - gross	1,913,254,550	-	1,913,254,550	1,850,008,878	-	1,850,008,878
Other assets - gross	3,298,681,750	506,369,500	3,805,051,250	3,845,193,918	419,188,478	4,264,382,396
	171,338,097,008	150,463,485,612	321,801,582,620	130,015,754,432	130,423,065,190	260,438,819,622
<b>Nonfinancial assets</b>						
Bank premises, furniture, fixtures and equipment - gross	-	4,760,466,634	4,760,466,634	-	4,937,411,340	4,937,411,340
Investment properties - gross	-	4,255,018,262	4,255,018,262	-	4,581,580,575	4,581,580,575
Deferred tax assets	-	719,185,579	719,185,579	-	899,146,127	899,146,127
Investments in associates	-	21,245,838	21,245,838	-	24,480,868	24,480,868
Branch license	-	837,600,000	837,600,000	-	477,600,000	477,600,000
Goodwill	-	222,841,201	222,841,201	-	222,841,201	222,841,201
Other assets - gross	614,680,146	277,866,441	892,546,587	306,304,489	246,452,025	552,756,514
	614,680,146	11,094,223,955	11,708,904,101	306,304,489	11,389,512,136	11,695,816,625
Less:						
Allowances for impairment and credit losses (Note 14)			8,970,870,485			9,218,523,517
Unearned interest and discounts (Note 8)			894,151,834			702,426,426
			9,865,022,319			9,920,949,943
			₱323,645,464,402			₱262,213,686,304
<b>Financial liabilities</b>						
Deposit liabilities	₱166,838,787,926	₱105,138,451,944	₱271,977,239,870	₱210,594,617,894	₱5,539,095,407	₱216,133,713,301
Bills payable	1,795,806,439	1,731,001,534	3,526,807,973	2,240,088	1,639,233,259	1,641,473,347
Manager's checks	801,208,565	-	801,208,565	487,057,846	-	487,057,846
Accrued interest and other expenses	1,615,547,655	-	1,615,547,655	1,446,533,180	-	1,446,533,180
Derivative liabilities	570,575,771	-	570,575,771	146,616,341	-	146,616,341
Other liabilities	2,693,980,833	-	2,693,980,833	2,935,405,552	-	2,935,405,552
	174,315,907,189	106,869,453,478	281,185,360,667	215,612,470,901	7,178,328,666	222,790,799,567
<b>Nonfinancial liabilities</b>						
Withholding taxes payable	128,664,585	-	128,664,585	81,030,709	-	81,030,709
Accrued income tax payable	4,891,699	-	4,891,699	30,667,483	-	30,667,483
Other liabilities	35,153,019	-	35,153,019	21,863,849	-	21,863,849
	₱174,484,616,492	₱106,869,453,478	₱281,354,069,970	₱215,746,032,942	₱7,178,328,666	₱222,924,361,608

	Parent Company					
	2012			2011		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
<b>Financial assets</b>						
Cash and other cash items	₱5,996,785,687	₱-	₱5,996,785,687	₱5,902,040,106	₱-	₱5,902,040,106
Due from BSP	37,597,455,540	-	37,597,455,540	29,571,232,355	-	29,571,232,355
Due from other banks	4,289,620,222	-	4,289,620,222	2,729,474,436	-	2,729,474,436
Financial assets at FVPL	7,158,666,537	5,008,011,655	12,166,678,192	2,347,368,931	98,695,287	2,446,064,218
AFS financial assets - gross	7,737,825,872	32,945,236,336	40,683,062,208	5,679,507,236	38,998,306,532	44,677,813,768
HTM financial assets	1,414,017,682	11,251,308,097	12,665,325,779	-	12,877,757,205	12,877,757,205
Loans and receivables - gross	95,538,146,118	97,062,032,359	192,600,178,477	68,668,585,457	82,851,821,683	151,520,407,140
Accrued interest receivable - gross	1,870,023,734	-	1,870,023,734	1,818,101,927	-	1,818,101,927
Other assets - gross	3,055,777,579	409,168,483	3,464,946,062	3,595,711,653	270,686,216	3,866,397,869
	<b>164,658,318,971</b>	<b>146,675,756,930</b>	<b>311,334,075,901</b>	<b>120,312,022,101</b>	<b>135,097,266,923</b>	<b>255,409,289,024</b>
<b>Nonfinancial assets</b>						
Bank premises, furniture, fixtures and equipment	-	4,240,859,684	4,240,859,684	-	4,226,814,198	4,226,814,198
Investment properties - gross	-	3,852,106,388	3,852,106,388	-	4,455,072,523	4,455,072,523
Deferred tax assets	-	872,452,234	872,452,234	-	894,051,431	894,051,431
Investments in subsidiaries and associates	-	1,948,792,351	1,948,792,351	-	1,547,426,708	1,547,426,708
Branch licenses	-	455,000,000	455,000,000	-	455,000,000	455,000,000
Goodwill	-	222,841,201	222,841,201	-	222,841,201	222,841,201
Other assets - gross	507,585,142	277,866,441	785,451,583	306,010,482	246,452,025	2,117,018,141
	<b>507,585,142</b>	<b>11,869,918,299</b>	<b>12,377,503,441</b>	<b>306,010,482</b>	<b>12,047,658,086</b>	<b>12,353,668,568</b>
Less:						
Allowances for impairment and credit losses (Note 14)			8,700,184,060			8,974,986,335
Unearned interest and discounts (Note 8)			671,973,994			690,714,511
			<b>9,372,158,054</b>			<b>9,665,700,846</b>
			<b>₱314,339,421,288</b>			<b>₱258,097,256,746</b>
<b>Financial liabilities</b>						
Deposit liabilities	₱160,285,441,660	₱102,788,667,697	₱263,074,109,357	₱208,894,954,331	₱3,077,899,960	₱211,972,854,291
Bills payable	1,795,806,439	1,731,001,534	3,526,807,973	102,537,240	1,538,936,107	1,641,473,347
Manager's checks	736,088,844	-	736,088,844	445,940,641	-	445,940,641
Accrued interest and other expenses	1,556,838,090	-	1,556,838,090	1,417,595,676	-	1,417,595,676
Derivative liabilities	570,575,771	-	570,575,771	146,616,341	-	146,616,341
Other liabilities	2,489,648,909	-	2,489,648,909	2,904,922,778	246,452,025	3,151,374,803
	<b>167,434,399,713</b>	<b>104,519,669,231</b>	<b>271,954,068,944</b>	<b>213,912,567,007</b>	<b>4,863,288,092</b>	<b>218,775,855,099</b>
<b>Nonfinancial liabilities</b>						
Withholding taxes payable	120,930,315	-	120,930,315	77,458,668	-	77,458,668
Accrued income tax payable	-	-	-	23,145,879	-	23,145,879
	<b>₱167,555,330,028</b>	<b>₱104,519,669,231</b>	<b>₱272,074,999,259</b>	<b>₱214,013,171,554</b>	<b>₱4,863,288,092</b>	<b>₱218,876,459,646</b>

## 21. Equity

The Parent Company's capital stock consists of:

	2012		2011*	
	Shares	Amount	Shares	Amount
Common stock - ₱10 par value				
Authorized - shares	2,000,000,000		2,000,000,000	
Issued and outstanding				
Balance at beginning of year	1,179,876,680	₱11,798,766,800	1,072,606,170	₱10,726,061,700
Stock dividends	117,997,550	1,179,975,500	107,270,510	1,072,705,100
	<b>1,297,874,230</b>	<b>₱12,978,742,300</b>	<b>1,179,876,680</b>	<b>₱11,798,766,800</b>

\* Restated to show the effects of ten-for-one stock split in 2012. The stock dividends declared include fractional shares equivalent to 9,882 shares in 2012 and 9,893 shares in 2011

The Parent Company shares are listed in the Philippine Stock Exchange.

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The SEC approved the increase in the capital stock of the Group. The summarized information on the Company's registration of securities under the Securities Regulation Code follows:

<u>Date of SEC Approval</u>	<u>Authorized Shares</u>
April 12, 1991	10,000,000
October 7, 1993	15,000,000
August 30, 1994	20,000,000
July 26, 1995	25,000,000
September 12, 1997	50,000,000
September 5, 2005	100,000,000
September 14, 2007	160,000,000
September 5, 2008	200,000,000

As confirmed with the Parent Company's transfer agent, Stock Transfer Service, Inc., the total number of stockholders is 2,002 and 2,025 as of December 31, 2012 and 2011, respectively.

On April 4, 2012 and May 3, 2012, the BOD and the stockholders owning or representing at least two-thirds of the outstanding capital stock, respectively, approved the amendment of Article Sixth (a) of the Parent Company's Articles of Incorporation to effect a ten-for-one stock split of the Parent Company's common shares which resulted in an increase in the number of authorized shares from 0.20 million to 2.00 billion shares and a reduction in par value of the shares from ₱100.00 to ₱10.00 per share, without affecting the authorized capital stock of the Parent Company of ₱20.00 billion. The SEC approved the amendment of Articles of Incorporation on August 24, 2012.

### Dividends

On May 3, 2012, the BOD approved the declaration of 10.00% stock and ₱12 per share cash dividends to stockholders of record as of July 18, 2012. The BSP and SEC approved the dividend declaration on May 30, 2012.

On May 4, 2011, the BOD approved the declaration of 10.00% stock and ₱12 per share cash dividends to stockholders of record as of July 1, 2011. The BSP and SEC approved the dividend declaration on June 10, 2011.

On May 5, 2010, the BOD approved the declaration of 10.00% stock and ₱12 per share cash dividends to stockholders of record as of July 22, 2010. The BSP and SEC approved the dividend declaration on June 23, 2010.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2012 and 2011, surplus includes the amount of ₱1.28 billion, net of deferred tax liability of ₱547.40 million, representing transfer of revaluation increment on land which was carried at deemed cost when the group transitioned to PFRS in 2005. This amount will be available to be declared as dividends upon sale of the underlying land.

In the consolidated financial statements, a portion of the Group's surplus corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates amounting to ₱170.99 million and ₱136.54 million as of December 31, 2012 and 2011, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

### Reserves

In compliance with BSP regulations, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock.

### **Capital Management**

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes as of December 31, 2012 and 2011.

### Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

On August 4, 2006, the BSP, under BSP Circular No. 538, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II capital adequacy framework. The new BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their CAR using these guidelines. As of December 31, 2012 and 2011, the Group's CAR under BSP Circular No. 538 is 16.00% and 16.34%, respectively.

The CAR of the Group and the Parent Company as of December 31, 2012 and December 31, 2011 as reported to the BSP are shown in the table below.

	Consolidated		Parent Company	
	2012	2011	2012	2011
	(Amounts in Million Pesos)			
Tier 1 capital	<b>₱35,336.80</b>	₱31,072.05	<b>₱35,323.91</b>	₱31,081.82
Tier 2 capital	<b>2,085.39</b>	1,798.00	<b>2,015.68</b>	1,760.85
Gross qualifying capital	<b>37,422.19</b>	32,870.05	<b>37,339.59</b>	32,842.67
Less required deductions	<b>204.28</b>	171.67	<b>1,645.45</b>	1,453.55
<b>Total qualifying capital</b>	<b>₱37,217.91</b>	₱32,698.38	<b>₱35,694.14</b>	₱31,389.12
<b>Risk weighted assets</b>	<b>₱232,552.93</b>	₱200,163.25	<b>₱225,145.24</b>	₱196,154.27
Tier 1 capital ratio	<b>15.15%</b>	15.48%	<b>15.32%</b>	15.48%
Total capital ratio	<b>16.00%</b>	16.34%	<b>15.85%</b>	16.00%

The regulatory qualifying capital of the Group consists of Tier 1 (core) capital, which comprises paid-up common stock, additional paid-in capital, surplus including current year profit, surplus reserves and minority interest less required deductions such as unsecured credit accommodations to DOSRI, deferred income tax, and goodwill. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes net unrealized gain on AFS equity securities (subject to a 55.00% discount) and general loan loss provision.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

## 22. Retirement Plan

The Group has separate funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation studies of the retirement plans were made as of December 31, 2012.

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, amortization of the unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The principal actuarial assumptions used in 2012 and 2011 in determining the retirement liability for the Group's and Parent Company's retirement plans are shown below:

	2012			
	Parent	CBSI	CBC-PCCI	CIBI
Discount rate:				
January 1	<b>6.35%</b>	<b>6.86%</b>	<b>6.59%</b>	<b>6.59%</b>
December 31	<b>5.71%</b>	<b>6.11%</b>	<b>5.94%</b>	<b>5.92%</b>
Expected rate of return on assets	<b>8.00%</b>	<b>4.00%</b>	<b>5.00%</b>	<b>4.00%</b>
Future salary increases	<b>7.50%</b>	<b>6.50%</b>	<b>6.50%</b>	<b>7.50%</b>
	2011			
Discount rate:				
January 1	8.25%	9.18%	10.07%	10.10%
December 31	6.35%	6.86%	6.59%	6.59%
Expected rate of return on assets	4.00%	3.50%	4.00%	4.00%
Future salary increases	6.50%	6.50%	6.50%	6.50%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

## Notes to Financial Statements

As of December 31, 2012, Unity Bank has no formal retirement plan for its employees, who were all hired on December 29, 2012.

The movements in the present value of defined benefit obligation follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Balance at beginning of year	<b>₱2,547,868,900</b>	₱2,473,330,648	<b>₱2,477,977,600</b>	₱2,421,299,300
Current service cost	<b>217,591,435</b>	207,582,600	<b>203,076,176</b>	197,475,700
Interest cost	<b>130,603,024</b>	204,346,400	<b>125,937,181</b>	199,757,200
Benefits paid	<b>(106,637,938)</b>	(145,123,000)	<b>(106,472,875)</b>	(142,353,200)
Actuarial losses (gains) on obligation	<b>336,512,689</b>	(192,267,748)	<b>325,137,898</b>	(198,201,400)
Balance at end of year	<b>₱3,125,938,110</b>	₱2,547,868,900	<b>₱3,025,655,980</b>	₱2,477,977,600

The movements in the fair value of plan assets follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Balance at beginning of year	<b>₱3,121,106,700</b>	₱2,939,965,500	<b>₱3,080,345,100</b>	₱2,903,376,900
Expected return	<b>124,745,507</b>	176,397,900	<b>123,213,804</b>	174,202,600
Contribution paid by employer	<b>238,693,900</b>	227,830,300	<b>233,793,900</b>	223,030,300
Benefits paid	<b>(106,637,938)</b>	(145,123,000)	<b>(106,472,875)</b>	(142,353,200)
Actuarial gains (losses) on plan assets	<b>626,269,703</b>	(77,964,000)	<b>625,483,134</b>	(77,911,500)
Balance at end of year	<b>₱4,004,177,872</b>	₱3,121,106,700	<b>₱3,956,363,063</b>	₱3,080,345,100

The amounts of net plan assets follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Fair value of plan assets	<b>₱4,004,177,872</b>	₱3,121,106,700	<b>₱3,956,363,063</b>	₱3,080,345,100
Present value of defined benefit obligation	<b>3,125,938,110</b>	2,547,868,900	<b>3,025,655,980</b>	2,477,977,600
	<b>878,239,762</b>	573,237,800	<b>930,707,083</b>	602,367,500
Unrecognized actuarial gains	<b>(638,665,326)</b>	(352,311,710)	<b>(652,840,642)</b>	(355,915,475)
Unrecognized amortizations on PSC	<b>3,138,986</b>	3,662,086	-	-
Net plan assets	<b>₱242,713,422</b>	₱224,588,176	<b>₱277,866,441</b>	₱246,452,025

The amounts of net plan assets are presented in the balance sheets as follows:

	2012	2011
Parent Company (included in 'Other assets')	<b>₱277,866,441</b>	₱246,452,025
Subsidiaries (included in 'Other liabilities')	<b>(35,153,019)</b>	(21,863,849)
	<b>₱242,713,422</b>	₱224,588,176

The movements in the net plan assets recognized in the balance sheets follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Balance at beginning of year	<b>₱224,588,176</b>	₱232,738,376	<b>₱246,452,025</b>	₱246,452,025
Retirement expense	<b>(220,568,654)</b>	(235,980,500)	<b>(202,379,484)</b>	(223,030,300)
Contribution	<b>238,693,900</b>	227,830,300	<b>233,793,900</b>	223,030,300
Balance at end of year	<b>₱242,713,422</b>	₱224,588,176	<b>₱277,866,441</b>	₱246,452,025

The amounts of retirement expense included in 'Compensation and fringe benefits' in the statements of income follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Current service cost	<b>₱217,591,435</b>	₱207,582,600	<b>₱203,076,176</b>	₱197,475,700
Interest cost	<b>130,603,024</b>	204,346,400	<b>125,937,181</b>	199,757,200
Expected return on plan assets	<b>(124,745,507)</b>	(176,397,900)	<b>(123,213,804)</b>	(174,202,600)
Amortization of PSC	<b>523,100</b>	523,100	-	-
Net actuarial gains recognized during the year	<b>(3,403,398)</b>	(73,700)	<b>(3,420,069)</b>	-
Net pension expense	<b>₱220,568,654</b>	₱235,980,500	<b>₱202,379,484</b>	₱223,030,300

Movements in accumulated unrecognized actuarial gains follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Balance at beginning of year	<b>(P352,311,710)</b>	(P238,081,662)	<b>(P355,915,475)</b>	(P235,625,575)
Actuarial losses (gains) on the present value of the defined benefit obligation	<b>336,512,689</b>	(192,267,748)	<b>325,137,898</b>	(198,201,400)
Actuarial losses (gains) on plan assets	<b>(626,269,703)</b>	77,964,000	<b>(625,483,134)</b>	77,911,500
Actuarial gains recognized during the year	<b>3,403,398</b>	73,700	<b>3,420,069</b>	–
Balance at end of year	<b>(P638,665,326)</b>	(P352,311,710)	<b>(P652,840,642)</b>	(P355,915,475)

Actual return on plan assets amounted to P751.02 million in 2012 and P98.43 million in 2011 for the Group, and P748.70 million in 2012 and P96.29 million in 2011 for the Parent Company.

The Parent Company expects to contribute P202.40 million to its defined benefit pension plan in 2013.

In 2012 and 2011, the major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Parent Company shares	<b>39.93%</b>	33.89%	<b>40.41%</b>	34.34%
Debt instruments	<b>26.21%</b>	25.93%	<b>25.76%</b>	25.28%
Cash and cash equivalents	<b>25.34%</b>	32.25%	<b>25.37%</b>	32.39%
Equity instruments	<b>1.61%</b>	0.38%	<b>1.63%</b>	0.38%
Other assets	<b>6.91%</b>	7.55%	<b>6.83%</b>	7.61%
	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%

The following table shows the breakdown of fair value of the plan assets:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Due from BSP	<b>P589,400,000</b>	P530,476,000	<b>P588,630,000</b>	P530,476,000
Deposits in banks	<b>425,326,309</b>	476,215,833	<b>415,138,437</b>	467,103,154
Financial assets at FVPL	<b>49,602,480</b>	–	<b>49,602,480</b>	–
AFS financial assets				
Quoted debt securities	<b>658,712,424</b>	499,966,329	<b>634,037,155</b>	474,329,255
Quoted equity securities	<b>14,987,663</b>	11,760,226	<b>14,987,663</b>	11,740,063
Parent Company shares	<b>1,598,747,582</b>	1,057,749,729	<b>1,598,747,582</b>	1,057,749,729
Investments in unit investment trust fund	<b>106,666,297</b>	21,286,166	<b>101,916,845</b>	20,478,417
Corporate bonds	<b>390,858,000</b>	309,444,779	<b>384,958,000</b>	304,544,779
Loans and receivables	<b>17,650,842</b>	66,749,579	<b>17,650,842</b>	66,749,579
Investment properties*	<b>136,568,001</b>	136,568,000	<b>136,568,000</b>	136,568,000
Other assets	<b>15,658,274</b>	10,890,059	<b>14,126,059</b>	10,606,124
	<b>P4,004,177,872</b>	P3,121,106,700	<b>P3,956,363,063</b>	P3,080,345,100

\* Investment properties comprise properties located in Manila.

The carrying value of the plan assets of the Group and Parent Company amounted to P4.00 billion and P3.96 billion as of December 31, 2012, respectively, and P3.12 billion and P3.08 billion, as of December 31, 2011, respectively.

Information on the Group's and Parent Company's retirement plan for the current and previous years follows (in millions):

	Consolidated				
	2012	2011	2010	2009	2008
Present value of defined benefit obligation	<b>P3,125.94</b>	P2,547.87	P2,473.33	P1,959.25	P1,440.12
Fair value of plan assets	<b>4,004.18</b>	3,121.11	2,939.97	2,432.32	2,347.70
Funded status	<b>878.24</b>	573.24	466.64	473.07	907.58
Experience adjustment arising on plan assets	<b>626.27</b>	(77.96)	286.43	(73.13)	(436.20)
Experience adjustment arising on plan liabilities	<b>(336.51)</b>	192.27	(283.05)	(337.29)	488.28
	Parent Company				
	2012	2011	2010	2009	2008
Present value of defined benefit obligation	<b>P3,025.66</b>	P2,477.98	P2,421.30	P1,924.03	P1,399.34
Fair value of plan assets	<b>3,956.36</b>	3,080.35	2,903.38	2,398.44	2,319.13
Funded status	<b>930.71</b>	602.37	482.08	474.41	919.79
Experience adjustment arising on plan assets	<b>625.48</b>	(77.91)	289.56	(72.73)	(436.29)
Experience adjustment arising on plan liabilities	<b>(325.14)</b>	198.20	(281.89)	(348.10)	490.57

## 23. Derivative Financial Instruments

Occasionally, the Parent Company enters into forward exchange contracts as an accommodation to its clients. These derivatives are not designated as accounting hedges. The aggregate notional amounts of the outstanding buy US dollar currency forwards as of December 31, 2012 and 2011 amounted to US\$362.14 million and US\$202.73 million, respectively, while the sell US dollar forward contracts amounted to US\$683.27 million and US\$469.00 million, respectively. Weighted average buy US dollar forward rates as of December 31, 2012 and 2011 are ₱42.52 and ₱43.51, respectively, while the weighted average sell US dollar forward rates are ₱41.26 and ₱43.62, respectively.

