

25 July 2017

MR. JOSE VALERIANO B. ZUÑO III

OIC - Disclosure Department
Philippine Stock Exchange, Inc.
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Re: Quarterly Report on the Use of Proceeds from Stock Rights Offering

Gentlemen:

We refer to China Bank's stock rights offering (SRO) of 483,870,967 common shares listed at the Philippine Stock Exchange on May 10, 2017, and report on the application of the proceeds as of June 30, 2017:

1. Breakdown of Proceeds (in millions):

| | |
|--------------------------------------|---------|
| Gross Proceeds | P15,000 |
| Various Disbursements Related to SRO | (68) |
| Net Proceeds | P14,932 |

2. Application of the Proceeds from the SRO:

As of June 30, 2017, the net proceeds amounting to P14.93 billion have been invested in loans.

Below shows the increase of the Bank's loan portfolio for the following periods (in millions)

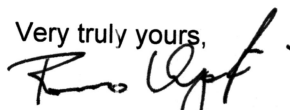
| | |
|--------------------------------|---------|
| April 30, 2017 – June 30, 2017 | P21,278 |
|--------------------------------|---------|

The Bank's loan portfolio as of April 30 and June 30, 2017 amounted to P319.42 billion and P340.70 billion, respectively.

Attached is the report for Sycip, Gorres, Velayo and Company on procedures performed on the information included in the summary report.

Thank you.

Very truly yours,



ROMEO D. UYAN, JR.
Executive Vice President & Treasurer

CHINA BANKING CORPORATION

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Report of Factual Findings

The Shareholders and Board of Directors
China Banking Corporation (the “Bank”)
China Bank Building
8745 Paseo de Roxas corner Villar Street
Makati City

We have performed the procedures agreed with you and enumerated below with respect to information set forth in the accompanying Quarterly Report on the Use of Proceeds from the Stock Rights Offering (the “Offering”) dated July 17, 2017, signed by Mr. Romeo D. Uyan, Jr., Executive Vice President and Treasurer, and addressed to the Philippine Stock Exchange, Inc. (PSE) (the “Report”). Our letter was undertaken in accordance with Philippine Standards on Related Services 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*, applicable to the agreed-upon procedures engagements. The agreed-upon procedures and results thereof are summarized as follows:

1. Obtain from the Bank its Quarterly Report on the Use of Proceeds for the quarter ended June 30, 2017 and test its mathematical accuracy.
2. Obtain and test the mathematical accuracy of the schedule of proceeds amounting to ₱15.00 billion and compare this with the amount in the Report.
3. Obtain and test of the mathematical accuracy of the schedule of stock rights offering expenses amounting to ₱68.00 million and compare this with the amount in the Report.
4. Trace and agree the Bank’s disbursements for transaction cost amounting to ₱68.00 million to supporting documents such as invoice or statement of account and official receipt issued to the Bank and Bank’s voucher.
5. Obtain the Bank’s trial balance as of April 30 and June 30, 2017. Agree the amounts of the Bank’s loans and receivables of ₱319.42 billion and ₱340.70 billion based on the trial balance as of April 30 and June 30, 2017, respectively, with the amounts of loans and receivables in the Report.
6. Compare the balances of loans and receivables as of April 30 and June 30, 2017 and obtain explanation from the Bank for the movements in this account.

We report our findings below from the performance of the agreed-upon procedures enumerated above.

1. With respect to item 1, we obtained from the Bank its Quarterly Report on the Use of Proceeds for the quarter ended June 30, 2017 and tested its mathematical accuracy. We found no exception in applying the procedure.
2. With respect to item 2, we obtained the schedule of proceeds amounting to ₱15.00 billion, tested the schedule's mathematical accuracy and compared the proceeds amount with the amount in the Report. We found no exception in applying the procedures.
3. With respect to item 3, we obtained the schedule of stock rights offering expenses amounting to ₱68.00 million, tested the schedule's mathematical accuracy and compared total expense with the amount in the Report. We found the schedule to be mathematically accurate and the total Stock Rights Offering expenses in the schedule and Report to be the same.
4. With respect to item 4, we traced and agreed the disbursement for transaction cost amounting to ₱68.00 million of the Bank to supporting documents such as invoice or statement of account and official receipt issued to the Bank and Bank's voucher. We noted that these disbursements are related to the Bank's Stock Rights Offering.
5. With respect to item 5, we obtained the Bank's trial balance as of April 30 and June 30, 2017 and agreed the amounts of the Bank's loans and receivables amounting to ₱319.42 billion and ₱340.70 billion based on the trial balance as of April 30 and June 30, 2017, respectively, with the amounts of loans and receivables in the Report. We found no exception in applying the procedures.
6. With respect to item 6, we compared the balances of loans and receivables as of April 30 and June 30, 2017. We obtained from the Bank the explanation for the movements in this account. According to the Bank's management, the movement pertains to additional loan releases funded by the proceeds from the Offering.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing ("PSA") or Philippine Standards on Review Engagements ("PSRE"), we do not express any assurance on the use of proceeds from the Offering based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be sued for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Bank's application of proceeds from the Offering and items specified above do not extend to any financial statements of the Bank, taken as a whole.

SYCIP GORRES VELAYO & CO.


Ray Francis C. Balagtas

Partner

CPA Certificate No. 0108795

Tax Identification No. 216-950-288

BIR Accreditation No. 08-001998-107-2015

March 4, 2015, Valid until March 4, 2018

PTR No. 5908666, January 3, 2017, Makati City

July 26, 2017