As of December 31, 2012 and 2011, the fair values of derivatives follow:

	2012		2011	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Currency forwards	₱187,483,726	₱570,575,771	₱119,328,774	₱146,616,341
Embedded credit derivatives	56,839,452	–	90,133,773	–
Warrants	8,016,654	–	8,561,514	–
	<b>₱252,339,832</b>	<b>₱570,575,771</b>	<b>₱218,024,061</b>	<b>₱146,616,341</b>

## Fair Value Changes of Derivatives

The net movements in fair value changes of derivative instruments are as follows:

	2012	2011
Balance at beginning of year	₱71,407,720	(₱847,550,633)
Fair value changes during the year	(202,790,964)	906,927,956
Settled transactions	(186,852,695)	12,030,397
Balance at end of year	<b>(₱318,235,939)</b>	<b>₱71,407,720</b>

The net changes in fair value of the derivatives are presented in the statements of income under the following accounts:

	2012	2011	2010
Foreign exchange gain (loss)	(₱356,349,338)	₱1,005,847,116	(₱1,265,054,059)
Trading and securities gains (loss)*	(33,294,321)	(86,888,763)	45,537,091
	<b>(₱389,643,659)</b>	<b>₱918,958,353</b>	<b>(₱1,219,516,968)</b>

\* Net changes in fair value related to embedded credit derivatives

## 24. Lease Contracts

The lease contracts are for periods ranging from one to 25 years from the dates of contracts and are renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%.

Annual rentals on these lease contracts included in 'Occupancy cost' in the statements of income in 2012, 2011 and 2010 amounted to ₱212.69 million, ₱215.63 million and ₱191.86 million, respectively, for the Group, and ₱181.00 million, ₱195.57 million and ₱191.86 million, respectively, for the Parent Company.

Future minimum rentals payable of the Group and the Parent Company under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Within one year	₱206,827,312	₱201,845,742	₱175,138,323	₱173,429,789
After one year but not more than five years	677,554,792	604,051,318	546,089,725	471,785,105
After more than five years	250,667,618	181,487,936	164,381,871	123,757,103
	<b>₱1,135,049,722</b>	<b>₱987,384,996</b>	<b>₱885,609,919</b>	<b>₱768,971,997</b>

The Group and the Parent Company also has entered into commercial property leases on its investment properties (Note 11). These noncancellable leases have remaining noncancellable lease terms of between one and five years for the Group and one and five months for the Parent Company.

Future minimum rentals receivable under noncancellable operating leases follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Within one year	₱11,404,342	₱24,142,803	₱113,400	₱1,822,974
After one year but not more than five years	14,063,996	24,936,913	–	–
	<b>₱25,468,338</b>	<b>₱49,079,716</b>	<b>₱113,400</b>	<b>₱1,822,974</b>

## 25. Income and Other Taxes

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9337, an Act Amending National Internal Revenue Code, provides that starting January 1, 2009, the RCIT rate shall be 30.00% while interest expense allowed as a deductible expense is reduced to 33.00% of interest income subject to final tax.

An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax.

Interest income on deposit placements with other FCDU and offshore banking units (OBUs) is taxed at 7.50%, while all other income of the FCDU is subject to the 30.00% corporate tax.

On March 15, 2011, the BIR issued Revenue Regulation (RR) No. 4-2011 which prescribes the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU. Pursuant to the regulations, the Parent Company made an allocation of its expenses in calculating income taxes due for RBU and FCDU.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.

The provision for income tax consists of:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Current:						
Final tax	<b>₱397,890,351</b>	₱449,467,074	₱488,939,226	<b>₱370,560,842</b>	₱448,394,727	₱487,918,347
RCIT	<b>94,057,428</b>	65,071,858	571,742	<b>100,531,347</b>	56,152,927	–
MCIT	<b>9,293,831</b>	20,650,380	59,510,947	<b>8,580,008</b>	2,459,886	59,510,947
	<b>501,241,610</b>	535,189,312	549,021,915	<b>479,672,197</b>	507,007,540	547,429,294
Deferred	<b>(78,952,994)</b>	12,218,902	141,776,611	<b>(67,115,057)</b>	12,218,902	133,259,391
	<b>₱422,288,616</b>	₱547,408,214	₱690,798,526	<b>₱412,557,140</b>	₱519,226,442	₱680,688,685

The details of net deferred tax assets follow:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Deferred tax assets (liabilities) on:				
Allowance for impairment and credit losses	<b>₱1,686,099,103</b>	₱1,697,926,689	<b>₱1,660,046,108</b>	₱1,682,154,209
Revaluation increment on land	<b>(547,404,615)</b>	(547,404,615)	<b>(547,404,615)</b>	(547,404,615)
Fair value adjustment on asset foreclosures and dacion transactions - net of depreciated portion	<b>(173,934,310)</b>	(142,161,590)	<b>(131,875,860)</b>	(131,875,860)
Fair value adjustments on net assets of Unity Bank	<b>(136,382,889)</b>	–	–	–
Net plan assets	<b>(80,810,768)</b>	(71,976,633)	<b>(83,359,933)</b>	(73,935,608)
Unrealized gain or loss on FVPL and AFS	<b>(44,214,522)</b>	(56,451,146)	<b>(43,905,157)</b>	(55,722,251)
Accrued rent	<b>22,733,929</b>	18,414,593	<b>18,274,374</b>	18,274,374
Unamortized past service cost	<b>1,467,738</b>	3,449,458	<b>677,317</b>	2,561,182
Others	<b>(8,368,087)</b>	(2,650,629)	–	–
	<b>₱719,185,579</b>	₱899,146,127	<b>₱872,452,234</b>	₱894,051,431

## Notes to Financial Statements

The Group did not set up deferred tax assets on the following temporary differences as it believes that it is highly probable that these temporary differences will not be realized in the near foreseeable future:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Allowance for impairment and credit losses	<b>₱3,641,861,779</b>	₱3,527,447,845	<b>₱3,166,697,035</b>	₱3,367,805,640
Accrued compensated absences	<b>81,464,190</b>	232,978,524	<b>81,464,190</b>	232,978,524
NOLCO	<b>66,348,851</b>	66,348,851	–	–
Excess of MCIT over RCIT	<b>29,376,805</b>	119,512,052	<b>24,316,874</b>	116,268,213
Others	<b>75,262,444</b>	47,596,997	–	–
	<b>₱3,894,314,069</b>	₱3,993,884,269	<b>₱3,272,478,099</b>	₱3,717,052,377

As of December 31, 2012, details of the excess of MCIT over RCIT of the Group follow:

Inception Year	Original Amount	Used Amount	Remaining Balance	Expiry Year
2009	₱55,747,690	₱55,747,690	₱–	2012
2010	61,304,476	46,233,967	15,070,509	2013
2011	14,306,296	–	14,306,296	2014
	<b>₱131,358,462</b>	<b>₱101,981,657</b>	<b>₱29,376,805</b>	

As of December 31, 2012, details of the NOLCO of the Group follow:

Year Incurred	Original Amount	Used Amount	Remaining Balance	Expiry Year
2010	₱47,604,000	₱–	₱47,604,000	2013
2011	18,744,851	–	18,744,851	2014
	<b>₱66,348,851</b>	<b>₱–</b>	<b>₱66,348,851</b>	

As of December 31, 2012, details of the excess of MCIT over RCIT of the Parent Company follow:

Inception Year	Original Amount	Used Amount	Remaining Balance	Expiry Year
2009	₱54,297,380	₱54,297,380	₱–	2012
2010	59,510,947	46,233,967	13,276,980	2013
2011	11,039,894	–	11,039,894	2014
	<b>₱124,848,221</b>	<b>₱100,531,347</b>	<b>₱24,316,874</b>	

The reconciliation of the statutory income tax to the provision for income tax follows:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Statutory income tax	<b>₱1,636,870,780</b>	₱1,666,888,567	₱1,708,386,046	<b>₱1,643,468,185</b>	₱1,678,349,834	₱1,716,290,853
Tax effects of:						
FCDU income	<b>(833,055,070)</b>	(608,508,935)	(760,351,702)	<b>(832,008,105)</b>	(607,661,996)	(760,351,702)
Interest income subjected to final tax	<b>(201,204,081)</b>	(197,666,087)	(204,005,183)	<b>(188,738,968)</b>	(189,303,497)	(189,910,177)
Non-taxable income	<b>(587,296,755)</b>	(607,236,269)	(695,517,254)	<b>(553,638,681)</b>	(607,045,968)	(684,639,271)
Nondeductible expenses	<b>485,995,535</b>	414,593,069	531,336,966	<b>467,602,906</b>	404,894,925	449,216,497
Others	<b>(79,021,793)</b>	(120,662,131)	110,949,653	<b>(124,128,197)</b>	(160,006,856)	150,082,485
Provision for income tax	<b>₱422,288,616</b>	₱547,408,214	₱690,798,526	<b>₱412,557,140</b>	₱519,226,442	₱680,688,685

### 26. Trust Operations

Securities and other properties (other than deposits) held by the Parent Company in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying balance sheets since these are not assets of the Parent Company (see Note 28).

In compliance with the requirements of current banking regulations relative to the Parent Company's trust functions: (a) government securities included under AFS financial assets in the balance sheets with a total face value of ₱1.40 billion and ₱1.26 billion as of December 31, 2012 and 2011, respectively, are deposited with the BSP as security for the Parent Company's faithful compliance with its fiduciary obligations; and (b) a certain percentage of the Parent Company's trust fee income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function equals 20.00% of the Parent Company's authorized capital stock.

## 27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

### Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Group and Parent Company from such services amounted to ₱36.11 million and ₱35.87 million in 2012, respectively, ₱30.37 million and ₱30.14 million in 2011, respectively, and ₱26.87 million and ₱26.67 million in 2010, respectively. The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee. A summary of transactions with related party retirement plans follows:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Deposit in banks	<b>₱425,326,309</b>	₱476,215,833	<b>₱415,138,437</b>	₱467,103,154
Equity investment	<b>1,598,747,582</b>	1,057,749,729	<b>1,598,747,582</b>	1,057,749,729
Dividend income	<b>31,972,284</b>	29,065,704	<b>31,972,284</b>	29,065,704
Interest income	<b>12,421,404</b>	9,427,426	<b>12,177,530</b>	9,167,211
Number of shares held	<b>29,307,930</b>	2,664,357		
Market value per share	<b>₱54.55</b>	₱397.00		

In 2010, dividend income and interest income of the retirement plan from placements and investments in the Parent Company amounted to ₱26.42 million and ₱4.74 million, respectively, for the Group, and ₱26.42 million and ₱4.49 million, respectively, for the Parent Company.

Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

### Remunerations of Directors and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Short-term employee benefits	<b>₱338,425,670</b>	₱337,171,905	₱271,079,589	<b>₱313,589,717</b>	₱320,453,500	₱256,557,144
Post employment benefits	<b>2,572,668</b>	1,970,724	2,540,281	<b>1,410,741</b>	537,327	1,265,302
	<b>₱340,998,338</b>	₱339,142,629	₱273,619,870	<b>₱315,000,458</b>	₱320,990,827	₱257,822,446

Members of the BOD are entitled to a per diem of ₱500.00 for attendance at each meeting of the Board or of any committees and to four percent of the Parent Company's net earnings. Non-executive directors do not receive any performance-related compensation. Directors' remuneration covers all China Bank Board activities and membership of committees and subsidiary companies.

The Group also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables below.

### Other related party transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Transactions between the Group and its associated companies also qualify as related party transactions. Details of the Parent Company's subsidiaries and associate are disclosed in Notes 1 and 9.

## Notes to Financial Statements

### Group

Related party transactions of the Group by category of related party are presented below.

Category	December 31, 2012		
	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Significant Investor</b>			
Loans		<b>₱4,883,400,000</b>	Loans with interest rate of 4.50% and maturity of six months. Collateral includes deposit hold-out amounting to ₱6.90 billion.
Issuances	<b>₱4,883,400,000</b>		
Repayments	<b>(3,000,000,000)</b>		
Deposit liabilities		<b>8,487,908</b>	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	<b>97,690,282</b>		
Withdrawals	<b>(98,102,934)</b>		
<b>Associate</b>			
Deposit liabilities		<b>123,818,329</b>	This is a checking account earning interest at an annual rate of 0.13%.
Deposits	<b>3,910,206,691</b>		
Withdrawals	<b>(3,829,258,176)</b>		
<b>Key Management Personnel</b>			
Loans		<b>2,335,019</b>	Loans with interest rate of 8.00% and maturity of 15 years. Collateral includes real estate properties with value of ₱8.03 million.
Issuances	–		
Repayments	<b>(1,341,679)</b>		
Deposit liabilities		<b>5,362,149</b>	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	<b>61,765,332</b>		
Withdrawals	<b>(59,869,808)</b>		
<b>Other Related Parties</b>			
Loans		<b>4,991,550,000</b>	Loans with interest rate of 4.50% to 8.14%. Collaterals include shares of stocks and deposit hold-out with an aggregate amount of ₱14.59 million.
Issuances	<b>3,841,550,000</b>		
Repayments	<b>(15,541)</b>		
Deposit liabilities		<b>53,422,060</b>	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	<b>22,709,479,598</b>		
Withdrawals	<b>(22,695,833,424)</b>		

Category	December 31, 2011		
	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Significant Investor</b>			
Loans		<b>₱3,000,000,000</b>	Loans with interest rate of 4.00% and maturity of one month. Collateral includes shares of stocks amounting to ₱16.13 billion.
Issuances	<b>₱3,000,000,000</b>		
Repayments	–		
Deposit liabilities		<b>8,900,560</b>	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	<b>14,228,669</b>		
Withdrawals	<b>(5,348,169)</b>		
<b>Associate</b>			
Deposit liabilities		<b>42,869,814</b>	This is a checking account with annual interest rate of 0.13%.
Deposits	<b>2,077,933,755</b>		
Withdrawals	<b>(2,083,172,976)</b>		
<b>Key Management Personnel</b>			
Loans		<b>3,676,698</b>	Loans with interest rates ranging from 6.00% to 8.00% and maturity of 15 years. Collateral includes real estate properties with value of ₱10.20 million.
Issuances	–		
Repayments	<b>(2,929,778)</b>		
Deposit liabilities		<b>3,466,625</b>	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	<b>74,434,009</b>		
Withdrawals	<b>(73,249,434)</b>		
<b>Other Related Parties</b>			
Loans		<b>1,150,015,141</b>	Loans with interest rate of 5.69% to 8.14%. Collaterals include shares of stocks and deposit hold-out with an aggregate amount of ₱18.96 million.
Issuances	–		
Repayments	<b>(186,492)</b>		
Deposit liabilities		<b>39,775,886</b>	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	<b>514,824,245</b>		
Withdrawals	<b>(493,737,942)</b>		

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2012, 2011, and 2010 follow:

	Significant Investor			Associates		
	2012	2011	2010	2012	2011	2010
Interest income	₱163,301,442	₱28,125,000	₱-	₱-	₱-	₱-
Interest expense	13,271	5,183	75	153,315	133,696	128,060

	Key Management Personnel			Other Related Parties		
	2012	2011	2010	2012	2011	2010
Interest income	₱244,003	₱294,384	₱442,113	₱154,511,645	₱86,755,373	₱77,282,037
Interest expense	-	-	-	85,887	34,588	53,746

Outright purchases and outright sale of debt securities of the Group with associates and other related parties in 2012 and 2011 follow:

	Associates		Other Related Parties	
	2012	2011	2012	2011
Outright purchase	₱-	₱259,115,859	₱5,429,515,072	₱6,673,809,896
Outright sale	-	-	4,381,708,419	1,798,982,043

There were no securities traded with the Parent Company's significant investor in 2012 and 2011.

Related party transactions of the Group with significant investor, associate and other related parties pertain to transactions of the Parent Company with these related parties.

*Parent Company*

Related party transactions of the Parent Company by category of related party, except those already presented in the Group disclosures, are presented below.

Category	December 31, 2012		
	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Subsidiaries</b>			
Deposit liabilities		₱335,768,114	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	₱2,122,405,559		
Withdrawals	(2,061,239,970)		
<b>Key Management Personnel</b>			
Loans		2,335,019	Loans with interest rate of 6.00% to 8.00% and maturity of 15 years. Collateral includes real estate amounting to ₱5.25 million.
Issuances	-		
Repayments	(1,341,679)		
Deposit liabilities		5,283,352	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	59,789,004		
Withdrawals	(57,847,152)		

Category	December 31, 2011		
	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Subsidiaries</b>			
Deposit liabilities		₱274,602,525	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	₱1,671,382,825		
Withdrawals	(1,665,311,978)		
<b>Key Management Personnel</b>			
Loans		3,676,698	Loans with interest rates ranging from 6.00% to 8.00% and maturity of 15 years. Collateral includes real estate properties with value of ₱5.25 million.
Issuances	-		
Repayments	(2,929,778)		
Deposit liabilities		3,341,500	These are checking and savings account with annual interest rates ranging from 0.13% to 0.25%.
Deposits	73,641,068		
Withdrawals	(72,577,718)		

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2012, 2011 and 2010 follow:

	Subsidiaries			Key Management Personnel		
	2012	2011	2010	2012	2011	2010
Interest income	₱-	₱-	₱-	₱186,801	₱239,808	₱442,113
Interest expense	123,415	258,522	561,396	9,178	14,228	17,926

## Notes to Financial Statements

Outright purchases and outright sale of debt securities of the Parent Company with its subsidiaries in 2012 and 2011 follow:

	Subsidiaries	
	2012	2011
Outright purchase	₱5,220,518,720	₱950,000,000
Outright sale	4,883,400,000	1,127,000,000

The following table shows the amount and outstanding balance of other related party transactions included in the financial statements:

	Subsidiaries			Nature, Terms and Conditions
	2012	2011	2010	
<b>Balance Sheet</b>				
Due from an affiliate	₱—	₱99,607,599		This pertains to noninterest-bearing receivables from CBSI arising from unremitted collections of loans and receivables, which were transferred to the Parent Company upon acquisition of CBSI (formerly, The Manila Banking Corporation) in 2007.
Subscription payable	309,000	351,755,900		This pertains to unpaid subscription payable arising from the acquisition of CBSI.
<b>Income Statement</b>				
Miscellaneous income	₱1,800,000	₱1,800,000	₱1,800,000	Human resources functions provided by the Parent Company to its subsidiaries (except CBC Forex and Unity Bank) such as recruitment and placement, training and development, salary and benefits development, systems and research, and employee benefits. Under the MOA between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee.
Occupancy cost	12,843,191	24,360,834	13,309,020	Certain units of the condominium owned by CBSI are being leased to the Parent Company for a term of 5 years, with no escalation clause.
Miscellaneous expense	77,507,889	67,948,669	71,190,321	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements.

### Regulatory Reporting

As required by BSP, the Group discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular (amounts in thousands):

	Consolidated		Parent Company	
	2012	2011	2012	2011
Total outstanding DOSRI loans	₱17,091,392	₱8,113,406	₱17,091,392	₱8,113,406
Percent of DOSRI accounts granted under regulations existing prior to BSP Circular No. 423	—	—	—	—
Percent of DOSRI accounts granted under BSP Circular No. 423	—	—	—	—
Percent of DOSRI loans to total loans	9.02%	5.29%	9.02%	5.35%
Percent of unsecured DOSRI loans to total DOSRI loans	1.51%	14.35%	1.51%	14.35%

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2012 and 2011, the Parent Company is in compliance with these requirements.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank / quasi-bank to loans of banks / quasi-banks to their subsidiaries and affiliates engaged in energy and power generation. As of December 31, 2012 and 2011, the Parent Company is in compliance with these requirements.

## 28. Commitments and Contingent Assets and Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Trust department accounts (Note 26)	<b>₱133,990,082,969</b>	₱140,378,040,276	<b>₱128,608,409,873</b>	₱135,808,860,131
Future exchange sold	<b>28,193,379,035</b>	20,459,355,000	<b>28,193,379,035</b>	20,459,355,000
Future exchange bought	<b>15,399,796,450</b>	8,820,722,138	<b>15,399,796,450</b>	8,820,722,138
Unused commercial letters of credit	<b>9,296,546,289</b>	11,281,076,629	<b>9,296,546,289</b>	11,281,076,629
Spot exchange bought	<b>1,959,558,702</b>	1,580,462,295	<b>1,959,558,702</b>	1,580,462,295
Spot exchange sold	<b>1,397,070,000</b>	789,367,673	<b>1,397,070,000</b>	789,367,673
Outstanding guarantees issued	<b>347,346,511</b>	937,504,015	<b>347,346,511</b>	937,504,015
Late deposits/payments received	<b>363,757,406</b>	414,363,620	<b>360,993,305</b>	413,874,460
Inward bills for collection	<b>372,071,503</b>	348,726,102	<b>372,071,503</b>	348,726,102
Deficiency claims receivable	<b>266,170,084</b>	270,758,946	<b>266,170,084</b>	270,758,946
Outward bills for collection	<b>166,745,683</b>	49,762,006	<b>164,832,966</b>	48,157,690
Others	<b>2,050,690,811</b>	2,370,422,774	<b>2,050,660,044</b>	2,370,333,925

## 29. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the markets served, with each segment representing a strategic business unit. The Group's business segments are as follows:

- Consumer Banking Group - principally handles housing and auto loans for individual and corporate customers;
- Institutional Banking Group (formerly Account Management Group) - principally administers all the lending, trade finance and corollary banking products and services offered to corporate and institutional customers;
- Branch Banking Group - principally handles retail and commercial loans, individual and corporate deposits, overdrafts and funds transfer facilities, trade facilities and all other services for retail customers;
- Treasury Group - principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by the use of government securities, placements and acceptances with other banks; and
- Others - principally handles other services including but not limited to asset management, insurance brokerage, remittances, operations and financial control, and other support services.

The Group reports its primary segment information to the Chief Operating Decision Maker (CODM) on the basis of the above-mentioned segments. The CODM of the Group is the Chief Operating Officer.

Segment assets are those operating assets that are employed by a segment in its operating activities that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Other operating income mainly consists of trading and securities gain (loss) - net, service charges, fees and commissions, trust fee income and foreign exchange gain - net. Other operating expense mainly consists of compensation and fringe benefits, provision for impairment and credit losses, taxes and licenses, occupancy, depreciation and amortization, stationery, supplies and postage and insurance. Other operating income and expense are allocated between segments based on equitable sharing arrangements.

## Notes to Financial Statements

The Group has no significant customers which contributes 10% or more of the consolidated revenues.

The Group's asset producing revenues are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented.

The following tables present relevant financial information regarding business segments measured in accordance with PFRS as of and for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	Consumer Banking			Institutional Banking (formerly Account Management)		
	2012	2011	2010	2012	2011	2010
<b>Results of Operations</b>						
Net interest income						
Third party Intersegment	<b>₱1,258,111</b> <b>(795,294)</b>	₱1,044,611 (516,529)	₱1,177,784 (517,990)	<b>₱5,811,273</b> <b>(3,971,960)</b>	₱4,558,210 (2,700,568)	₱4,173,482 (2,269,398)
Other operating income	<b>462,817</b> <b>64,575</b>	528,082 61,589	659,794 58,051	<b>1,839,313</b> <b>245,117</b>	1,857,642 278,284	1,904,084 215,713
Total revenue	<b>527,392</b>	589,671	717,845	<b>2,084,430</b>	2,135,926	2,119,797
Other operating expense	<b>(237,536)</b>	(189,591)	(193,158)	<b>(612,499)</b>	(546,730)	(333,584)
Income before income tax	<b>289,856</b>	400,080	524,687	<b>1,471,931</b>	1,589,196	1,786,213
Income tax provision	<b>—</b>	—	—	<b>—</b>	—	—
Net income	<b>₱289,856</b>	₱400,080	₱524,687	<b>₱1,471,931</b>	₱1,589,196	₱1,786,213
Total assets	<b>₱19,618,617</b>	₱15,495,942	₱12,975,342	<b>₱126,520,656</b>	₱98,182,533	₱73,233,077
Total liabilities	<b>₱207,159</b>	₱104,225	₱533,622	<b>₱1,783,490</b>	₱2,158,825	₱2,578,108
Depreciation and amortization	<b>₱5,374</b>	₱6,201	₱5,942	<b>₱5,067</b>	₱4,597	₱4,316
Provision for impairment and credit losses	<b>₱42,955</b>	₱22,529	₱10,733	<b>₱265,794</b>	₱263,502	₱84,445
Capital expenditures	<b>₱6,075</b>	₱17,735	₱15,225	<b>₱11,370</b>	₱21,579	₱14,776

	Branch Banking			Treasury		
	2012	2011	2010	2012	2011	2010
<b>Results of Operations</b>						
Net interest income						
Third party Intersegment	<b>(₱1,083,972)</b> <b>5,329,492</b>	(₱1,482,725) 5,440,319	(₱2,051,246) 5,735,257	<b>₱1,627,403</b> <b>(320,445)</b>	₱2,966,299 (1,313,183)	₱3,832,316 (1,993,840)
Other operating income	<b>4,245,520</b> <b>1,150,101</b>	3,957,594 1,113,488	3,684,011 1,359,714	<b>1,306,958</b> <b>3,016,280</b>	1,653,116 1,609,319	1,838,476 2,236,508
Total revenue	<b>5,395,621</b>	5,071,082	5,043,725	<b>4,323,238</b>	3,262,435	4,074,984
Other operating expense	<b>(4,374,814)</b>	(3,998,324)	(3,793,523)	<b>(628,332)</b>	(427,521)	(508,283)
Income before income tax	<b>1,020,807</b>	1,072,758	1,250,202	<b>3,694,906</b>	2,834,914	3,566,701
Income tax provision	<b>—</b>	—	—	<b>(352,701)</b>	(446,431)	(487,534)
Net income	<b>₱1,020,807</b>	₱1,072,758	₱1,250,202	<b>₱3,342,205</b>	₱2,388,483	₱3,079,167
Total assets	<b>₱164,497,356</b>	₱137,667,024	₱126,829,555	<b>₱69,279,450</b>	₱65,791,965	₱111,505,718
Total liabilities	<b>₱211,473,913</b>	₱177,898,412	₱179,445,953	<b>₱46,388,275</b>	₱31,094,602	₱30,488,470
Depreciation and amortization	<b>₱343,375</b>	₱331,722	₱304,359	<b>₱5,975</b>	₱9,927	₱9,549
Provision for impairment and credit losses	<b>₱265,794</b>	₱179,307	₱50,182	<b>₱—</b>	₱—	₱—
Capital expenditures	<b>₱488,989</b>	₱147,596	₱114,187	<b>₱17,035</b>	₱18,424	₱4,967

	Others			Total		
	2012	2011	2010	2012	2011	2010
<b>Results of Operations</b>						
Net interest income						
Third party Intersegment	<b>₱449,526</b> <b>(241,793)</b>	₱1,465,344 (910,039)	₱1,500,631 (954,029)	<b>₱8,062,341</b> <b>—</b>	₱8,551,739 —	₱8,632,967 —
Other operating income	<b>207,733</b> <b>1,421,389</b>	555,305 1,129,118	546,602 816,369	<b>8,062,341</b> <b>5,897,462</b>	8,551,739 4,191,798	8,632,967 4,686,355
Total revenue	<b>1,629,122</b>	1,684,423	1,362,971	<b>13,959,803</b>	12,743,537	13,319,322
Other operating expense	<b>(2,650,386)</b>	(2,025,076)	(2,796,154)	<b>(8,503,567)</b>	(7,187,242)	(7,624,702)
Income before income tax	<b>(1,021,264)</b>	(340,653)	(1,433,183)	<b>5,456,236</b>	5,556,295	5,694,620
Income tax provision	<b>(69,588)</b>	(100,977)	(203,264)	<b>(422,289)</b>	(547,408)	(690,798)
Net income	<b>(₱1,090,852)</b>	(₱441,630)	(₱1,636,447)	<b>₱5,033,947</b>	₱5,008,887	₱5,003,822
Total assets	<b>(₱56,270,615)</b>	(₱54,923,778)	(₱67,164,378)	<b>₱323,645,464</b>	₱262,213,686	₱257,379,314
Total liabilities	<b>₱21,501,233</b>	₱11,668,298	₱8,879,876	<b>₱281,354,070</b>	₱222,924,362	₱221,926,029
Depreciation and amortization	<b>₱465,505</b>	₱363,658	₱322,627	<b>₱825,296</b>	₱716,105	₱646,793
Provision for impairment and credit losses	<b>(₱337,787)</b>	(₱310,240)	₱350,471	<b>₱236,756</b>	₱155,098	₱495,831
Capital expenditures	<b>₱362,685</b>	₱500,416	₱434,877	<b>₱886,155</b>	₱705,750	₱584,032

### 30. Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year (adjusted for stock dividends).

The following reflects the income and share data used in the basic earnings per share computations:

	2012	2011	2010
a. Net income attributable to equity holders of the parent	₱5,049,158,137	₱5,009,341,564	₱5,003,386,250
b. Weighted average number of common shares outstanding* (Note 21)	1,297,874,230	1,297,874,230	1,297,874,230
c. EPS (a/b)	₱3.89	₱3.86	₱3.86

\* Weighted average number of outstanding common shares in 2011 and 2010 was recomputed after giving retroactive effect to ten-for-one stock split and stock dividends declared on May 5, 2010, May 4, 2011, and May 3, 2012 (see Note 21).

As of December 31, 2012, 2011 and 2010, there were no outstanding dilutive potential common shares.

Before consideration of the ten-for-one stock split and 10.00% stock dividends declared in 2012, the EPS for 2011 and 2010 were ₱42.46 and ₱42.41, respectively.

### 31. Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2012	2011	2010	2012	2011	2010
Return on average equity	12.39%	13.72%	15.37%	12.47%	13.90%	15.51%
Return on average assets	1.72%	2.04%	2.10%	1.77%	2.09%	2.13%
Net interest margin	2.90%	3.76%	3.97%	2.91%	3.74%	3.94%

### 32. Non-cash Investing Activities

The following is a summary of certain non-cash investing activities that relate to the analysis of the statements of cash flows:

	Consolidated		
	2012	2011	2010
Net unrealized gain in AFS investment	(₱432,619,037)	₱27,185,171	₱1,430,403,867
Addition to investment properties from settlement of loans	204,077,996	624,772,731	499,114,487
Addition to chattel mortgage from settlement of loans	12,437,314	11,686,526	21,422,035
Addition to non-current assets held for sale from settlement of loan	18,704,256	—	—
Cumulative translation adjustment	(90,847,759)	87,610,861	8,384,856
	Parent		
	2012	2011	2010
Net unrealized gain in AFS investment	(₱423,504,964)	₱2,032,030	₱1,434,122,595
Addition to investment properties from settlement of loans	122,668,392	610,465,821	477,286,903
Addition to chattel mortgage from settlement of loans	12,437,314	11,686,526	21,422,035
Cumulative translation adjustment	(90,847,759)	87,610,861	8,384,856

### 33. Approval of the Financial Statements

The accompanying consolidated and parent company financial statements were authorized for issue by the Parent Company's BOD on March 6, 2013.

34. **Supplementary Information Under RR No. 15-2010**

In compliance with the requirements set forth by RR 15-2010, hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2012.

Gross receipts tax	₱697,315,527
Local taxes	42,584,091
Fringe benefit tax	4,995,508
Others	39,539,248
<b>Balance at end of year</b>	<b>₱784,434,374</b>

Withholding Taxes

Details of total remittances of withholding taxes in 2012 and amounts outstanding as of December 31, 2012 are as follows:

	Total Remittances	Amounts outstanding
Final withholding taxes	₱739,751,390	₱66,987,640
Withholding taxes on compensation and benefits	330,485,594	49,474,844
Expanded withholding taxes	78,869,504	4,467,831
	<b>₱1,149,106,488</b>	<b>₱120,930,315</b>

35. **Supplementary Information Under RR 19-2011**

In its 2012 filing for income tax return, the Parent Company disclosed the following information on taxable income and deductions using the revised format as required under RR 19-2011:

Receipts/fees	₱8,424,407,722
Cost of services	(6,274,319,546)
Itemized deductions	(3,073,925,707)
Non-operating and taxable other income	2,349,670,407
Taxes and licenses	(1,090,728,386)
	<b>₱335,104,490</b>

Non-operating and taxable other income are as follows:

Commissions & service charges	₱943,747,332
Trust fees	552,576,294
Gain on sale of investment properties	313,215,303
Foreign exchange loss	133,643,888
Miscellaneous income	406,487,590
	<b>₱2,349,670,407</b>

Itemized Deductions are as follows:

Depreciation	₱505,336,486
Rent	422,667,436
Security, messengerial & janitorial services	311,457,871
Power, light and water	266,998,671
Travelling	185,399,141
Representation and entertainment	107,740,781
Repairs & maintenance	98,058,437
Supplies	83,177,337
Insurance	65,095,033
Management and consultancy fee	20,620,369
Advertising	19,191,083
Miscellaneous	988,183,062
	<b>₱3,073,925,707</b>

**CHINA BANKING CORPORATION**  
**8745 Paseo de Roxas Ayala Avenue**  
**Makati City**

**SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2012**

<b>Unappropriated Retained Earnings, beginning</b>		<b>₱24,186,694,908</b>
Adjustments		(2,783,350,626)
<b>Unappropriated Retained Earnings, as adjusted to available for dividends distribution, beginning</b>		<b>21,403,344,282</b>
<b>Add: Net income actually earned/realized during the period</b>		
Net income during the period closed to Retained Earnings	<u>5,065,670,144</u>	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain- net (except those attributable to Cash and Cash Equivalents)	134,370,451	
Unrealized actuarial gain	-	
Fair value adjustments (Mark-to-Market gains)	4,299,372	
Fair value adjustments of Investment Property resulting to gain	13,525,027	
Adjustments due to deviation from PFRS/GAAP- gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub total	<u>152,194,850</u>	
Add: Non-actual losses		
Depreciation on revaluation increment ( after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment on investment property (after tax)	-	
	-	
<b>Net income actually earned during the period</b>		<b>4,913,475,294</b>
Add: Reversal of appropriations	-	
Effect of prior period adjustments	-	
	-	
Less: Dividends declaration during the period		
Cash	1,415,852,016	
Stock	1,719,975,500	
Appropriation of Retained Earnings during the period	55,257,629	
Treasury shares	-	
	<u>3,191,085,145</u>	
		<u>(3,191,085,145)</u>
<b>Total Retained Earnings, End, Available for Dividend Declaration</b>		<b>₱23,125,734,431</b>

## China Bank Branches

### MAKATI MAIN BRANCH (HEAD OFFICE)

CBC Bldg., 8745 Paseo de Roxas  
cor. Villar Sts., Makati City  
Trunkline: 885-5555  
(Private Exchange  
Connecting All Departments)  
Fax No.: 892-0220; 817-1325  
*Marissa A. Auditor*

### BINONDO BUSINESS CENTER

CBC Bldg., Dasmariñas cor. Juan Luna Sts.  
Binondo, Manila  
Trunklines: 247-5388; 8855-222  
(Private Exchange  
Connecting All Departments)  
Fax No.: 241-7058; 242-7225  
*Rosemarie C. Gan*

### ■ METRO MANILA

#### 999 MALL BRANCH

(formerly Tutuban Center Branch)  
Unit 3D-5; 3D-7 999 Shopping Mall Building  
2 Recto- Soler Sts., Binondo, Manila  
Tel. No.: 523-1216/ 1217/ 1218/ 1219  
Fax No.: 523-1215  
*Arnold S. Castillo*

#### ANTIPOLO CITY BRANCH

G/F Budget Lane Arcade, No. 6, Provincial Road  
Brgy. San Jose, Antipolo City, Rizal  
Tel. No.: 650-3277; 650-2087;  
695-1509;  
Fax No.: 650-2640  
*Judy Kristine N. Achacoso*

#### ARANETA AVE. BRANCH

Philippine Whithasco Bldg.  
420 Araneta Ave., cor. Bayani St.  
Quezon City  
Tel. No.: 731-2252; 731-2261  
732-4153; 731-2179  
731-2216  
Fax No.: 731-2243  
*Arlene T. Uy*

#### ARRANQUE BRANCH

Don Felipe Building  
675 Tomas Mapua St., Sta. Cruz, Manila  
Tel. No.: 733-3477; 734-4777  
733-7704; 733-8335 to 40  
734-4497; 734-4501/06  
Fax No.: 733-3481  
*Flora A. Peña*

#### ASUNCION BRANCH

Units G6 & G7 Chinatown Steel Towers  
Asuncion St., San Nicolas, Manila  
Tel. No.: 241-2311/52/59/61  
Fax No.: 241-2352  
*Mary Ann E. Tiu*

#### AYALA-ALABANG BRANCH

G/F, CBC-Building Acacia Ave.  
Madrigal Business Park  
Ayala Alabang, Muntinlupa City  
Tel. No.: 807-0673-74  
850-3785/9640/8888  
Fax No.: 850-8670  
*Victoria G. Capacio*

#### AYALA-COLUMNS BRANCH

G/F The Columns Tower 3  
Ayala Ave., Makati City  
Tel. No.: 915-3672/3673/3674/3675  
Fax No.: 915-3672  
*Janet M. Ventura*

#### BALINTAWAK-BONIFACIO BRANCH

657 A. Bonifacio Ave.  
Balintawak, Quezon City  
Tel. No.: 361-3449; 361-7825  
362-3660; 361-0450  
Fax No.: 361-0199  
*Vivian T. Kho*

#### BALUT BRANCH

North Bay Shopping Center  
Honorio Lopez Blvd.  
Balut, Tondo, Manila  
Tel. No.: 253-9921/29; 253-9620  
251-1182/86  
Fax No.: 253-9917  
*Josephine D. Paredes*

#### BANAWE BRANCH

CBC Building, 680 Banawe Ave.  
Sta. Mesa Hts. District I, Quezon City  
Tel. No.: 743-7486/88; 416-7028/7030  
711-8694  
Fax No.: 743-7487  
*Rodolfo S. De Lara*

#### BANAWE- MA. CLARA BRANCH

G/F Prosperity Bldg., Banawe St., Quezon City  
Tel. No.: 732-1060; 740-4864  
743-8967  
Fax No.: 740-4864  
*Raidis M. De Guzman*

#### BEL-AIR BRANCH

G/F Avant Building, 48 Jupiter cor.  
Mars Sts., Bel-Air Village, Makati City  
Tel. No.: 897-2212; 899-4186/0685  
Fax No.: 890-4062  
*Ma. Emma Lourdes A. Libas*

#### BETTER LIVING SUBD. BRANCH

128 Doña Soledad Ave., Parañaque City  
Tel. No.: 556-3467; 556-3468  
556-3470  
Fax No.: 556-3470  
*Aldrin S. Parco*

#### BF HOMES BRANCH

Aguirre cor. El Grande Aves.  
United BF Homes, Parañaque City  
Tel. No.: 825-6138/6891/6828  
Fax No.: 825-5979  
*Charity N. Santos*

#### BF HOMES-AGUIRRE BRANCH

Margarita Centre, Aguirre Ave.  
cor. Elsie Gaches St.  
BF Homes, Parañaque City  
Tel. No.: 799-4707/4942  
659-3359/3360  
556-5845  
Fax No.: 659-3359  
*Maria Adelfa E. Bolivar*

#### BF RESORT VILLAGE BRANCH

BF Resort Drive cor. Gloria Diaz St.  
BF Resort Village Talon Dos, Las Piñas City  
Tel. No.: 873-4542, 873-4541  
873-4540  
Fax No.: 873-4543  
*Heizel P. Bautista*

#### BLUMENTRITT BRANCH

1777-1781 Cavite cor. Leonor Rivera St.  
Blumentritt, Sta. Cruz, Manila  
Tel. No.: 742-0254; 711-8589  
Fax No.: 711-8541  
*Jennet P. Jose*

#### BO. KAPITOLYO BRANCH

G/F P&E Building, 12 United  
cor. First Sts., Bo. Kapitolyo, Pasig City  
Tel. No.: 634-8370/8915/3697  
Fax No.: 634-7504  
*Ana Victorina D. Camacho*

#### BONNY SERRANO BRANCH

G/F Greenhills Garden Square, 297  
Col. Bonny Serrano Ave., Quezon City  
Tel. No.: 410-0677; 997-8043  
997-8031  
Fax No.: 410-0677  
*Arnold Y. Matutina*

#### CAINTA BRANCH

CBC Bldg. (Beside Sta. Lucia East Mall)  
Felix Ave. (Imelda Ave.), Cainta, Rizal  
Tel. No.: 646-0691/93; 645-9974  
682-1795  
Fax No.: 646-0050  
*Hidelisa L. Robinol*

#### CAPITOL HILLS BRANCH

G/F 88 Design Pro Building Capitol Hills  
Old Balara, Quezon City  
Tel. No.: 952-7776/7805/7804  
Fax No.: 952-7806  
*Joanna Leigh R. Gojar*

#### COMMONWEALTH AVE. BRANCH

LGF Ever Gotesco Mall, Commonwealth Center  
Commonwealth Ave. cor.  
Don Antonio Road, Quezon City  
Tel. No.: 932-0818/0820  
431-5000/01  
Fax No.: 932-0822  
*Meneleo S. Bernardo*

#### CONGRESSIONAL AVE. BRANCH

G/F Unit C The Arete Square  
Congressional Ave., Project 8, Quezon City  
Tel. No.: 351-8648; 351-8645  
351-8646  
Fax No.: 351-8645  
*Ma. Cecilia O. So*

#### CORINTHIAN HILLS BRANCH

G/F The Clubhouse, Corinthian Hills  
Temple Drive Brgy. Ugong Norte, Quezon City  
Tel. No.: 637-3170/3180/1915  
Fax No.: 637-1905  
*Ma. Anacleto B. Gloria*

**CUBAO-ARANETA BRANCH**

Shopwise Arcade Bldg., Times Square St.  
Araneta Shopping Center, Cubao, Quezon City  
Tel. No.: 911-2369/70; 438-3830-32  
911-2397  
Fax No.: 911-2432  
*Arnulfo C. Tongson*

**CUBAO-AURORA BRANCH**

911 Aurora Blvd. Extension cor.  
Miami St., Cubao, Quezon City  
Tel. No.: 912-5164/57  
913-4675/76; 911-3524  
Fax No.: 912-5167  
*Aida D. Cristobal*

**D. TUAZON BRANCH**

174 A-B D. Tuazon St., Brgy. Maharlika  
Sta. Mesa Heights, Quezon City  
Tel. No.: 731-2516/2508  
Fax No.: 731-0592  
*Ella Jane D. Cortez*

**DASMARIÑAS VILLAGE BRANCH**

2283 Pasong Tamo Ext.  
cor. Lumbang St., Makati City  
Tel. No.: 894-2392/93; 813-2958  
Fax No.: 894-2355  
*Ruth D. Holmes*

**DIVISORIA-STA. ELENA BRANCH**

New Divisoria Condominium Center  
632 Sta. Elena St. Binondo, Manila  
Tel. No.: 247-1435/36/37  
Fax No.: 247-1436  
*Mary Elizabeth Uy*

**DON ANTONIO BRANCH**

G/F Royale Place, Don Antonio Ave.  
Brgy. Old Balara, Quezon City  
Tel. No.: 932-9477; 952-9678/9354  
Fax No.: 952-9344  
*Lilbeth M. David*

**DEL MONTE AVE. BRANCH**

No. 497 Del Monte Ave.  
Brgy. Manresa, Quezon City  
Tel. No.: 871-2745; 413-2825  
413-2826; 361-1101  
Fax No.: 361-1101  
*Wendy C. Tan*

**DEL MONTE- MATUTUM BRANCH**

No. 202 Del Monte Ave. near  
cor. Matutum St. Brgy St. Peter, Quezon City  
Tel. No.: 731-2535; 731-2571  
413-2118; 416-7791  
Fax No.: 416-7791  
*John Glenn A. Adviento*

**E. RODRIGUEZ- HILLCREST BRANCH**

No. 402 E. Rodriguez Sr. Blvd., Cubao  
Quezon City  
Tel. No.: 571-8927; 571-8928  
571-8929  
Fax No.: 571-8927  
*Rachel D. Umali*

**E. RODRIGUEZ SR. BLVD. BRANCH**

CBC Bldg., #286 E. Rodriguez Sr. Blvd.  
Brgy. Damayang Lagi, Quezon City  
Tel. No.: 416-3166; 722-5860  
722-5893; 725-9641 (MCB)  
Fax No.: 726-2865  
*Ana Ma. Raquel Y. Samala*

**EASTWOOD CITY BRANCH**

Unit D, Techno Plaza One, Eastwood City  
Cyberpark, E. Rodriguez Jr. Ave., (C-5)  
Bagumbayan, Quezon City  
Tel. No.: 706-3491/3493/1979/  
3320/3448  
Fax No.: 438-5531  
*Ramiro A. Amanquito*

**EDSA-KALOOKAN BRANCH**

No. 531 (Lot 5 Block 30) EDSA  
near cor. Biglang Awa St., Kalookan City  
Tel. No.: 442-4338; 442-4339  
442-4340  
Fax No.: 442-4339  
*Carlito W. Macusi*

**EDSA-TIMOG BRANCH**

G/F Richwell Corp. Ctr.  
102 Timog Ave., Brgy. Sacred Heart  
Quezon City  
Tel. No.: 441-5225, 441-5226  
441-5227,  
441-5228  
Fax No.: 441-5228  
*Julius G. Dela Fuente*

**ELCANO BRANCH**

G/F Elcano Tower, Elcano St.  
San Nicolas, Manila  
Tel. No.: 244-6760; 244-6765  
244-6779  
Fax No.: 244-6760  
*Gervie Roy S. Mendoza*

**ERMITA BRANCH**

Ground Floor A, Ma. Natividad Bldg.  
470 T. M. Kalaw cor. Cortada Sts.  
Ermita, Manila  
Tel. No.: 525-6477; 567-9862  
536-7794;  
525-6544; 523-0074  
Fax No.: 525-8137  
*Gloria G. Mañosca*

**ESPAÑA BRANCH**

España cor. Valencia Sts., Sampaloc, Manila  
Tel. No.: 741-9572/6209/6208/9565  
Fax No.: 741-6207  
*Jose Omar S. Yuan*

**EXAMINER BRANCH**

No. 1525 Quezon Ave. cor. Examiner St.  
West Triangle, Quezon City  
Tel. No.: 376-3313/3314/3317/3318  
Fax No.: 376-3315  
*Ma. Salome D. Garcia*

**EVANGELISTA BRANCH**

Evangelista cor. Gen. Estrella Sts.  
Bangkal Makati City  
Tel. No.: 759-5095; 759-5096  
856-0434; 856-0433  
Fax No.: 759-5096  
*Sheijan A. Baladji*

**FAIRVIEW BRANCH**

G/F Angelenix House, Fairview Ave.  
cor. Camaro St., Quezon City  
Tel. No.: 937-5597; 938-9636  
937-8086; 461-3004  
Fax No.: 937-8086  
*Marilyn L. Navarro*

**FILINVEST CORPORATE CITY BRANCH**

G/F Wilcon Depot, Alabang- Zapote Road  
cor. Bridgeway Ave., Filinvest Corporate City  
Alabang, Muntinlupa  
Tel. No.: 775-0097/0126  
842-1993/2198  
Fax No.: 775-0322  
*Mary Grace D.P. Macaraig*

**FORT BONIFACIO GLOBAL CITY BRANCH**

G/F Marajo Tower, 26th St. cor. 4th Ave.  
Fort Bonifacio Global City, Taguig City  
Tel. No.: 799-9072/9074; 856-4416  
/4891/5196; 403-1558 (MCB)  
Fax No.: 856-4416  
*Shellane S. Salgatar*

**GIL PUYAT AVE. BRANCH**

G/F HPL Bldg., No. 60 Sen. Gil Puyat Ave.  
Makati City  
Tel. No.: 844-0492/94  
844-0688/90  
Fax No.: 844-0497  
*Gladys Antonette P. Isidro*

**GREENBELT 1 BRANCH**

G/F Greenbelt 1, Legaspi St. near  
cor. Paseo de Roxas, Makati City  
Tel. No.: 836-1387; 836-1405; 836-1406  
Fax No.: 836-1406  
*Evanzueda T. Moran*

**GREENHILLS BRANCH**

G/F Gift Gate Bldg., Greenhills Shopping  
Center, San Juan, Metro Manila  
Tel. No.: 721-0543/56; 721-3189  
727-9520; 724-5078  
724-6173; 727-2798  
Fax No.: 726-7661  
*Ma. Marta Theresa S. Suarez*

**GREENHILLS-ORTIGAS BRANCH**

CBC-Building, 14 Ortigas Ave.  
Greenhills, San Juan, Metro Manila  
Tel. No.: 723-0530/01; 7230502/04  
726-1492  
Fax# 723-0556; 725-9025  
*Jose Redentor V. Trinidad*

**HEROES HILLS BRANCH**

Quezon Ave. cor. J. Abad Santos St.  
Heroes Hills, Quezon City  
Tel. No.: 351-4359/5121; 411-3375  
412-5697  
Fax No.: 351-5121  
*Mirasol C. Ruiz*

**ILAYA BRANCH**

947 APL-YSL Bldg., Ilaya, Tondo, Manila  
Tel. No.: 245-2416; 245-2548  
245-2557  
Fax No.: 245-2545  
*Jefferson G. Ching*

**INTRAMUROS BRANCH**

No. 409 A. Soriano Ave.  
Intramuros, Manila  
Tel. No.: 528-4241; 536-1044  
536-5971; 310-5122  
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*Josephine D. Paredes*

**J. ABAD SANTOS AVE. BRANCH**

2159 J. Abad Santos Ave., cor. Batangas St.  
Tondo, Manila  
Tel. No.: 255-1201 to 02; 255-1204  
Fax No.: 255-1203  
*Gil P. Navelgas*

**JUAN LUNA BRANCH**

G/F Aclem Building, 501 Juan Luna St.  
Binondo, Manila  
Tel. No.: 247-3570/3795/3786  
480-0211  
Fax No.: 247-3795  
*Mary Ann K. Abrigo*

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G/F PPS Building, Kalayaan Ave.  
Quezon City  
Tel. No.: 332-3858; 332-3859  
332-3860  
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*Rowena C. Lagman*

**KALOOKAN BRANCH**

CBC Bldg., 167 Rizal Ave. Extension  
Grace Park, Kalookan City  
Tel. No.: 364-0515/35; 364-0717/31  
364-0494; 364-9948  
366-9457  
Fax No.: 364-9864  
*Danilo T. Sarita*

**KALOOKAN- CAMARIN BRANCH**

Annex Bldg. Space No. 3, Zabarte Town Center  
No. 588 Camarin Road cor. Zabarte Road  
Kalookan City  
Tel. No.: 442-6830; 442-7541  
Fax No.: 442-6825  
*Albert V. Timbang*

**KALOOKAN- MONUMENTO BRANCH**

779 Mc Arthur Highway, Kalookan City  
Tel. No.: 364-2576/2571; 361-3270  
Fax No.: 361-3271  
*Mercedes F. Lazaro*

**KAMIAS BRANCH**

G/F CRM Building II, 116 Kamias Road  
cor. Kasing-Kasing St., Quezon City  
Tel. No.: 433-6007; 920-7367  
920-8770  
Fax No.: 920-5723  
*Margie I. De Asis*

**KARUHATAN BRANCH**

No. 248 McArthur Highway, Karuhatan  
Valenzuela City  
Tel. No.: 291-0431/0175; 440-0033  
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*Rosa C. Arteche*

**KATIPUNAN AVE. – ST. IGNATIUS BRANCH**

CBC Building, No. 121 Katipunan Ave.  
Brgy. St. Ignatius, Quezon City  
Tel. No.: 913-5532; 912-5003  
913-3226  
Fax No.: 913-5532  
*Ramiro Mateo D. Valdivia*

**LAS PIÑAS BRANCH**

CBC- Bldg., Alabang-Zapote Road  
cor. Aries St., Pamplona Park Subd.  
Las Piñas City  
Tel. No.: 874-6204; 874-6210;  
874-6414  
*Myra D. Adriano*

**LAS PIÑAS- MANUELA BRANCH**

Alabang-Zapote Road cor. Philamlife Ave.  
Pamplona Dos, Las Piñas City  
Tel. No.: 872-9801/9572/9533  
871-0770  
Fax No.: 871-0771  
*Mario D. Dalangin*

**LEGASPI VILLAGE -AIM BRANCH**

G/F Cacho-Gonzales Building  
101 Aguirre cor. Trasierra Sts.  
Legaspi Village, Makati City  
Tel. No.: 818-8156; 818-0734;  
818-9649; 894-5882 to 85  
Fax No.: 818-0240  
*Ma. Luisa C. Rivera*

**LEGASPI VILLAGE -C. PALANCA BRANCH**

Suite A, Basic Petroleum Building  
104 C. Palanca Jr. St.  
Legaspi Village, Makati City  
Tel. No.: 894-5915/18; 810-1464  
894-5868  
*Ma. Rosalie F. Cipriano*

**LEGASPI VILLAGE -PEREA BRANCH**

G/F Greenbelt Mansion, 106 Perea St.  
Legaspi Village, Makati City  
Tel. No.: 893-2273/2272/2827  
893-2272  
*Paul J. Bugayong*

**LEGASPI VILLAGE - SALCEDO BRANCH**

G/F Fedman Suites, 199 Salcedo St.  
Legaspi Village, Makati City  
Tel. No.: 893-7680; 893-2618  
759-2462; 893-1503  
816-0905  
Fax No.: 893-3746  
*Manuel O. Yap*

**MAGALLANES VILLAGE BRANCH**

G/F DHI Bldg., No. 2 Lapu-Lapu Ave.  
cor. EDSA, Magallanes Village, Makati City  
Tel. No.: 757-0272/0240; 852-1290  
852-1245  
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*Ma. Monica M. Ela*

**MAKATI AVE. BRANCH**

G/F CBC Building, Makati Ave.  
cor. Hercules St. Makati City  
Tel. No.: 890-6971 to 74  
890-6975  
*Ma. Emma Lourdes A. Libas*

**MALABON-CONCEPCION BRANCH**

Gen. Luna cor. Paez Sts. Concepcion  
Malabon City  
Tel. No.: 281-0102/03/04/05  
281-0293  
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*Ma. Elenita M. Baradi*

**MALABON-GOV. PASCUAL BRANCH**

CBC Building, Gov. Pascual Ave.  
Malabon City  
Tel. No.: 352-1816;352-1817  
352-1822  
Fax No.: 352-1822  
*Amy A. Go*

**MALABON-POTRERO BRANCH**

CBC Bldg., McArthur Highway  
Potrero, Malabon City  
Tel. No.: 448-0524/25  
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*Leslie Y. De Los Angeles*

**MALANDAY BRANCH**

CBC Bldg. McArthur Highway, Malanday  
Valenzuela City  
Tel. No.: 432-9787; 292-6956/57  
445-3201  
432-9785  
Fax No.: 292-6956  
*Miguela Gladiola G. Santos*

**MANDALUYONG-BONI AVE. BRANCH**

G/F VOS Bldg., Boni Ave. cor.  
San Rafael St., Mandaluyong City  
Tel. No.: 746-6283/85; 534-2289  
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*Paul J. Siongco*

**MANDALUYONG-PIONEER BR.**

UG-05 Globe Telecom Plaza Tower I  
Pioneer St., Mandaluyong City  
Tel. No.: 746-6949  
635-4198; 632-1399  
746-6948  
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*Marie Jane V. Malig*

**MARIKINA STA. ELENA BRANCH**

308 J.P. Rizal St., Sta. Elena, Marikina City  
Tel. No.: 646-4281; 646-4277  
646-4279; 646-1807  
646-1807  
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*Crisostomo L. Celaje*

**MARIKINA- FAIRLANE BRANCH**

G/F E & L Patricio Building  
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997-0897  
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**MARIKINA- GIL FERNANDO AVE. BRANCH**

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**MARIKINA- SSS VILLAGE BRANCH**

Lilac cor. Rainbow Sts. SSS Village  
Concepcion Dos, Marikina City  
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997-3343  
Fax No.: 942-0048  
*Nerissa J. Ramos*

**MASANGKAY BRANCH**

959-961 G. Masangkay St., Binondo, Manila  
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Fax No.: 244-1833  
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**MASANGKAY- LUZON BRANCH**

1192 G. Masangkay St., Sta. Cruz, Manila  
Tel. No.: 255-0739; 254-9974  
254-9335  
Fax No.: 254-9974  
*Gina C. Chua*

**MAYON BRANCH**

561-B. Mayon St., Brgy. N.S. Amoranto  
Quezon City  
Tel. No.: 731-9054/2766; 741-2409  
Fax No.: 731-2766  
*Teresita G. Sy*

**MEZZA RESIDENCES BRANCH**

G/F Mezza Residences, Aurora Blvd.  
cor. Araneta Ave., Brgy. Doña Imelda  
Quezon City  
Tel. No.: 516-0764; 516-0765  
516-0766  
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*Manuel S. Aurora*

**MUNTINLUPA - PUTATAN BRANCH**

G/F Teknikos Bldg., National Highway  
Brgy. Putatan, Muntinlupa City  
Tel. No.: 511-0980; 808-1817  
Fax No.: 808-1817  
*Carina A. Cariño*

**N. DOMINGO BRANCH**

G/F The Main Place, No. 1 Pinaglabanan  
cor. N. Domingo Sts., San Juan City  
Tel. No.: 470-2915; 470-2916  
470-2917  
Fax No.: 470-2916  
*Jocelyn S. Salvador*

**NAVOTAS BRANCH**

No. 500 M. Naval St. near cor. Lacson St.  
Brgy. North Bay Blvd. (NBBN), Navotas City  
Tel. No.: 283-0752 to 54  
Fax No.: 283-0752  
*Maria Cristina B. Tamayo*

**NOVALICHES BRANCH**

954 Quirino Highway, Novaliches Proper  
Novaliches, Quezon City  
Tel. No.: 936-3512; 937-1133/35/36  
Fax No.: 936-1037  
*Isidro B. Mamuri*

**NOVALICHES-SANGANDAAN BRANCH**

CBC Building, Quirino Highway cor.  
Tandang Sora Ave., Brgy. Sangandaan  
Novaliches, Quezon City  
Tel. No.: 935-3049; 935-3491  
Fax No.: 935-2130  
*Ronaldo T. Uy*

**NOVALICHES-TALIPAPA BRANCH**

528 Copengco Bldg., Quirino Highway  
Talipapa, Novaliches, Quezon City  
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*Joseph Nestor B. Belisario*

**NOVALICHES- ZABARTE BRANCH**

G/F C.I. Bldg 1151 Quirino Highway  
cor. Zabarte Road, Brgy. Kaligayahan  
Novaliches, Quezon City  
Tel. No.: 461-7691; 461-7694  
461-7698  
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*Caroline K. Barcinal*

**NUEVA BRANCH**

Unit Nos. 557 & 559 G/F Ayson Building  
Yuchengco St., Binondo, Manila  
Tel. No.: 247-6374; 247-6396  
247-0493; 480-00-66  
Fax No.: 247-6396  
*Melissa S. Uy*

**ONGPIN BRANCH**

G/F Se Jo Tong Building,  
808 Ongpin St., Sta. Cruz, Manila  
Tel. No.: 733-8962 to 66; 735-5362  
Fax No.: 733-8964  
*Dolly C. Diu*

**ORTIGAS-ADB AVE. BRANCH**

LGF City & Land Mega Plaza  
ADB Ave. cor. Garnet Rd. Ortigas Ctr.  
Pasig City  
Tel. No.: 687-2457/58;  
687-2226/3263  
Fax No.: 687-2457  
*Jossef Dennis Z. Timbol*

**ORTIGAS AVE. EXT.- RIVERSIDE BRANCH**

Unit 2-3 Riverside Arcade Ortigas Ave.  
Extension cor. Riverside Drive  
Brgy. Sta. Lucia, Pasig City  
Tel. No.: 748-18-08; 748-4426  
655-7403; 655-8350  
Fax No.: 655-8350  
*Tita C. Ibarbia*

**ORTIGAS CENTER BRANCH**

Unit 101 Parc Chateau Condominium  
Onyx cor. Sapphire Sts., Ortigas Center  
Pasig City  
Tel. No.: 633-7960/70/53/54  
634-0178  
Fax No.: 633-7971  
*Virginia G. Go*

**ORTIGAS COMPLEX BRANCH**

G/F Padilla Building, Emerald Ave.  
cor. Ruby Road, Ortigas Center, Pasig City  
Tel. No.: 634-3469/9294/9293  
631-2772  
Fax No.: 633-9039  
*Christabel Ethel C. Gabriela*

**ORTIGAS-JADE DRIVE BRANCH**

Unit G-03, Antel Global Corporate Center  
Jade Drive, Ortigas Center, Pasig  
Tel. No.: 638-4489; 638-4490  
638-4510; 638-4540  
Fax No.: 638-4540  
*Grace N. Soriano*

**PACO BRANCH**

Gen. Luna cor. Escoda St.  
Paco, Manila  
Tel. No.: 526-6492; 536-6630/31/72  
Fax No.: 536-6657  
*Susan V. Co*

**PACO- OTIS BRANCH**

G/F Union Motor Corporation Bldg.  
1760 Dra. Paz Guazon St., Paco, Manila  
Tel. No.: 561-6902; 561-6981  
564-2247  
Fax No.: 561-6981  
*Ma. Victoria O. Rondilla*

**PADRE FAURA BRANCH**

G/F Regal Shopping Center, A. Mabini  
cor. P. Faura Sts., Ermita, Manila  
Tel. No.: 526-0586; 527-3202  
527-7865  
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*Carmina P. Manimbo*

**PARAÑAQUE-DR. A. SANTOS AVE. BRANCH**

Unit 1 & 2 Kingsland Building  
Dr. A. Santos Ave., Sucat, Parañaque City  
Tel. No.: 825-3201; 825-2990  
825-3095; 820-0911  
Fax No.: 825-1062  
*Aldrin S. Parco*

**PARAÑAQUE-SUCAT BRANCH**

No. 8260 Dr. A. Santos Ave.  
Brgy. San Isidro, Parañaque City  
Tel. No.: 820-8951/52; 820-2044  
825-2501  
Fax No.: 825-9517  
*Alejandro I. Alvarez*

**PASAY-LIBERTAD BRANCH**

CBC-Building, 184 Libertad St.  
Antonio Arnaiz Ave., Pasay City  
Tel. No.: 551-7159; 834-8978  
831-0306; 831-0498  
Fax No.: 551-7160  
*Michelle C. Ang*

**PASAY-ROXAS BLVD. BRANCH**

GF Unit G-01 Antel Seaview Towers  
2626 Roxas Blvd., Pasay City  
Tel. No.: 551-9067/68/69; 833-5048  
Fax No.: 551-1768  
*Ronaldo H. Francisco*

**PASIG- C. RAYMUNDO BRANCH**

G/F MicMar Apartments, No. 6353  
C. Raymundo Ave., Brgy. Rosario, Pasig City  
Tel. No.: 642-3652; 628-3912  
628-3922  
Fax No.: 628-3922  
*Mary Roslyne D. Balatbat*

**PASIG- MERCEDES BRANCH**

Commercial Motors Corp. Compound  
Mercedes Ave., Pasig City  
Tel. No.: 628-0197/0209/0201  
Fax No.: 628-0211  
*Rosanna H. Malavega*

## China Bank Branches

### PASIG-SANTOLAN BRANCH

G/F Felmarc Business Center  
Amang Rodriguez Ave., Santolan, Pasig City  
Tel. No.: 646-0635; 682-3474  
682-3514; 681-4575  
Fax No.: 646-0514  
*Godofredo B. Ponciano, Jr.*

### PASIG- SM SUPERCENTER BRANCH

G/F SM Supercenter Pasig, Frontera Drive  
C-5, Ortigas, Pasig City  
Tel. No.: 706-3207/3208/3209  
Fax No.: 706-3208  
*Maria Norissa D. Mempo*

### PASO DE BLAS BRANCH

G/F CYT Bldg., No. 178 Paso de Blas  
Valenzuela City  
Tel. No.: 292-3215/3213/3216  
Fax No.: 444-8850  
*Ma. Leticia G. Milan*

### PASONG TAMO- BAGTIKAN BRANCH

G/F Trans-Phil House, 1177 Chino Roces Ave.  
cor. Bagtikan St., Makati City  
Tel. No.: 403-4820; 403-4821  
403-4822; 738-7591  
Fax No.: 403-4821  
*Rose Marie Angeles Y. Oquendo*

### PASONG TAMO-CITYLAND BRANCH

Units UG30-UG32 Cityland Pasong Tamo Tower  
2210 Pasong Tamo St., Makati City  
Tel. No.: 817-9337/47/51/60/82  
Fax No.: 817-9351  
*Arnnie B. Alanano*

### PHILAM BRANCH

8 East Lawin Drive, Philam Homes, QC  
Tel. No.: 927-9841; 924-2872  
929-5734  
Fax No.: 929-3115  
*April Jean P. Chiong*

### QUEZON AVE. BRANCH

No. 18 G & D Bldg., Quezon Ave.  
cor. D. Tuazon St., Quezon City  
Tel. No.: 712-3676; 712-0424  
740-7779/80; 712-1105  
416-8891; 638-2751 (MCB)  
Fax No.: 712-3006  
*Anita Y. Samala*

### QUIAPO BRANCH

216-220 Villalobos St., Quiapo, Manila  
Tel. No.: 733-2052/59/61  
733-6282/86  
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*Leslie C. So*

### ROOSEVELT AVE. BRANCH

CBC Bldg., #293 Roosevelt Ave.,  
San Francisco Del Monte, Quezon City  
Tel. No.: 371-5133 to 35; 410-2160  
410-1957; 371-2766  
Fax No.: 371-2765  
*Eileen M. Felipe*

### SALCEDO VILLAGE-TORDESILLAS BRANCH

G/F Prince Tower Condominium  
14 Tordesillas St., Salcedo Village, Makati City  
Tel. No.: 813-4901/32/33  
813-4944/52  
Fax No.: 813-4933  
*Pamela Joyce E. Gonzales*

### SALCEDO VILLAGE-VALERO BRANCH

G/F Valero Tower, 122 Valero St.  
Salcedo Village, Makati City  
Tel. No.: 892-7768/69; 812-9207  
893-8188/96  
Fax No.: 892-7769  
*Nellie S. Alar*

### SALES- RAON BRANCH

611 Sales St., Quiapo, Manila  
Tel. No.: 734-5806; 734-7427  
734-6959  
Fax No.: 734-6959  
*Elizabeth I. Trinidad*

### SAN JUAN BRANCH

17 F. Blumentritt St., San Juan, M. M.  
Tel. No.: 724-8263; 726-4826  
744-5616 to 18; 723-7333  
Fax No.: 723-4998  
*Joel Kenward Y. Uy*

### SHAW-HAIG BRANCH

G/F First of Shaw Bldg., Shaw Blvd. cor.  
Haig St., Mandaluyong City  
Tel. No.: 534-1073; 534-0744  
718-0218; 531-0795 (MCB)  
Fax No.: 576-3841  
*Virginia T. Bernabe*

### SHAW-PASIG BRANCH

G/F RCC Center, No. 104 Shaw Blvd.  
Pasig City  
Tel. No.: 634-5018/19; 634-3343/44  
747-7812; 634-3340  
638-2751 (MCB)  
Fax No.: 634-3344  
*Hermenegildo G. Cariño*

### SHAW-SUMMIT ONE BRANCH

Unit 102 Summit One Office Tower  
530 Shaw Blvd., Mandaluyong City  
Tel. No.: 531-3970; 531-5736  
531-4058; 531-1304  
533-8723; 533-4948  
Fax No.: 531-9469  
*Lilian B. Orlina*

### SM CITY BICUTAN BRANCH

LGF, Bldg. B, SM City Bicutan  
Doña Soledad Ave. cor. West Service Rd.  
Parañaque City  
Tel. No.: 821-0600/0700  
777-9347  
Fax No.: 821-0500  
*Kathlyn I. Abalos*

### SM CITY MARIKINA BRANCH

G/F SM City Marikina, Marcos Highway  
Brgy. Calumpang, Marikina City  
Tel. No.: 477-1845/46/47; 799-6105  
477-1847  
*Donna G. Del Rosario*

### SM CITY SAN LAZARO BRANCH

UGF SM City San Lazaro, Felix Huertas St.  
cor. A.H. Lacson Extension, Sta. Cruz, Manila  
Tel. No.: 742-1572; 742-2330  
493-7115  
Fax No.: 732-7935  
*Jocelyn E. Tan*

### SM CITY TAYTAY BRANCH

Unit 147 Bldg. B, SM City Taytay  
Manila East Road, Brgy. Dolores, Taytay, Rizal  
Tel. No.: 286-5844; 286-5979  
661-2276, 661-2277  
Fax No.: 661-2235  
*Dante S. Cortez*

### SM FAIRVIEW BRANCH

LGF, SM City Fairview  
Quirino Ave. cor. Regalado Ave.  
Fairview, Quezon City  
Tel. No.: 417-2878; 939-3105  
Fax No.: 418-8228  
*Ma. Nila B. Dujunco*

### SM MALL OF ASIA BRANCH

G/F Main Mall Arcade, SM Mall of Asia  
Bay Blvd., Pasay City  
Tel. No.: 556-0100/0102/0099  
Fax No.: 556-0099  
*Charmaine V. Santos*

### SM MEGAMALL BRANCH

LGF Building A, SM Megamall  
E. delos Santos Ave. cor. J. Vargas St.  
Mandaluyong City  
Tel. No.: 633-1611/12; 633-1788/89  
638-7213 to 15  
Fax No.: 633-4971 or 633-1788  
*Edna A. Torralba*

### SM CITY MASINAG BRANCH

SM City Masinag, Marcos Highway  
Masinag, Antipolo City  
Tel. No.: 655-8764; 655-9124  
655-8771  
Fax No.: 655-9124  
*Joanaru B. Macalagay*

### SM CITY NORTH EDSA BRANCH

Cyberzone Carpark Bldg., SM City North  
Ave. cor. EDSA, Quezon City  
Tel. No.: 456-6633; 454-8108/21  
925-4273  
Fax No.: 927-2234  
*Edmund R. Vicente*

### SM CITY NORTH EDSA- ANNEX BRANCH

UGF New Annex Building, SM City North EDSA  
Quezon City  
Tel. No.: 441-1370/1372/1373  
Fax No.: 441-1372  
*Anna Mercedes B. Flores*

### SM SOUTHMALL BRANCH

UGF SM Southmall Alabang-Zapote Road  
Talon 1, Almanza Las Piñas City  
Tel. No.: 806-6116/19; 806-3536  
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*Virgilio V. Villarosa*

**SOLER- 168 BRANCH**

G/F R & S Bldg, Soler St., Manila  
 Tel. No.: 242-1041; 242-1674  
 242-1685  
 Fax No.: 242-1041  
*Charles T. Salaya*

**STO. CRISTO BRANCH**

711-715 Sto. Cristo cor. Comercio Sts.  
 Binondo, Manila  
 Tel. No.: 242-4668/73; 242-5361  
 241-1243  
 242-5449; 242-3670  
 Fax No.: 242-4672; 242-4761  
*Victoria L. Chua*

**T. ALONZO BRANCH**

Abeleda Business Center  
 908 T. Alonzo cor. Espeleta Sts.  
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 Tel. No.: 733-9581/82; 734-3231 to 33  
 Fax No.: 733-9582  
*Hermeria L. Tan*

**TAFT AVE. - QUIRINO BRANCH**

2178 Taft Ave. near cor. Quirino Ave.  
 Malate, Manila  
 Tel. No.: 521-7825; 527-3285  
 527-6747  
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*Jorielyn B. Nuqui*

**TIMOG AVE. BRANCH**

G/F Prince Jun Condominium  
 42 Timog Ave., Quezon City  
 Tel. No.: 371-4506; 371-4522  
 4523/4524  
 Fax No.: 371-4503  
*Luningning U. Lim*

**TRINOMA BRANCH**

Unit P002, Level P1, Triangle North of Manila  
 North Ave. cor. EDSA, Quezon City  
 Tel. No.: 901-5570-5573  
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*Maria Catleya C. Reyes*

**TUTUBAN PRIME BLOCK BRANCH**

Rivera Shophouse, Podium Area  
 Tutuban Center Prime Block  
 C.M. Recto Ave. cor. Rivera St., Manila  
 Tel. No.: 255-1414/15  
 Fax No.: 255-5441  
*Irene C. Chan*

**UP TECHNO HUB BRANCH**

UP AyalaLand Techno Hub  
 Commonwealth Ave., Quezon City  
 Tel. No.: 441-1331/1332/1334  
 Fax No.: 798-4800  
*Marlon Darcy A. Mendoza*

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 V. Cordero St., Marulas, Valenzuela City  
 Tel. No.: 293-8920; 293-6160  
 293-5088 to 90; 293-8919  
 Fax No.: 293-5091  
*Rosa L. Chiu*

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 Paso de Blas, Valenzuela City  
 Tel. No.: 443-6160/61; 983-3861/62  
 Fax No.: 443-6161  
*Thelma S. Cabanban*

**VISAYAS AVE. BRANCH**

CBC-Building, Visayas Ave. cor.  
 Congressional Ave. Ext., Quezon City  
 Tel. No.: 454-0189; 925-2173  
 455-4334/35  
 Fax No.: 925-2155  
*Grace A. Cruz*

**WEST AVE. BRANCH**

82 West Ave., Quezon City  
 Tel. No.: 924-3131/3143/6363  
 920-6258; 411-6010/6011  
 928-3270  
 Fax No.: 924-6364  
*Corina R. Sesdoryo*

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 927-9826  
 Fax No.: 929-3343  
*Alma A. Sevilla*

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CBC-Building, 949 Henson St., Angeles City  
 Tel. No.: (045) 887-1549; 323-5343  
 887-1550/2291  
 625 -8660/61  
 Fax No.: (045) 625-8661  
*Renito R. Bognot*

**ANGELES CITY- BALIBAGO BRANCH**

Diamond Square, Service Road  
 McArthur Highway cor. Charlotte St.  
 Balibago, Angeles City, Pampanga  
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 Fax No.: (045) 892-5144  
*Rean S. Bernarte*

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 889-0975  
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 cor. Mc Arthur Highway, Angeles City  
 Tel. No.: (045) 323-5793; 887-6028  
 625-9362  
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*Maria Josefa R. Nisce*

**ANGELES- STO. ROSARIO BRANCH**

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 Teresa Ave., Nepo Mart Complex  
 Angeles City Pampanga  
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 Fax No.: (045) 888-5175  
*Emerlita R. Dizon*

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 San Vicente, Apalit, Pampanga  
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 Fax No.: (045) 302-9560  
*Nancy T Mensalvas*

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 443-8659 to 60; 442-9663  
 Fax No.: (074) 442-9663  
*Mary Anne A. Tiwaquen*

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G/F Paladin Hotel, No. 136 Abanao Ext.  
 cor. Cariño St., Baguio City  
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 Fax No.: (074) 424-4838  
*Edward U. Catipon*

**BALANGA CITY BRANCH**

G/F Dilig Building, Don Manuel Banzon St.  
 Balanga City, Bataan  
 Tel. No.: (047) 237-9388/89  
 791-1779  
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*Michelle Y. Aquino*

**BALIWAG BRANCH**

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 Highway, Baliwag, Bulacan  
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 673-5338  
 Fax No.: (044) 766-5257  
*Janet R. De Castro*

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 Tel. No.: (043) 723-0953  
 520-6118 (Mla-direct)  
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 (043) 402-9157  
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 Fax No.: (043) 702-4481  
*Ruvishella S. Bicol*

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 Poblacion, Sta. Maria, Bulacan  
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 913-0334  
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*Karen S. Mendoza*

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 Cabanatuan City  
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 463-0935 to 36  
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*Juanito C. Santiago*

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CBC-Building, Maharlika Highway  
Cabanatuan City  
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463-7964; 600-3590  
Fax No.: (044) 463-8587  
*Jocelyn C. Concepcion*

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J.P. Rizal St., San Vicente, Calapan City  
Oriental Mindoro  
Tel. No.: (043) 288-8978/8508  
441-0382  
Fax No.: (043) 441-0382  
*Ruel A. Añonuevo*

### CARMONA BRANCH

CBC Building, Paseo de Carmona  
Brgy. Maduya, Carmona, Cavite  
Tel. No.: (046) 430-1969/1277/3568  
520-6735 (Manila line)  
Fax No.: 520-6735 (Manila line)  
*Edison B. Agarao*

### CAUAYAN CITY BRANCH

G/F Prince Christopher Bldg. Maharlika  
Highway, Cauayan City, Isabela  
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Fax No.: (078) 652-1850  
*Mary Ann S. Gaspar*

### CAVITE-DASMARIÑAS BRANCH

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Dasmariñas, Cavite  
Tel. No.: (046) 416-5036/39/40  
584-40-83 (Manila line)  
Fax No.: (046) 416-5036  
*Elvira M. Montesa*

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Tanzang Luma, Imus, Cavite  
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471-2637; 471-7094  
Fax No.: (046) 471-2637  
*Noreen S. Purificacion*

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Bacoor, Cavite  
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Fax No.: (046) 431-0901  
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Fax No.: (046) 437-0058  
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*Josephine C. Dee*

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Dagupan City  
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515-8956  
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*Rommel M. Agacita*

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San Fernando City, Pampanga  
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860-1780/81  
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*Roberto P. Basilio*

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Fax No.: (078) 323-0179  
*Donnabella D. Castillo*

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486-0695  
Fax No.: (044) 486-0434  
*Medel C. Driz*

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309-1663  
Fax No.: (074) 422-2065  
*Liza L. Serrano*

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8933/8934  
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Fax No.: (049) 545-7138  
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501-4085  
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771-4688; 771-4417  
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Malolos City, Bulacan  
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Km. 21, Brgy. Ibayo, Marilao, Bulacan  
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933-1156/1157  
Fax No.: (044) 711-1814  
*Marites B. Go*

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Masbate, Masbate  
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Fax No.: (056) 333-2363  
*Ernie C. Torrevillas*

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Penafancia cor. Panganiban Sts., Naga City  
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473-7920  
Fax No.: 250-8169 (Manila line)  
*Perfecto S. Real*

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Alaminos City, Pangasinan  
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Fax No.: (075) 654-0296  
*Edwin D. Viado*

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656-2022; 656-2618  
Fax No.: (075) 568-3548  
*Janet A. Madria*

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Sta. Rosa City, Laguna  
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502-2859; 827-8178  
420-8042 (Manila line)  
Fax No.: 420-8042 (Manila line)  
*Gerald A. Reta*

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City of San Fernando, Pampanga  
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963-5458 to 60; 961-5651  
860-1925; 892-3211  
Fax No.: (045) 961-8352  
*Rosario D. Yabut*

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San Fernando City, Pampanga  
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*Armando Arepentido*

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San Jose City  
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Fax No.: (044) 958-9094  
*Josephine D. Cariño*

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cor. Bayaua St., Santiago City, Isabela  
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Fax No.: (078) 305-2445  
*Adeluiso L. Cabugos*

**SM CITY BACOR BRANCH**

LGF SM City Bacoor  
Tirona Highway cor. Aguinaldo Highway  
Bacoor, Cavite  
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0623/0645  
Fax No.: (046) 417-0583  
*Nycette O. San Diego*

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M. Roxas St., CSEZ, Angeles City, Pampanga  
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Fax No.: (045) 499-0254  
*Pablito P. Flores*

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LGF SM City Dasmariñas, Governor's Drive  
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Tel. No.: (046) 424-1134  
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*Evelyn T. Jardiniario*

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G/F (Units 1111-1113) SM City Lipa  
Ayala Highway, Brgy. Maraouy  
Lipa City, Batangas  
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*Jose L. Nario, Jr.*

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Naga City  
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Fax No.: 250-8183 (Manila Line)  
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Olongapo City, Zambales  
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Fax No.: (047) 602-0038  
*Renato S. Cunanan*

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Mexico, Pampanga  
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Brgy. San Rafael, San Pablo City, Laguna  
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Fax No.: (049) 521-0072  
*Soliman A. Dela Mar*

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Sta. Rosa, Laguna  
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*Rafael F. Ilarde*

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Sorsogon City, Sorsogon  
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*Renato S. Cunanan*

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Tabaco City, Albay  
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(046) 483-0609, 483-0608  
Fax No.: 529-8174 (Manila Line)  
*Jonathan John H. Zamora*

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Tel. No.: (044) 940-2620; 940-2621  
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**TARLAC BRANCH**

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F. Tanedo St., Tarlac City, Tarlac  
Tel. No.: (045) 982-7771 to 75  
Fax No.: (045) 982-7772  
*Perla S. Aquino*

**TRECE MARTIRES**

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cor. City Hall Road, Brgy. San Agustin  
Trece Martires City, Cavite  
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460-4899  
Fax No.: (046) 460-4898  
*Lhovina A. Delfin*

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Ilocos Sur  
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Fax No.: (036) 540-7096  
*Harold T. Olarte*

**BACOLOD-ARANETA BRANCH**

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San Sebastian Sts., Bacolod City  
Tel. No.: (034) 435-0647/48  
433-3818/19  
433-7152/53; 709-1618  
Fax No.: (034) 433-7152  
*Michelle Lorei R. Gayoma*

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Libertad St., Bacolod City  
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*Maria Ruema S. Quimba*

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Fax No.: (034) 709-0067  
*Olimpia L. Diones*

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*G. Romulo F. Lopez*

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563-9228  
Fax No.: (053) 563-9228  
*Jose Alvin P. Sumalinog*

**BORONGAN BRANCH**

Balud II, Poblacion, Borongan, Eastern Samar  
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261-5888  
Fax No.: (055) 560 9938  
*Paul C. Oliva*

**CATARMAN BRANCH**

Cor. Rizal & Quirino Sts., Jose P. Rizal St.  
Catarmán, Northern, Samar  
Tel. No.: (055)251-8802/8821  
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*Victorino T. Caparrosa, Jr.*

**CATBALOGAN BRANCH**

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Catbalogan City, Samar  
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**CEBU BUSINESS CENTER**

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*Victor P. Mayol*

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Fax No.: (032) 423-9253  
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*Angie G. Divinagracia*

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234-2062  
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*Zephyrus C. Celis*

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Pusok, Lapu-Lapu City  
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*Mary Faith R. Alvez*

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**CEBU-MANDAUE BRANCH**

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M.L. Quezon St., Cabancalan  
Mandaue City, Cebu  
Tel. No.: (032) 421-1364; 505-9908  
Fax No.: (032) 421-1364  
*Ruel G. Umbay*

**CEBU- MANDAUE- J CENTRE MALL BRANCH**

LGF J Centre Mall, A.S Fortuna Ave.  
Mandaue City, Cebu  
Tel. No.: (032) 520-2898; 421-1567  
Fax No.: (032) 520-2898  
*Mariza O. Lim*

**CEBU-MANDAUE NORTH ROAD BRANCH**

G/F Units G1-G3  
Basak Commercial Building (Kel-2)  
Basak, Mandaue City  
Tel. No.: (032) 345-8861; 345-8862  
420-6767  
Fax No.: (032) 420-6767  
*Ferdinand R. Sy*

**CEBU- MINGLANILLA BRANCH**

Unit 9, Plaza Margarita, Lipata  
Minglanilla, Cebu  
Tel. No.: (032) 239-7234; 490-6025  
Fax No.: (032) 239-7235  
*Christine T. Obiña*

**CEBU-SM CITY BRANCH**

Upper G/F, SM City Cebu, Juan Luna  
cor. A. Soriano Ave., Cebu City  
Tel. No.: (032) 232-0754/55  
231-9140  
412-9699  
Fax No.: (032) 232-1448  
*Alex M. Campilan*

**CEBU- SUBANGDAKU BRANCH**

G/F A.D. Gothong I.T. Center  
Subangdaku, Mandaue City, Cebu  
Tel. No.: (032) 344-6561; 422-3664  
344-6621  
Fax No.: (032) 344-6621  
*Sharon Rose L. Onrejas*

**CEBU- TALAMBAN BRANCH**

Unit UG-7 Gaisano Grand Mall  
Brgy. Talamban, Cebu City  
Tel. No.: (032) 236-8944; 418-0796  
Fax No.: (032) 236-8944  
*Ronnie A. Aguilar*

**CEBU-TALISAY BRANCH**

CBC Bldg., 1055 Cebu South National Road  
Bulacao, Talisay City, Cebu  
Tel. No.: (032) 272-3342/48  
491-8200  
Fax No.: (032) 272-3346  
*Rosie T. Faytone*

**DUMAGUETE CITY BRANCH**

CBC Bldg., Real St. Dumaguete City  
Negros Oriental  
Tel. No.: (035) 422-8058; 225-5442  
225-5441; 225-4284  
225-5460  
Fax No.: (035) 422-5442  
*Iris Gail C. Pantino*

**ILOILO-IZNART BRANCH**

G/F John A. Tan Bldg., Iznart St., Iloilo City  
Tel. No.: (033) 337-9477; 509-9868  
300-0644  
Fax No.: (033) 337-9566  
*Marjorie C. Mangilin*

**ILOILO-MABINI BRANCH**

A. Mabini St., Iloilo City  
 Tel. No.: (033) 335-0295; 335-0370  
 509-0599  
 Fax No.: (033) 335-0370  
*Ma. Teresa O. Lao*

**ILOILO- MANDURRIAO BRANCH**

Benigno Aquino Ave., Brgy. San Rafael  
 Mandurriao, Iloilo City, Iloilo  
 Tel. No.: (033) 333-3988; 333-4088  
 Fax No.: (033) 501-6078  
*Severo Y. Pison IV*

**ILOILO-RIZAL BRANCH**

CBC Building, Rizal cor. Gomez Sts.  
 Brgy. Ortiz, Iloilo City  
 Tel. No.: (033) 336-0947; 338-2136  
 509-8838  
 Fax No.: (033) 338-2144  
*Sharlan G. Chu*

**KALIBO BRANCH**

Waldolf Garcia Building, Osmeña Ave.  
 Kalibo, Aklan  
 Tel. No.: (036) 500-8088; 500-8188  
 Fax No.: (036) 500-8188  
*Marylen T. Gerardo*

**MAASIN CITY BRANCH**

G/F SJC Bldg., Tomas Oppus St.  
 Brgy. Tunga-Tunga, Maasin City  
 Southern Leyte  
 Tel. No.: (053) 381-2287; 381-2288  
 570-8488  
 Fax No.: (053) 570-8488  
*Maria Luisa V. Gonzales*

**ORMOC CITY BRANCH**

CBC Building, Real cor. Lopez Jaena Sts.  
 Ormoc City, Leyte  
 Tel. No.: (053) 255-3651 to 53  
 Fax No.: (053) 561-8348  
*Warren Noel M. Del Valle*

**PUERTO PRINCESA CITY BRANCH**

Malvar St. near cor. Valencia St.  
 Puerto Princesa City, Palawan  
 Tel. No.: (048) 434-9891-93  
 Fax No.: (048) 434-9892  
*Joselito V. Cadorna*

**ROXAS CITY BRANCH**

1063 Roxas Ave. cor. Bayot Drive  
 Roxas City, Capiz  
 Tel. No.: (036) 621-3203; 621-1780  
 522-5775  
 Fax No.: (036) 621-3203  
*Anthony V. Arguelles*

**SILAY CITY BRANCH**

Rizal St., Silay City, Negros Occidental  
 Tel. No.: (034) 714-6400; 495-5452  
 495-0480  
 Fax No.: (034) 495-0480  
*Rosemarie G. De La Paz*

**TACLOBAN CITY BRANCH**

Uytingkoc Building, Avenida Veteranos  
 Tacloban City, Leyte  
 Tel. No.: (053) 325-7706 to 08  
 523-7700/7800  
 Fax No.: (053) 523-7700  
*Felina G. Reyes*

**TAGBILARAN CITY BRANCH**

G/F Melrose Bldg. Carlos P. Garcia Ave.  
 Tagbilaran City, Bohol  
 Tel. No.: (038) 501-0688; 501-0677  
 411-2484  
 Fax No.: (038) 501-0677  
*Benjamin P. Pizaña*

**■ PROVINCIAL BRANCHES (MINDANAO)****BUTUAN CITY BRANCH**

CBC Building J.C. Aquino Ave.  
 Butuan City  
 Tel. No.: (085) 341-5159; 341-7445  
 (085) 815-3454/55  
 225-2081  
 Fax No.: (085) 815-3455  
*Sheelah A. Kho*

**CAGAYAN DE ORO-BORJA BRANCH**

J. R. Borja St., Cagayan de Oro City  
 Tel. No.: (08822) 724-832/33  
 726-076  
 (088) 857-3742  
 Fax No.: (088) 857-2212  
*Janet G. Tan*

**CAGAYAN DE ORO-CARMEN BRANCH**

G/F GT Realty Building, Max Suniel St.  
 cor. Yakal St., Carmen, Cagayan de Oro City  
 Tel. No.: (08822) 723-091; 724-372  
 (088) 858-3902/03  
 Fax No.: (088) 858-3903/  
 (08822) 724-372  
*Cresencio Al C. Co Untian*

**CAGAYAN DE ORO- DIVISORIA BRANCH**

RN Abejuela St., South Divisoria  
 Cagayan de Oro City  
 Tel. No.: (08822) 722-641  
 (088) 857-5759  
 Fax No.: (088) 857-4200  
*Agnes O. Adviento*

**CAGAYAN DE ORO-LAPASAN BRANCH**

CBC Building, Claro M. Recto Ave.  
 Lapasan, Cagayan de Oro City  
 Tel. No.: (08822) 722-240  
 724-540; 726-242  
 (088) 856-1325/1326  
 Fax No.: (088) 856-1325/1326  
*James M. Bomediano*

**CDO- GAISANO CITY MALL BRANCH**

G/F Gaisano City Mall, C. M. Recto  
 cor. Corrales Extension, Cagayan de Oro City  
 Tel. No.: (08822)745-877; 745-880  
 Fax No.: (08822)745-880  
*Samuel L. Reymundo*

**COTABATO CITY BRANCH**

No. 76 S.K. Pendatun Ave.  
 Cotabato City, Maguindanao  
 Tel. No.: (064) 421-4685/4653  
 Fax No.: (064) 421-4686  
*Ariel Cesar O. Romero*

**DAVAO-BAJADA BRANCH**

Km. 3, J.P. Laurel Ave., Bajada, Davao City  
 Tel. No.: (082) 221-0184; 221-0319  
 Fax No.: (082) 221-0568  
*Janice B. Tan*

**DAVAO-BUHANGIN BRANCH**

Buhangin Road, Davao City  
 Tel. No.: (082) 300-8335; 227-9764  
 221-5970  
 Fax No.: (082) 221-5970  
*Roberto A. Alag*

**DAVAO-LANANG BRANCH**

Insular Village I, Km. 8, Lanang, Davao City  
 Tel. No.: (082)300-1892; 234-7166  
 234-7165  
 Fax No.: (082)300-1892  
*Joselito S. Crisostomo*

**DAVAO-MATINA BRANCH**

Km. 4 McArthur Highway, Matina, Davao City  
 Tel. No.: (082) 297-4288; 297-4455  
 297-5880/81  
 Fax No.: (082) 297-5880  
*Petronila G. Narvaez*

**DAVAO-RECTO BRANCH**

CBC Bldg., C.M. Recto Ave.  
 cor. J. Rizal St., Davao City  
 Tel. No.: (082) 221-4481/7028/  
 6021/6921/4163  
 226-3851; 226-2103  
 Fax No.: (082) 221-8814  
*Carlos C. Tan*

**DAVAO- SM LANANG BRANCH**

G/F SM Lanang Premier  
 J. P. Laurel Ave., Davao City  
 Tel. No.: (082) 285-1064; 285-1053  
 Fax No.: (082) 285-1520  
*Marieglis O. Pagaduan*

**DAVAO-STA. ANA BRANCH**

R. Magsaysay Ave. cor. F. Bangoy St.  
 Sta. Ana District, Davao City  
 Tel. No.: (082) 227-9501/51  
 227-9601  
 221-1054/55; 221-6672  
 Fax No.: (082) 226-4902  
*Felipe D. Lim*

**DAVAO-TAGUM BRANCH**

153 Pioneer Ave., Tagum  
 Davao del Norte  
 Tel. No.: (084) 655-6307/ 6308  
 400-2289/90  
 Fax No.: (084) 400-2289  
*Ernesto A. Santiago, Jr.*

## China Bank Branches

### DAVAO-TORIL BRANCH

McArthur Highway cor. St. Peter St.  
Crossing Bayabas, Toril, Davao City  
Tel. No.: (082) 303-3068; 295-2334  
295-2332  
Fax No.: (082) 295-2332  
*Janice S. Laburada*

### DIPOLOG CITY BRANCH

CBC Building, Gen Luna cor. Gonzales Sts.  
Dipolog City  
Tel. No.: (065) 212-6768 to 69  
908-2008  
Fax No.: (065) 212-6769  
*Arnulfo H. Roldan*

### GENERAL SANTOS CITY BRANCH

CBC Bldg., I. Santiago Blvd., Gen. Santos City  
Tel. No.: (083) 552-2300; 552-8288  
Fax No.: (083) 553-1618  
*Helen Grace L. Fernandez*

### ILIGAN CITY BRANCH

Lai Building, Quezon Ave. Extension  
Pala-o, Iligan City  
Tel. No.: (063) 221-5477/79  
492-3009; 221-3009  
Fax No.: (063) 492-3010  
*Ronald O. Lua*

### KIDAPAWAN CITY BRANCH

G/F EVA Building, Quezon Blvd.  
cor. Tomas Claudio St.  
National Highway, Kidapawan City  
Tel. No.: (064) 278-3509; 278-3510  
Fax No.: (064) 278-3509  
*Wilbert R. Baus*

### KORONADAL CITY BRANCH

Gen. Santos Drive cor. Aquino St.  
Koronadal City, South Cotabato  
Tel. No.: (083) 228-7838; 228-7839  
520-1788  
Fax No.: (083) 228-7839  
*Riskie E. Zaragoza*

### MALAYBALAY CITY BRANCH

Bethelda Bldg., Sugre Highway  
Malaybalay City, Baliduan  
Tel. No.: (088) 813-3372  
Fax No.: (088) 813-3373  
*Randolf M. Corrales*

### OZAMIZ CITY BRANCH

Gomez cor. Burgos Sts., Ozamiz City  
Tel. No.: (088) 521-2658 to 60  
Fax No.: (088) 521-2659  
*Mary Claire L. Guangco*

### PAGADIAN CITY BRANCH

Marasigan Building, F.S. Pajares Ave.  
Pagadian City  
Tel. No.: (062) 215-2781/82  
925-1116  
Fax No.: (062) 214-3877  
*Dennis T. Wong Yat*

### SURIGAO CITY BRANCH

CBC Building, Amat St., Barrio Washington  
Surigao City, Surigao del Norte  
Tel. No.: (086) 826-3958, 826-3968  
Fax No.: (086) 826-3958  
*Domilyn S. Villareal*

### VALENCIA BRANCH

A. Mabini St., Valencia, Bukidnon  
Tel. No.: (088) 828-2048/49  
222-2356; 222-2417  
Fax No.: (088) 828-2048  
*Gilmar L. Villaruel*

### ZAMBOANGA CITY BRANCH

CBC-Building, Gov. Lim Ave. cor.  
Nuñez St., Zamboanga City  
Tel. No.: (062) 991-2978/79  
991-1266  
Fax No.: (062) 991-1266  
*Jaime G. Asuncion*

### ZAMBOANGA- GUIWAN BRANCH

G/F Yang's Tower, M.C.  
Lobregat National Highway  
Guiwan, Zamboanga City  
Tel. No.: (062) 984-1751; 984-1754  
Fax No.: (062) 984-1751  
*Alexander B. Lao*

### ■ SOON-TO-OPEN BRANCHES

#### BATANGAS- LEMERY BRANCH

Illustre Ave., Lemery, Batangas

#### SM AURA PREMIER BRANCH

G/F SM Aura Premier, McKinley Parkway  
Fort Bonifacio Global City, Taguig City

#### CEBU- NAGA BRANCH

Leah's Square, National South Highway  
East Poblacion, Naga City, Cebu

#### DAVAO- PANABO CITY BRANCH

Panabo City, Davao del Norte

#### ILOILO- JARO BRANCH

Jaro, Iloilo City Iloilo

#### SAN CARLOS BRANCH

San Carlos, Negros Occidental

#### ISABELA- ROXAS BRANCH

Provincial Road, Brgy. Bantug  
Roxas, Isabela

**168 MALL**

3/F Food Court, 168 Mall Sta. Elena St., Binondo, Manila

**268 MALL**

268 Mall CK Building, Plaridel Extension Sto. Rosario, Angeles City

**999 MALL 2**

Recto cor. Soler St., Binondo, Manila

**999 SHOPPING MALL**

Basement Lobby, Soler St., Brgy. 293 Binondo, Manila

**ABREEZA MALL**

J.P. Laurel Blvd., Bajada, Davao City

**ADVENTIST UNIVERSITY OF THE PHILIPPINES**

Adventist University of the Philippines Puting Kahoy Silang, Sta. Rosa, Cavite City

**AEGIS PEOPLE SUPPORT 2**

G/F People Support Center, Ayala Ave. cor Sen. Gil Puyat Ave., Makati City

**AEGIS PEOPLE SUPPORT BAGUIO**

SM Fiesta Strip, Harrison Road, Baguio City

**AEGIS PEOPLE SUPPORT CEBU**

Aegis Tower I, Villa St. Asia Town IT Park, Apas, Cebu City

**AG&P**

Atlantic, Gulf and Pacific Company of Manila, Inc., San Roque, Bauan, Batangas

**ALABANG MALL**

Alabang Town Center Alabang - Zapote Road, Muntinlupa City

**ALI MALL**

ATM Booth # 1 Upper G/F Ali Mall, P. Tuazon Blvd., Araneta Center, Quezon City

**ALI MALL 2**

Lower G/F Times Square Entrance, Ali Mall P. Tuazon Blvd., Araneta Center, Quezon City

**ANGELES UNIVERSITY FOUNDATION MEDICAL CENTER**

Basement, Angeles University Foundation Medical Center, McArthur Highway Angeles, Pampanga

**ARAULLO UNIVERSITY**

Maharlika Highway, Bitas, Cabanatuan City

**ATENEO DE DAVAO UNIVERSITY**

Near Main Entrance along Roxas Ave. Davao City

**ATENEO DE MANILA UNIVERSITY**

G/F Kostka Hall, Ateneo De Manila University Katipunan Ave., Loyola Heights, Quezon City

**BUDGET WISE SUPERMARKET**

Veterans Ave, Zamboanga City

**CALTEX - SLEX 1**

South Luzon Expressway - Northbound Brgy. San Antonio, San Pedro, Laguna

**CASH AND CARRY**

2/F Cash and Carry Mall, Located bet. South Super Highway & Filmore, near corner Buendia, Makati City

**CB MALL URDANETA**

McArthur Highway, Nancayasan Urdaneta City, Pangasinan

**CDO MEDICAL CENTER**

CDO Medical Center Building, 2 Tiano cor. Nacalaban St., Cagayan de Oro City

**CEBU DOCTOR'S HOSPITAL**

Osmena Blvd., Cebu City

**CEBU DOCTOR'S UNIVERSITY**

#1 Potenciano Larrazabal Ave. North Reclamation Area, Mandaue City

**CENTRIO MALL**

G/F C.M. Recto cor. Corrales St. Cagayan de Oro

**CHIANG-KAI-SHEK**

Chiang Kai Shek College 1274 P. Algue Manila

**CHINA BANK ONLINE CENTER**

Starbucks, China Bank Building 8745 Paseo de Roxas cor. Villar St., Makati City

**COMEMBO COMMERCIAL COMPLEX**

J.P. Rizal Ext., cor. Sampaguita St. Comembo, Makati City

**CORPUS CHRISTI**

Corpus Christi School, Tomas Saco St. Macasandig, Cagayan de Oro City

**DAVAO ADVENTIST HOSPITAL**

Km. 7 McArthur Highway, Bangkal, Davao City

**DIAMOND ARCADE**

G/F Diamond Arcade, Aurora Blvd. cor. St. Mary's St., Cubao, Q.C.

**DIPOLOG CENTER MALL**

Dipolog Center Mall, 138 Rizal Blvd. Dipolog City

**DLSU - DASMARIÑAS**

College of Engineering De La Salle University Dasmariñas, Cavite

**DLSU - HEALTH SCIENCE CAMPUS**

De La Salle University Health Campus, Inc. Congressional Road Dasmariñas, Cavite

**DVA OFFICE**

1417 Campanilla St., Dasmariñas Village Makati City

**EASTWOOD CITY WALK 2**

G/F ATM 1 (Fronting Adidas) Eastwood City Walk Phase 2, Eastwood City Cyberpark 188 E. Rodriguez Jr. Ave. (C-5 Road) Bagumbayan, Quezon City

**EASTWOOD CYBERMALL**

2/F Eastwood CyberMall, Eastwood Ave. Eastwood City, CyberPark, Bagumbayan Quezon City

**EASTWOOD MALL**

Level 1 ATM 2 Phase 2, Eastwood Mall E. Rodriguez Jr. Ave., C-5 Bagumbayan, Q.C.

**ECCO BLDG.**

Ground Floor Fil-Am Friendship Highway, Barangay Anunas, Angeles City

**EL BAJADA HOTEL**

J.P. Laurel St., Davao City

**EMBARCADERO DE LEGAZPI**

Ground Level, Victory Village, Legazpi City

**GAISANO - BULUA**

Bulua St., Cagayan de Oro City

**GAISANO - ILIGAN**

G/F Gaisano Citi Super Mall, Iligan City

**GAISANO MALL - BAJADA DAVAO**

Gaisano Mall of Davao, J.P. Laurel Blvd. Bajada, Davao City

**GAISANO MALL - CAGAYAN DE ORO**

Unit # 3, 2/L, Atrium Gaisano Mall Corrales Extension cor. C.M. Recto Ave. Cagayan de Oro City

**GAISANO MALL - TALISAY**

G/F Gaisano Fiesta Mall, Tabunok Talisay Cebu City

**GALERIA VICTORIA**

Balanga, Bataan

**GATEWAY MALL**

Booth 4, Level 2 Gateway Mall Cubao, Quezon City

**GLORIETTA 4**

Between Tequilla Joe's and Banana Leaf Glorietta 4, Makati City

**GLORIETTA 5**

G/F Glorietta 5, Ayala Center Makati City

**GOOD SAMARITAN HOSPITAL**

Good Samaritan Compound, Burgos Ave. Cabanatuan City

**GREENBELT 3**

Greenbelt 3 Makati Blvd. Drop-off Area Makati City

**GREENHILLS THEATER MALL**

Main Entrance, Greenhills Theater Mall San Juan, Metro Manila

**HOLY ANGEL UNIVERSITY 2**

G/F Holy Angel University Student's Center Sto. Rosario St., Angeles City, Pampanga

**JACKMAN EMPORIUM**

Jackman Emporium Department Store Building (beside LRT Station and Gotesco Grand Central), Grace Park, Kalookan City

**JACKMAN MUÑOZ**

along EDSA near cor. Congressional Blvd. Munoz, Q.C.

**JENRA MALL**

JENRA Grand Mall, Angeles City, Pampanga

**JGC ALABANG**

JGC PHILS. Building, Prime St., Madrigal Business Park-Phase III Ayala Alabang Muntinlupa City

**KCC MALL – GENSAN**

G/F KCC Mall – GenSan, J. Catolico Sr. Ave. General Santos City, South Cotabato

**KIMSTON PLAZA**

P. Victor St. cor. P. Burgos St., Guadalupe Nuevo, Makati City

**KMSCI**

Kidapawan Medical Specialist Center, Inc. Sudapin, Kidapawan City

**LA NUEVA - MINGLANILLA**

La Nueva Supermart, Poblacion Minglanilla, Cebu

**LA NUEVA SUPERMART**

La Nueva Supermart, Inc., G.Y. Dela Serna St., Lapu-lapu, Cebu City

**LANDMARK – MAKATI**

The Landmark Building, Makati Ave. Ayala Center, Makati City

**LANDMARK – TRINOMA**

ATM Slot #4, 3rd floor, Landmark - Trinoma EDSA cor. Mindanao Ave. Extension, Pag-asá Quezon City

**LAPU-LAPU CITY**

Gaisano Mactan Mall, Pusok Lapu-Lapu City, Cebu

**LB SUPERMARKET - ZAMBOANGA**

Veteran's Ave., Extension, Zamboanga City

**LCC SUPERMART**

LCC Supermarket, Penaranda cor. Rizal St., Legazpi City

**LEE HYPERMARKET**

G/F Lee Hypermarket, Valencia Road Bagacay, Dumaguete City, Negros Oriental

**LEE SUPER PLAZA**

G/F Lee Super Plaza, M. Perdices cor. San Jose St., Dumaguete City

**LIM KET KAI MALL**

M4-193B Lim Ket Kai Mall Cagayan de Oro City

**LOPUE EAST CENTER**

Burgos St. cor. Carlos Hilado National Highway, Bacolod City

**LORMA HOSPITAL**

Lorma Hospital City of San Fernando La Union

**LOTUS CENTRAL MALL**

G/F Lotus Central Mall Nueno Ave. Imus, Cavite

**MA. REYNA HOSPITAL**

Hospital Entrance, Ma. Reyna Hospital T.J. Hayes St., CDO

**MACTAN MARINA MALL**

Ground Floor, Mactan Marina Mall MEPZ 1, Lapu-lapu City

**MAGIC MALL**

G/F cor. ITTI Shoes (Entrance B) Magic Mall, Alexander St., Poblacion Urdaneta City, Pangasinan

**MAGIC STARMALL**

Upper G/F, Magic Star Mall, Romulo Blvd., Barangay Cut-Cut 1, Tarlac City

**MALABON CITISQUARE**

G/F ATM 4, C4 Road cor. Dagat-dagatan Blvd., Malabon City

**MALOLOS OFF-BR**

G/F Graceland Mall, BSU Grounds McArthur Highway, Malolos City, Bulacan

**MARITON GROCERY**

Buntun, Tuguegarao City, Cagayan Valley

**MARKET CITY**

Market City Building, Bus Terminal, Agora Cagayan de Oro City

**MARKET! MARKET! 1**

Market! Market! Bonifacio Global City Taguig, Metro Manila

**MARKET! MARKET! 2**

2/F Market! Market! Bonifacio Global City Taguig, Metro Manila

**MARKET! MARKET! 3**

G/F ATM Center in Fiesta Market! Market! Bonifacio Global City Taguig, Metro Manila

**MARQUEE MALL 1**

G/F Activity Center, Marquee Mall Don Bonifacio Road, Angeles City, Pampanga

**MEDICAL CITY**

Medical City, Ortigas Ave., Pasig City

**METRO POINT MALL**

3/F Metro Point Mall EDSA cor. Taft Ave. Pasay City

**METROWALK**

ATM 1 Building C, G/F Metrowalk Commercial Complex, Meralco Ave., Pasig City

**MIDAS HOTEL**

(previously Hyatt Hotel) 2702 Roxas Blvd., Pasay City

**MINDANAO SANITARIUM AND HOSPITAL**

Tibanga Highway, Iligan City

**MJS HOSPITAL**

Montilla Blvd., Butuan City

**MOLITO COMMERCIAL COMPLEX**

Madrigal Ave. cor. Alabang-Zapote Road Muntinlupa City

**MRT - BONI**

MRT - Boni Station, EDSA Mandaluyong City

**MRT - CUBAO STATION**

MRT - Cubao Station, EDSA, Quezon City

**MRT - NORTH AVE.**

MRT - North Blvd. Station, EDSA Quezon City

**MRT - SHAW**

MRT - Shaw Station, EDSA Mandaluyong City

**NEPO MALL - ANGELES**

Dona Teresa Ave., cor. St. Joseph St. Nepo Mart Complex, Angeles City

**NEPO MALL – DAGUPAN**

G/F Nepo Mall-Dagupan, Arellano St. Dagupan City

**NORTHEAST SQUARE**

47 Connecticut St., Northeast Greenhills San Juan City

**NOTRE DAME HOSPITAL**

Notre Dame de Chartres Hospital No. 25 General Luna Road, Baguio City

**NOVA SQUARE**

G/F Nova Square, 689 Quirino Highway cor. P. Dela Cruz Brgy. San Bartolome, Novaliches, Quezon City

**NUEVA ECIJA DOCTORS HOSPITAL**

Maharlika Highway, Cabanatuan City

**OUR LADY OF THE PILLAR**

G/F near Emergency Room, Tamsui Ave. Bayan Luma, Imus, Cavite

**ONE E-COM CENTER**

G/F One E-Com Center, Harbor Drive SM Mall of Asia Complex, Pasay City

**ORCHARD GOLF AND COUNTRY CLUB**

Gate 2, The Orchard Golf and Country Club Inc., Aguinaldo Highway Dasmariñas, Cavite

**ORMOC OFFSITE**

Hotel Don Felipe Building, A. Bonifacio St., 6541 Ormoc City, Leyte

**PACIFIC MALL**

Landco Business Park, F. Imperial St., cor. Circumferential Road, Legaspi City

**PANGASINAN MEDICAL CENTER**

Nable St., Dagupan City

**PAVILION MALL**

G/F Building A, Pavilion Mall, Km. 35 Brgy. San Antonio, Bifan, Laguna

**PEOPLE SUPPORT – ROCKWELL**

Rockwell Business Center Ortigas Ave., Pasig City

**PEOPLE SUPPORT CENTER**

G/F People Support Center, Ayala Ave. cor. Sen. Gil Puyat Ave., Makati City

**PLT COLLEGE**

PLT Building, Dumlao Blvd. Bayombong Nueva Vizcaya

**PRINCE MALL OF BAYBAY**

Andres Bonifacio & Manuel L. Quezon St. Baybay, Leyte

**PUREGOLD – BLUMENTRITT**

286 Blumentritt St., Sta. Cruz, Manila

**PUREGOLD - DAU**

Lot 9 Blk 19, McArthur Highway, Dau Mabalacat, Pampanga

**PUREGOLD – E. RODRIGUEZ**

ATM # 1 - Cosco Building, E. Rodriguez Ave. cor. G. Araneta Ave., Quezon City

**PUREGOLD JR. – PANDACAN**

West J. Zamora St., Brgy. 851, Zone 093 Pandacan, Manila

**PUREGOLD - PASO DE BLAS**

cor. Gen. Luis St., Malinta Exit Valenzuela City

**ROBINSON'S CALASIAO**

San Miguel, Calasiao Pangasinan

**ROBINSON'S GALLERIA**

L1-181 Robinson's Galleria EDSA cor. Ortigas Ave., Pasig City

**ROBINSON'S GALLERIA 2**

L1-181 Robinson's Galleria EDSA cor. Ortigas Ave., Pasig City

**ROBINSONS GENSAN**

G/F Foodcourt, Jose Catolico Sr. Ave. Lagao, General Santos City

**ROBINSONS PLACE - MANILA**

G/F Padre Faura Entrance, Robinsons Place Manila Pedro Gil cor. Adriatico St. Ermita, Manila

**ROBINSONS PLACE – TACLOBAN**

G/F National Highway, Taboon, Marasbaras Tacloban City

**ROCKWELL - P1 (CONCOURSE)**

Stall No. 060 Ground Level Power Plant Mall, Makati City

**ROYAL DUTY FREE**

Subic Bay, Freeport Zone, Zambales City

**SAN FERNANDINO HOSPITAL**

along McArthur Highway, Dolores, City of San Fernando, Pampanga

**SAVEMORE - SOLANO**

National Road, Poblacion North, Solano Nueva Vizcaya

**SAVERS CENTER**

Ground Floor, Right Side of Main Entrance Along EDSA near corner Taft Ave., Pasay City

**SHOP AND RIDE**

#248 Gen. Luis St., Novaliches, Quezon City

**SHOP AND RIDE 2**

ATM 2, #248 Gen. Luis St., Brgy. Nova Proper, Novaliches, Quezon City

**SHOPWISE - COMMONWEALTH**

Blk. 17, Commonwealth Ave. Don Antonio, Quezon City

**SHOPWISE - SAN PEDRO**

along National Highway, Brgy. Landayan Pacita, San Pedro

**SHOPWISE ANTIPOLO**

M.L. Quezon St., cor. Circumferential Road San Roque, Antipolo City

**SHOPWISE CEBU**

N. Bacalso Ave., Basak San Nicolas, Cebu City

**SKYRISE REALTY**

Skyrise Realty Development Corporation Lobby G/F Skyrise IT Building, Gorordo Ave. cor. N. Escario St., Cebu City

**SM BAGUIO**

SM Baguio Luneta Hill, Upper Session Road cor. Governor Park Road Baguio City Benguet

**SM BALIWAG**

G/F near Hypermarket SM City Baliwag DRT Highway, Brgy. Pagala, Baliwag, Bulacan

**SM CALAMBA 1 - G/F**

Ground Floor, National Road Brgy. Real Calamba City, Laguna

**SM CALAMBA 2 - 2/F**

Second Floor, National Road Brgy. Real Calamba City, Laguna

**SM CALAMBA 3 - ATM CTR**

near Main Entrance, National Road Brgy. Real, Calamba City, Laguna

**SM CITY BACOLOD**

G/F Building A, ATM # 3, SM City Bacolod Reclamation Area, Bacolod City

**SM CITY BATANGAS**

ATM-1 SM City Batangas, Pallocan West Batangas City

**SM CITY CAGAYAN DE ORO**

ATM Center (2), Main Entrance, SM City Cagayan de Oro

**SM CITY CLARK OFF-BRANCH**

ATM # 1 SM City Clark, (Fronting Transport Terminal) M. Roxas St., CSEZ Angeles City, Pampanga

**SM CITY DASMARIÑAS**

Offsite ATM 2, SM City Dasmariñas, Cavite City

**SM CITY LIPA**

ATM 2 (near Transport Terminal) SM City Lipa, Ayala Highway, Lipa City

**SM CITY PAMPANGA**

ATM-2, Main Entrance beside Covered Walk, SM City, Barangay San Jose San Fernando, Pampanga

**SM DAVAO**

ATM Center (1), SM City Davao Quimpo Blvd., Ecoland Subdivision Barangay Matina, Davao City

**SM GENSAN**

Cor. Santiago Blvd. & San Miguel St., Lagao General Santos City, South Cotabato

**SM HYPERMARKET**

Ground Floor, SM Hypermarket SM Mall of Asia, Pasay City

**SM HYPERMARKET - MANDALUYONG**

121 Shaw Blvd. cor. E. Magalona St. Mandaluyong City

**SM LANANG OFF-BRANCH**

UGF SM Lanang Premier J.P. Laurel Avenue, Davao City

**SM MANILA**

ATM-3 UG/F Main Entrance Arroceros Side, Manila

**SM MARILAO OFFSITE**

ATM-1 SM City Marilao, Marilao, Bulacan

**SM MEGAMALL BLDG. B**

Level 2, Building B, SM Megamall, EDSA cor. Julia Vargas St., Mandaluyong City

**SM MUNTINLUPA**

G/F ATM 2 (beside Rear Entrance) Brgy. Tunasan, National Road, Muntinlupa City

**SM SUPERCENTER MOLINO**

G/F SM Supercenter Molino, SCMC Brgy. Molino 4, Molino Road, Bacoor, Cavite

**SM CITY TARLAC**

G/F SM City Tarlac, McArthur Highway San Roque, Tarlac City

**SM TAYTAY**

2nd Floor Bldg. A, SM City Taytay, Manila East Road, Brgy. Dolores, Taytay, Rizal

**SOLAIRE RESORT AND CASINO**

Entertainment City, Aseana Blvd. Parañaque City

**SOUTHGATE MALL**

Southgate Mall, EDSA cor. Pasong Tamo Extension, Makati City

**SOUTHWAY MALL**

Southway Square Mall cor. Gov. Lim Purisima and Magno Sts., Zamboanga City

**ST. FRANCIS SQUARE**

Basement 1, Doña Julia Vargas Ave. cor. Bank Drive, Ortigas Center, Mandaluyong City

**STI – DELOS SANTOS MEDICAL CENTER**

201 E. Rodriguez Sr. Blvd. Brgy. Pamayong Lagi, Quezon City

## Off-Branch ATMs

### ST. JUDE COLLEGE

Dimasalang St. cor Don Quijote St.  
Sampaloc, Manila

### ST. LUKE'S - Q.C.

St. Luke's Medical Center, Medical Arts  
Building, E. Rodriguez Sr. Blvd., Q.C.

### ST. LUKE'S – THE FORT

Basement, St. Lukes Medical Center  
5th Ave., The Fort, Taguig City

### STA. ROSA HOSPITAL

RSBS Blvd., Balibago, Sta., Rosa Laguna

### TAFT - U.N.

G/F Times Plaza, T.M. Kalaw cor.  
Gen. Luna St., Manila

### TARGET MALL 1

G/F near Star Search Sta. Rosa Commercial  
Complex, Brgy. Balibago, Sta. Rosa, Laguna

### TARGET MALL 2

ATM-04, Canopy Area Sta. Rosa  
Commercial Complex, Brgy. Balibago  
Sta. Rosa, Laguna

### THE A VENUE

G/F Valdez Site, The A Venue  
7829 Makati Ave., Makati City

### THE FORT

1/F Bonifacio Technology Center  
31st Street cor. 2nd Ave.  
Bonifacio Global City, Taguig City

### TIENDESITAS

Frontera Verde, Ortigas Ave. cor.  
C-5, Pasig City

### TRINOMA 1

Level 1 (near Landmark and Chowking)  
North Ave. cor. EDSA, Quezon City

### TRINOMA X-BOUTIQUE

Level 1 Near X Boutique, North Ave.  
cor. EDSA, Quezon City

### TWO SHOPPING CENTER

Two Shopping Center, Pasay Taft Ave.  
near cor. EDSA, Pasay City

### UNION CHRISTIAN COLLEGE

Widdoes St., Brgy. II San Fernando  
La Union City

### UNIVERSITY MALL

Level 2, Taft Ave, Malate Manila

### UNIVERSITY OF BOHOL

Along Ma. Clara St., Tagbilaran City

### UNIVERSITY OF SAN CARLOS

University of San Carlos Main University Bldg.  
P. del Rosario Street, Cebu City

### UPMC – PGH

Faculty Medical Arts Building  
PGH Compound, Taft Ave., Manila

### UST - DOCTOR'S CLINIC

UST Hospital, Vestibule and New Doctor's  
Clinic, España, Manila

### UST HOSPITAL

UST Hospital, España St., Manila

### VICTORY CENTRAL MALL

G/F, ATM 2 Below Escalator  
717 Old Victory Compound, Rizal Ave.  
Monumento, Caloocan City

### WACK-WACK GOLF AND COUNTRY CLUB

Main Lobby Clubhouse  
Wack-Wack Golf and Country Club  
Shaw Blvd., Mandaluyong City

### WALTERMART - CALAMBA

G/F Waltermart Calamba Real St.  
Brgy. Real, Calamba City, Laguna

### WALTERMART – CARMONA

Ground Floor, Waltermart Center -  
Carmona, Macaria Business Center  
Governor's Drive, Mabuhay, Carmona, Cavite

### WALTERMART - DASMA

G/F, Barrio BuroI Aguinaldo Highway  
Dasmariñas, Cavite

### WALTERMART - GEN. TRIAS

Governor's Drive, Gen. Trias, Cavite

### WALTERMART – MAKATI

G/F Waltermart Makati (near Mercury Drug)  
790 Chino Roces Ave. cor. Antonio Arnaiz  
Makati City

### WALTERMART - SAN FERNANDO

Brgy. San Agustin, McArthur Highway  
San Fernando, Pampanga

### WALTERMART – STA. ROSA 1

Upper G/F Waltermart Center - Sta. Rosa  
National Highway, Mall Entrance  
San Lorenzo Village, Balibago Road  
Sta. Rosa, Laguna

### WALTERMART – STA. ROSA 2

Upper G/F Waltermart Center-Sta. Rosa  
(In between Goldilocks and Mall Exit)  
San Lorenzo Village, Balibago Road  
Sta. Rosa, Laguna

### WALTERMART – SUCAT

Brgy. San Isidro, Dr. A. Santos  
Ave., Sucat, Parañaque City

### WALTERMART - TANAUAN

J. P. Laurel National Highway, Brgy. Darasa  
Tanauan, Batangas

### WALTERMART MAKATI 2

Third Floor, Walter Mart Center Makati  
790 Chino Roces cor. Antonio Arnaiz  
Makati City

### WALTERMART NORTH EDSA

Walter Mart Bldg., EDSA, Q.C.

### WESLEYAN UNIVERSITY

Wesleyan University of the Philippines  
Mabini Extension, Cabanatuan City

### XAVIER UNIVERSITY

G/F Library Annex, Xavier University  
Corrales Ave., Cagayan De Oro City

### YUBENGCO STARMALL

MCLL Highway, Putik, Zamboanga City

### ZABARTE TOWN CENTER

588 Camarin Road, cor. Zabarte Road  
North Caloocan City

### ■ FOR INSTALLATION

### VICTORY PASAY MALL

Along Libertad cor. Taft Ave., Pasay City

### LIANAS SAMPALOC

537 Earnshaw St., Sampaloc, Manila

### LIANAS LRT-PASAY

2826 Taft Avenue, Pier cor. Pasay City

### ALWANA BUSINESS PARK

National Highway, Barangay Cugman  
Cagayan de Oro City

## ■ CONSUMER BANKING CENTERS

### CBG BACOLOD CENTER

China Bank - Bacolod Araneta Branch  
CBC Bldg. Araneta corner  
San Sebastian Streets, Bacolod City  
Tel. No.: (034) 433-7153  
Fax No.: (034) 435-0647  
Center Head: *Jasmin Mae E. De Las Alas*  
*jmedelasalas@chinabank.ph*

### CBG BATANGAS CENTER

China Bank - Batangas City Branch  
2/F CBC Bldg., P. Burgos St., Batangas City  
Tel. No.: (043) 723-7127  
Fax No.: (02) 520-6161  
Center Head: *Evelyn G. Ricardo*  
*egricardo@chinabank.ph*

### CBG CABANATUAN CENTER

China Bank - Cabanatuan, Maharlika Branch  
2/F CBC Bldg., Brgy. Dicarma, Maharlika  
Highway, Cabanatuan City 3100  
Nueva Ecija  
Tel. No.: (044) 600-1575  
Fax No.: (044) 463-1063  
Center Head: *Anthony C. Vilar*  
*aacvilar@chinabank.ph*

## ■ PRIVATE BANKING GROUP MAKATI

15/F China Bank Building  
8745 Paseo de Roxas corner Villar Street  
Makati City, Philippines

**Angela D. Cruz**  
(632) 885-5641  
*adcruz@chinabank.ph*

**Cesaré Edwin M. Garcia**  
(632) 812-5320  
*cemgarcia@chinabank.ph*

## ■ PRIVATE BANKING OFFICES

### GREENHILLS OFFICE

14 Ortigas Avenue, Greenhills  
San Juan, Metro Manila

**Ma. Victoria G. Pantaleon**  
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**Glynn Hazel C. Yap**  
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**Dianne Mae A. Cardenas**  
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### BINONDO OFFICE

6/F China Bank, Dasmariñas  
cor. Juan Luna  
Binondo, Manila

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*ictanlimco@chinabank.ph*

**Genelin U. Yu**  
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*guyu@chinabank.ph*

### CBG CAGAYAN DE ORO CENTER

China Bank - Cagayan de Oro-Lapasan Branch  
2/F CBC Bldg. C.M. Recto Avenue  
Lapasan, Cagayan de Oro  
Tel. No.: (08822) 72-81-95  
Fax No.: (088) 856-2409  
Center Head: *Evelyn E. Dalaguit*  
*eedalaguit@chinabank.ph*

### CBG CEBU CENTER

China Bank - Cebu Banilad Branch  
2/F CBC Bldg. A.S. Fortuna St.  
Banilad, Cebu City  
Tel. Nos.: (032) 416-1606; 416-1915  
346-4448 to 49  
Fax No.: (032) 346-4450  
Center Head: *Ma. Cristina G. Jumapao*  
*mcgjumapao@chinabank.ph*

### CBG DAGUPAN CENTER

China Bank - Dagupan City Branch  
Siapno Bldg., Perez Blvd., Dagupan City  
Tel. No.: (075) 522-8471  
Fax No.: (075) 522-8472  
Center Head: *Alvin M. Calalo*  
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**Sandra O. Hernandez**  
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### CALOOCAN OFFICE

167 Rizal Avenue Extension, Caloocan City

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*jymacariola@chinabank.ph*

**Sheryl Ann C. Hokia**  
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### QUEZON CITY OFFICE

82 West Avenue, Quezon City

**Jaydee Cheng-Tan**  
(632) 426-6980  
*jctan@chinabank.ph*

**Christopher U. Liao**  
(632) 441-4685  
*culiao@chinabank.ph*

### ALABANG OFFICE

G/F CBC Building Acacia Ave.  
Madriral Business Park, Ayala Alabang  
Muntinlupa City

**Sheila V. Sarmanta-Dayao**  
(632) 659-2463  
*svsarmanta-dayao@chinabank.ph*

### CBG DAVAO CENTER

China Bank - Davao Main Branch  
2/F CBC Bldg., C.M. Recto  
cor. J. Rizal Sts., Davao City  
Tel. Nos. (082) 226-2103/ (082) 221-4163  
Fax No.: (082) 222-5021  
Center Head: *Freddie S. Bandong*  
*fsbandong@chinabank.ph*

### CBG ILOILO CENTER

China Bank - Iloilo-Rizal Branch  
2/F CBC Bldg. Rizal cor. Gomez Sts.  
Brgy. Ortiz, Iloilo City  
Tel. No.: (033) 336-7918  
Fax No.: (033) 336-7909  
Center Head: *Marvin D. Celajes*  
*mdcelajes@chinabank.ph*

### CBG PAMPANGA CENTER

China Bank - San Fernando Branch  
2/F CBC Bldg. V. Tiomico St., Sto. Rosario  
San Fernando, Pampanga  
Tel. Nos.: (045) 961-5344; (045) 961-0467  
Fax No.: (045) 961-8351  
Center Head: *Verna G. Guintu*  
*vgguintu@chinabank.ph*

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**Yvette O. Chua**  
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**Hazel Marianne Antolin-Rosero**  
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### SAN FERNANDO OFFICE

2/F V. Tiomico St.  
San Fernando City, Pampanga  
(6345) 961-0486

**Cesaré Edwin M. Garcia**  
*cemgarcia@chinabank.ph*

### CEBU OFFICE

CBC Building, Samar Loop cor. Panay Road  
Cebu Business Park, Cebu City

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*edrosales@chinabank.ph*

**Giselle Y. Chua-Yap**  
(6332) 238-0017  
*gychua@chinabank.ph*

**Claire Lorraine L. Co**  
(6332) 238-0017  
*cllco@chinabank.ph*

### DAVAO OFFICE

Km. 4 McArthur Highway, Matina, Davao City

**Mc Queen B. Jamora**  
(6382) 297-6268  
*mqqberigno@chinabank.ph*



VGP Center, 6772 Ayala Avenue, Makati City 1226, Philippines  
 Tel. No.: (632) 988-9555  
 www.cbs.com.ph

China Bank Savings, Inc. (CBS) is China Bank’s savings bank subsidiary following the acquisition of Manila Bank in June 2007. It was relaunched on September 8, 2008 as China Bank Savings, Inc. It is dedicated to serving the banking needs of consumers and businesses within its target market, serving primarily retail customers and small to medium-scale businesses. It aims to operate and grow as a profitable community-oriented institution, focusing on three product lines: deposits, consumer loans and trust services.

**BOARD OF DIRECTORS**

<b>CHAIRMAN</b> Ricardo R. Chua*	<b>DIRECTORS</b> Samuel L. Chiong** Ramon R. Zamora** Antonio S. Espedido, Jr.** Rhodora Z. Canto**	Rene J. Sarmiento** Alexander C. Escucha** Alberto Emilio V. Ramos** Alberto S. Yao*** Roberto F. Kuan***	<b>CORPORATE SECRETARY</b> Edgar D. Dumlao
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**BOARD COMMITTEES**

	Executive Committee	Risk Management Committee	Audit Committee
<b>Chairman</b>	Ricardo R. Chua*	Roberto F. Kuan ***	Roberto F. Kuan ***
<b>Vice Chair</b>	Nancy D. Yang**		
<b>Members</b>	Alberto Emilio V. Ramos** Rhodora Z. Canto** Samuel L. Chiong**	Samuel L. Chiong** Nancy D. Yang** Ramon R. Zamora** Alexander C. Escucha **	Rhodora Z. Canto** Alberto S. Yao***

	Corporate Governance Committee / Nomination and Personnel Committee	Trust Committee	Compensation Committee
<b>Chairman</b>	Alberto S. Yao***	Samuel L. Chiong**	Ricardo R. Chua*
<b>Members</b>	Ricardo R. Chua* Roberto F. Kuan *** Antonio S. Espedido, Jr.** Alexander C. Escucha **	Alexander C. Escucha ** Anna Maria P. Ylagan Alberto Emilio V. Ramos** Ramon R. Zamora**	Alberto Emilio V. Ramos** Maria Rosanna L. Testa**

**MANAGEMENT COMMITTEES**

	Management Committee	Credit Committee	Asset/Liability Management Committee
<b>Chairman</b>	Alberto Emilio V. Ramos**	Alberto Emilio V. Ramos**	Alberto Emilio V. Ramos**
<b>Vice Chairman</b>	Jaime Valentin L. Araneta	Jaime Valentin L. Araneta	Jaime Valentin L. Araneta
<b>Members</b>	Emmanuel C. Geronimo James Christian T. Dee**	Jezreel R. Pimentel Edralin G. Agbayani Consolacion R. Saur****	Emmanuel C. Geronimo Ma. Consuelo S. Ruffy Jan Nikolai M. Lim Jose Ramon O. Santamaria James Christian T. Dee** Edralin G. Agbayani

\* with interlocking directorship and officership with China Banking Corporation  
 \*\* with interlocking officership with China Banking Corporation  
 \*\*\* Independent Director. Likewise Independent Director of China Banking Corporation  
 \*\*\*\* Adviser/consultant

## OFFICERS

**Alberto Emilio V. Ramos\*\***  
President

**Jaime Valentin L. Araneta**  
Executive Vice President

**Jan Nikolai M. Lim**  
First Vice President  
Head, Mortgage  
and Personal Loans

**Jose Ramon O. Santamaria**  
First Vice President  
Head, Auto Loans

**Edgar D. Dumlao**  
Vice President  
Corporate Secretary

**Edralin G. Agbayani**  
Vice President  
Head, Credit Management  
Group

**Emmanuel C. Geronimo**  
Vice President  
Head, Controllership Group

**Rosalinda T. Munsayac**  
Vice President  
Head, Operations Group

**Maria Rosanna L. Testa\*\***  
Vice President  
Head, Human Resources Group

**Marilyn G. Yuchenkang\*\***  
Vice President  
Head, Audit Division

**Dante T. Fuentes\*\***  
Vice President  
Group Compliance Officer

**Maria Consuelo S. Ruffy**  
Vice President  
Head, SME Loans

**Anna Maria P. Ylagan**  
Vice President  
Head, Trust Banking Group

**James Christian T. Dee\*\***  
Assistant Vice President  
Treasurer

**Marilou M. De Guzman**  
Assistant Vice President  
Head, Alternative Channels

**Jezreel Pimentel**  
Assistant Vice President  
Head, Credit Services Division

**Winifredo G. Solis**  
Assistant Vice President  
Head, Credit Risk Management  
Division

**Restituto B. Bayudan\*\***  
Assistant Vice President  
Head, IT Group

**Jacqueline T. Tomacruz\*\***  
Senior Manager  
Head, Customer Services  
Division

**Enrico Luis D. Rojas**  
Senior Manager  
Head, Personal Loans Division

**Irene S. Mariano**  
Senior Manager  
Head, Human Resources  
Department

**Michael Anthony C. De Mesa**  
Senior Manager  
Head, Collections Division

**Julio Joel C. Garcia**  
Senior Manager  
Head, Network Development  
Division

**Raymond C. Apo**  
Senior Manager  
Head, Risk Management

**Janice S. Ty**  
Deputy Senior Manager  
Head, Product Dev't &  
Marketing Services Department

**Jose G. Ramos, Jr.\*\***  
Manager  
Head, Administrative Services  
Department

**Moises Germel S. Santos, Jr.**  
Manager  
Head, Branch Operations  
& Administration

**Meynard Jowell F. Bitas**  
Manager  
Head, Business Process Division

\*\* with interlocking officership with China Banking Corporation

## BRANCHES

### ALABANG HILLS

G/F Alabang Comm'l Citi Arcade, Don Jesus  
Blvd., Alabang, Muntinlupa City  
Tel. No.: 403-2801  
Telefax: 828-4854  
*Quennie V. Umil*

### ANGELES

Miranda Ext., corner Asuncion St., Angeles City  
Tel. No.: (045) 458-0297, local 4833  
09178303296 / (045) 286-6586  
Telefax: (045) 458-0298  
*Roberto A. Payawal*

### AYALA AVENUE

6772 Ayala Avenue, Makati City  
Tel. No.: 864-5011  
864-5017  
Telefax: 810-9226 local 8100 to 04  
*Lani D. Larion*

### BACOLOD

SKT Saturn Bldg., Lacson cor. Rizal Sts.  
Bacolod City  
Tel. No.: (034) 435-7143 / 435-6983  
local 4810 to 11  
Telefax: (034) 708-2041  
*Ronnie A. Vinco Jr.*

### BACOR

FRC Mall, Gen. Evangelista St.  
Talaba V, Bacoor, Cavite  
Tel. No.: (046) 417-4504 local 4842 to 43  
0917-8354691  
Telefax: (046) 417-4710  
*Anabella A. Pabiona*

### BAGUIO

Upper G/F KDC Building  
91 Marcos Highway, Baguio City  
Tel. No.: (074) 442-1245 local 4816 to 17  
(074) 424-6414  
Telefax: (074) 424-6084  
*Demetrio D. Madayag, Jr.*

### BATANGAS

Miriell's Place, National Road  
Pallocan West, Batangas City  
Tel. No.: (043) 980-0544 to 45  
*Edwin R. Guevara*

### CABANATUAN

Km. 115 Cagayn Valley Rd.  
Maharlika Highway near cor.  
Sanciangco St., Cabanatuan City  
Tel. No.: (044)940-6942  
940-6944 local 4800  
Telefax: (044)940-6943  
*Efren D. De Leon*

### CAGAYAN DE ORO

Sergio Osmeña St., Cogon District  
Cagayan de Oro City  
Tel. No.: (088)852-2006 / 323-1507  
local 4806 to 07  
Telefax: (088) 227-5846  
*Ma. Socorro D. Cosme*

### CALAMBA

HK Bldg II, National Highway, Brgy. Halang  
Calamba, Laguna  
Tel. No.: (049) 306-0238  
0917-8173609  
0933-3848352  
Telefax: (049) 306-0234  
*Allen L. Buño*

### CEBU - LAHUG

G/F Skyrise IT Bldg., Bgy. Apas, Lahug, Cebu City  
Tel. No.: (032)236-0809  
(032)236-0810  
Telefax: (032)236-0869  
*Mark Ryan E. Sy*

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A. Del Rosario Ave., Mantuyong  
Mandaue City, Cebu  
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(032)422-8019 local 4818-19  
Telefax: (032)520-2770  
*Angelita P. Inot*

## China Bank Savings Branches

### DAGUPAN

G/F Lyceum-Northwestern University  
Tapuac District, Dagupan City  
Tel. No.: (075)515-8278 local 4802-03  
Telefax: (075)523-3637  
*Gingin T. Aquino*

### DARAGA

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(052)204-0025 local 4822  
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*Victor N. Rayco*

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Quirino Ave. Davao City  
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(082)321-0279 local 4804-05  
Telefax: (082)221-3873  
*Rowena B. Gador*

### FILINVEST CORPORATE CITY

BC Group Bldg., East Asia Drive, near corner  
Commerce Ave., Filinvest Corporate City,  
Alabang, Muntinlupa City  
Tel. No.: 511-1152 / 217-3069  
09178046443  
Telefax: 511-1145  
*Marites B. Nubla*

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219 Wilson St., Greenhills, San Juan City  
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Telefax: 584-5947  
*Josephine Joy T. Rillera*

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Kalookan City  
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*Ronaldo M. Centeno*

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*Geraldine R. Diwa*

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0917-8173526  
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*Eleanor B. Montemayor*

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(043)981-3602  
Telefax: (043)757-5253  
*Ma. Jesusa V. Lat*

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*Rosanna L. Martinez*

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*Bernard M. San Jose*

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*Oleeve R. Lim*

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RL BUILDING Panganiban St.  
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*Mary Ann Jaquelyn S. Tiongson*

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4850 to 51  
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*Othello C. Mendoza*

### SAN PABLO

P. Zamora St. Brgy. VII - B, San Pablo City  
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*Grace Asuncion O. Averion*

### SAN PEDRO

Gen - Ber Bldg. National Highway  
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local 4836  
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*Ma. Corazon G. Leung*

### SANTIAGO

City Road Centro East, Santiago City, Isabela  
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*Jennifer Marie R. De Leon*



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Makati City 1226 Philippines  
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Fax No. : (632) 845-0980  
Customer Care Line: (632) 884-7000  
E-mail : phcustomercare@manulife.com  
www.manulife-chinabank.com.ph

#### **CHINABANK INSURANCE BROKERS, INC.**

8/F VGP Center, 6772 Ayala Ave.  
Makati City 1226, Philippines  
Tel. No.: (632) 885-5555  
VGP Center: (632) 751-6000

#### **CHINABANK PROPERTIES AND COMPUTER CENTER, INC.**

4/F & 15/F China Bank Building  
8745 Paseo de Roxas corner Villar St.  
Makati City 1226, Philippines  
Tel. Nos.: (632) 885-5055; 885-5053  
885-5060; 885-5051; 885-5052  
Fax No.: (632) 885-5047

Manulife China Bank Life Assurance Corporation (MCBLife) is a joint venture bancassurance company of China Bank and The Manufacturers Life Insurance Company (Phils.), Inc. (Manulife Philippines), a wholly-owned domestic subsidiary of Manulife Financial Corporation that is among the world's largest life insurance companies by market capitalization (as of January 31, 2012). Manulife Financial is a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. MCBLife through China Bank's branches nationwide provide clients strong, reliable, trustworthy and forward-thinking solutions for their most significant financial decisions. MCBLife offers financial protection and wealth management products and services to millions of China Bank clients. The Bank has 5% interest in MCBLife.

**Indren S. Naidoo**  
President and Chief Executive Officer  
Manulife Philippines

**Robert D. Wyld**  
President and Chief Executive Officer  
Manulife China Bank Life Assurance Corporation

**Martin Cesar P. Ledesma**  
Vice President and Chief Bancassurance Officer  
Manulife China Bank Life Assurance Corporation

China Bank Insurance Brokers, Inc. (CBIBI) is a full service general insurance brokerage. Established on November 3, 1998, it provides direct insurance broking for retail and corporate customers with a wide and comprehensive range of plans for the life and non-life insurance segment. The life insurance retail products include Endowment, Retirement Plans, Term, Unit Linked Plans, Whole-Life, Hospitalization Cover, and Personal Accident Cover. The Group Policies include Credit Cover, Employees Term Cover, Gratuity and Superannuation. Under the Non-life Insurance category, Residential, Personal, Industrial, Commercial, Motor insurance and Liability products are available.

**Gerard E. Reonisto**  
President

**Cynthia B. Nono**  
Vice President - Bancassurance

**Danilo B. Alipao**  
Manager

China Bank Properties and Computer Center, Inc. (PCCI) was created on April 14, 1982 to provide computer-related services solely to China Bank. It manages the Bank's electronic banking and e-commerce requirements, including sourcing, developing and maintaining software and hardware, financial systems, access devices and networks to foster the safety and soundness of China Bank's technology infrastructure and keep its processing capabilities in top shape.

**Gilbert U. Dee**  
Chairman

**Augusto P. Samonte**  
Vice President

**Peter S. Dee**  
President

**Cristina D. Cristobal**  
Senior Assistant Vice President

**Ricardo R. Chua**  
Director

**Joseph Jeffrey B. Javier**  
Assistant Vice President

**Samuel L. Chiong**  
Treasurer

**Ma. Cecilia R. Ignacio**  
**Joseph T. Yu**  
**Georgia Lourdes Melissa F. Maog**  
Senior Managers

**Phillip M. Tan**  
General Manager

**Editha N. Young**  
Chief Technology Officer

**Ricardo F. Operiano**  
**Rosalito C. dela Cruz**  
**Belinda P. Mendoza**  
Deputy Senior Managers

## Products and Services

### Deposits & Related Services

#### Peso Deposits

- Checking
- Savings
- Time

#### Foreign Currency Deposits (US Dollar, Euro and Yuan)

- Savings
- Time

#### Manager's/Gift Check/Demand Draft

#### Safety Deposit Box

#### SSS Pension Accounts

#### Payroll Servicing Facility

#### Direct Deposit Facility for US Pensioner

#### Night Depository Services

#### Armored Car Deposit Pick-up Services

#### Domestic Collections/Out-of-town Checks

### Loans & Credit Facilities

#### Corporate Loans and Commercial Loans

#### Special Lending Programs

- Countryside Loan Funds
- BSP Rediscounting
- Industrial Guarantee Loan Fund
- Environmental Development Program
- Sustainable Logistics Development
- Industrial and Large Projects

#### Guarantee Programs

#### Consumer Loans

- HomePlus Real Estate Loans
- Contract to Sell Financing
- AutoPlus Vehicle Loans

### International Banking Products & Services

#### Import and Export Financing

#### Foreign and Domestic Commercial Letters of Credit

#### Standby Letters of Credit

#### Irrevocable Reimbursement Undertaking

#### Collection of Clean and Documentary Bills

#### Bank Guaranty (Shipside Bond)

#### Purchase and Sale of Foreign Exchange

#### Travel Funds

#### Servicing of Foreign Loans and Investments

#### Trade Inquiry

#### Trust Receipt Facility

#### Correspondent Banking Services

### Investment Banking Services

#### Debt Financing

- Bonds
- Syndicated Loan
- Corporate Loan

#### Equity Financing

- Initial Public Offering (Common Shares)
- Follow on Offering (Common Shares)
- Preferred Shares

#### Project Finance

#### Merger & Acquisition / Financial Advisory

### Remittance Services

#### Foreign and Domestic Remittances

- China Bank On-time Remittance
- China Bank Smart Money
- Western Union Money Transfer Service
- Overseas Kababayan Savings Account (OKS) Account

### Trust Services

#### Corporate and Institutional Trust

- Fund Management
  - Employee Benefit Planning
  - Retirement Plan
  - Provident/Savings Plan
- Escrow Services
- Collateral/Mortgage Trust
- Loan Agency Services

#### Wealth Management

- Estate Planning
- Living Trust
- Life Insurance Trust
- Investment Management Arrangement
  - Investment Advisory
  - Investment Agency

#### Unit Investment Trust Funds

- China Bank GS Fund
- China Bank Dollar Fund
- China Bank Money Market Fund
- China Bank Balanced Fund

### Treasury Services

#### Peso Denominated Instruments

- Government and Corporate Bond Issues

#### Dollar Denominated Instruments

- Government and Corporate Bond Issues

#### Foreign Exchange

- Spot, Forward, Swaps

### Insurance Products

#### Bancassurance

- Life and Income Protection
- Critical Illness
- Retirement
- Savings and Education
- Investment with Protection

#### Individual Life Insurance

- Mortgage Redemption Insurance
- Term Insurance

#### Group Life Insurance

#### Non-Life Insurance

- Fire Insurance - Residential, Commercial & Trust Receipts
- Motor Car Insurance
- Aviation Insurance
- Marine Insurance - Hull/Vessel and Cargo
- Electronic Equipment Insurance
- Liability Insurance - Comprehensive General Liability, Products, etc.
- Directors and Officers Liability Insurance
- Accident and Health
  - Medical Insurance - HMO
  - Personal Accident - Individual & Group
  - Travel Insurance

#### Casualty - Money Insurance, Fidelity

#### Guarantee, Property Floater

- All Risks Insurance - Contractor's All Risk (CAR) Insurance/Erector's All Risk Insurance
- Bonds (Judicial/Performance/Fidelity/Surety, etc.)

#### Specialized Insurance Programs

### Payment & Settlement Services

#### Electronic Banking Channels

- China Bank Automated Teller Machine (ATM)
- China Bank TellerPhone
- China Bank Online Internet, Mobile Banking and Speed Banking
- Cashless Shopping (POS)

### Cash Management Solutions

#### Delivery Channel

#### China Bank Online

#### Liquidity Management

#### Account Balance & Transaction Reporting

#### Sure Sweep

#### MT940 / Multicash

#### Disbursements

#### Check Write Plus (Outsourced)

#### Check Write Plus (Software)

#### BIR 2307 WHT Certificate Printing

#### TRACC Accounting (Software)

#### Corporate Inter-bank Fund Transfer (Corporate IBFT)

#### TellerCard (ATM Payroll Crediting)

#### ChinaPay (Payroll Software)

#### Payroll Processing

#### Government Facilities

- BIR eFPS Online Tax Payments
- SSSNet Monthly Contribution and Loan Repayment Facility
- Philhealth Monthly Contribution Facility
- Sickness / Maternity / Employees' Compensation (SMEC)

#### Automatic Credit Arrangement (ACA)

#### Receivables

#### Check Depot (Post-Dated Check Warehousing Service)

#### Bills Pay Plus (Multi-Channel Bills Payment Services)

#### BancNet Payment System

- BancNet Debit POS
- BancNet Bills Pay Online
- BancNet Bills Pay ATM
- BancNet eShopping

#### Automatic Debit Arrangement (ADA)

#### Bills Payment/Donations:

#### e-Gov

- BIR
- Philhealth

#### Cable TV Companies

#### Credit Card Companies

#### Government Institutions

- SSS Contributions (SE, VM, NWS, OFW, FF)

#### Insurance/Pre-need

#### Internet Companies

#### Loan Companies

#### Telecommunication Companies

#### Utility Companies

#### Schools

#### Charitable Institutions

#### Others

## ANNUAL STOCKHOLDERS ' MEETING

May 2, 2013, Thursday, 4:00 p.m.  
Penthouse, China Bank Building  
8745 Paseo de Roxas corner Villar Street  
Makati City 1226, Philippines

### SHAREHOLDER SERVICES

For inquiries or concerns regarding dividend payments, account status, change of address or lost or damaged stock certificates, please get in touch with:

#### Stocks and External Relations

China Banking Corporation  
11/F China Bank Building  
8745 Paseo de Roxas corner Villar Street  
Makati City 1226, Philippines

Contact persons : Atty. Leilani B. Elarmo  
Atty. Julius L. Danas  
Pamela D. Pablo

Tel. No. : (632) 885-5133  
Fax No. : (632) 885-5135  
Email : lbelarmo@chinabank.ph  
: jldanas@chinabank.ph  
: ocsstocks@chinabank.ph

#### Stock Transfer Service, Inc.

Unit 34-D Rufino Pacific Tower  
6784 Ayala Avenue  
Makati City 1226, Philippines  
Contact persons : Antonio M. Laviña  
Ricardo D. Regala, Jr.  
Tel. No. : (632) 403-2410; 403-2412; 403-9853  
Fax No. : (632) 403-2414

We welcome letters or all such communications on matters pertaining to the management of the Bank, stockholders rights, or any other bank-related issues of importance. Stockholders who wish to communicate with any or all of the members of the China Bank Board of Directors may send letters to:

#### Atty. Corazon I. Morando

*Vice President and Corporate Secretary*  
China Banking Corporation  
11/F China Bank Building  
8745 Paseo de Roxas corner Villar Street  
Makati City 1226, Philippines

### INVESTOR INQUIRIES

China Bank welcomes inquiries from investors, analysts, and the financial community. For information about the developments at China Bank, please contact the Investor Relations Office:

#### Alexander C. Escucha

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and Head of Corporate Planning and Investor Relations*  
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### Post-consumer Recovered Fiber



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